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Government of Gujarat - Report No. 5 of the year 2013

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**Report of the
Comptroller and Auditor General of India
on
Local Bodies
for the year ended March 2012**



**Government of Gujarat
Report No. 5 of the year 2013**

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151(2) of the Constitution of India.
2. Chapter-I and III of this Report contain an overview of the Finances and Accounts of Panchayati Raj Institutions and Urban Local Bodies respectively.
3. The Chapter-II contains findings of performance audit on Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme and thematic audit on Management of Finance in Bhavnagar and Surendranagar District Panchayats. Chapter-IV contains findings of performance audit on Implementation of Jawaharlal Nehru National Urban Renewal Mission.
4. The Report covers significant matters arising out of the performance audits and thematic audit of Local Bodies. The Reports containing points arising from audit of financial transactions relating to Economic Sector departments, General and Social Sector departments, Revenue Receipts, Statutory Corporations and Government Companies are being presented separately.
5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during 2011-12 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

OVERVIEW

This Report contains four chapters. The first and the third chapters contain a summary of finances and accounts of Panchayati Raj Institutions and Urban Local Bodies respectively. The second chapter contains one performance audit and one thematic audit based on the audit of financial transactions of the Panchayati Raj Institutions. The fourth chapter contains a performance audit based on the audit of financial transactions of Urban Local Bodies. A synopsis of the findings contained in the performance audits and thematic audit are presented in this overview.

1 An overview of Finances and Accounts of Panchayati Raj Institutions

A review of finances of Panchayati Raj Institutions (PRIs) revealed that the State Government has not yet devolved 10 functions out of 29 functions to the PRIs as envisaged in the 11th Schedule of the Constitution. District Planning Committees have been constituted in 10 districts only. Prescribed periodicity for constitution of State Finance Commissions was not maintained. Formats of Model Accounting System prescribed by CAG were not adopted. Long pendency of audit paragraphs and non settlement of audit observations indicated weak internal control system in PRIs.

(Paragraph 1.1 to 1.13)

2 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

The performance audit on implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme revealed deficiencies in planning and implementation of scheme. Utilisation of funds was not optimal. Deficiencies in financial management like incorrect financial reporting, unspent balances lying with GPs, booking of advance payment as final expenditure, etc. were noticed. There were discrepancies in registration of households and issue of job cards. Employment of 100 days to registered households was not ensured. Several instances of suspected payments and ghost workers were noticed. Prohibited works were taken up and payments made. Vigilance, monitoring and evaluation mechanisms were not effective.

(Paragraph 2.1 to 2.1.22)

3 Management of Finance in Bhavnagar and Surendranagar District Panchayats

The thematic audit on management of finance in Bhavnagar and Surendranagar District Panchayats revealed that unspent balances of Bhavnagar and Surendranagar District Panchayats (DPs) increased due to

non-achievement of targets communicated by the State Government under the schemes. Receipts of own revenue decreased in both DPs due to poor recovery of taxes. Grants received for water supply, purchase of vehicles and from Twelfth Finance Commission were not utilised. Funds of devolved function of primary health were not transferred to Block Health Officers. DPs failed to indentify backward GPs for providing District Equalisation Fund grants to minimise inequalities and also did not distribute grants on account of royalty to GPs. Separate fund for welfare of SC, ST and OBC was not earmarked in Surendranagar DP. Advance payments were lying un-adjusted since long. Cash Books of DPs and TPs were also not properly maintained.

(Paragraph 2.2.1 to 2.2.14)

4 An Overview of Finances and Accounts of Urban Local Bodies

A review of finances of Urban Local Bodies (ULBs) revealed that the grant-in-aid of ULBs reduced by 27 per cent though their own revenue increased by 34 per cent. The utilisation of funds increased by only 12 per cent though the closing balance of funds enhanced significantly. The utilisation of funds on roads, drains and culverts reduced to 14 per cent (2011-12) from 22 per cent (2009-10). Thirteenth Finance Commission's grant of ₹124.47 crore were not utilised by 96 Nagarpalikas. State's municipal accounts manual has not been finalised. The audit of Director Local Fund Audit (DLFA) was in arrears. The Department failed to ensure prompt and timely action by executives of ULBs in respect of audit objections raised by DLFA and CAG.

(Paragraph 3.1 to 3.8)

5 Implementation of Jawaharlal Nehru National Urban Renewal Mission

The performance audit on implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) revealed that the stipulated urban reforms had not been implemented fully. The implementation of JNNURM was deficient in planning and the DPRs were prepared without addressing all the issues. Instances of award of work to second lowest agencies after post tender negotiations, injudicious rejection of tenders, cost overrun and loss of Central assistance were noticed. In some cases, works were not taken up due to failure of the ULBs to arrange land and providing alternate/transit accommodation for the slum dwellers. Projects already under execution were included in the Mission against the scheme guidelines. Monitoring mechanism was also not effective.

(Paragraph 4.1 to 4.1.16)

CHAPTER – I

AN OVERVIEW OF FINANCES AND ACCOUNTS OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The 73rd Constitutional amendment gave constitutional status to Panchayati Raj Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

A three-tier¹ system of Panchayat was envisaged in the Gujarat Panchayat (GP) Act, 1961. This Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment Act, 1992.

1.2 State Profile

The population growth in Gujarat during the last decade was 19.17 *per cent* and was more than the national average of 17.64 *per cent*. By the year 2011, the population of the State was 6.04 crore, of which women comprise 47.86 *per cent*. The rural population of the State was 3.47 crore (57.45 *per cent*) and urban population was 2.57 crore (42.55 *per cent*). The comparative demographic and developmental picture of the State is given in **Table 1** below:

Table 1: Important statistics of the State

Indicator	Unit	State value	National value	Rank amongst all States
Population	1,000s	60,384	12,10,193	10
Population density	Sq. km	308	382	21
Rural Population	1,000s	34,671	8,33,088	11
Number of PRIs	Numbers	14,132	2,45,868	05
Number of District Panchayats (DPs)	Numbers	26	589	09
Number of Taluka Panchayats (TPs)	Numbers	223	6,321	11
Number of Gram Panchayats (GPs)	Numbers	13,883	2,38,958	05
Gender ratio	1,000 males	918	940	24

(Source : Socio-Economic Review 2011 of Gujarat)

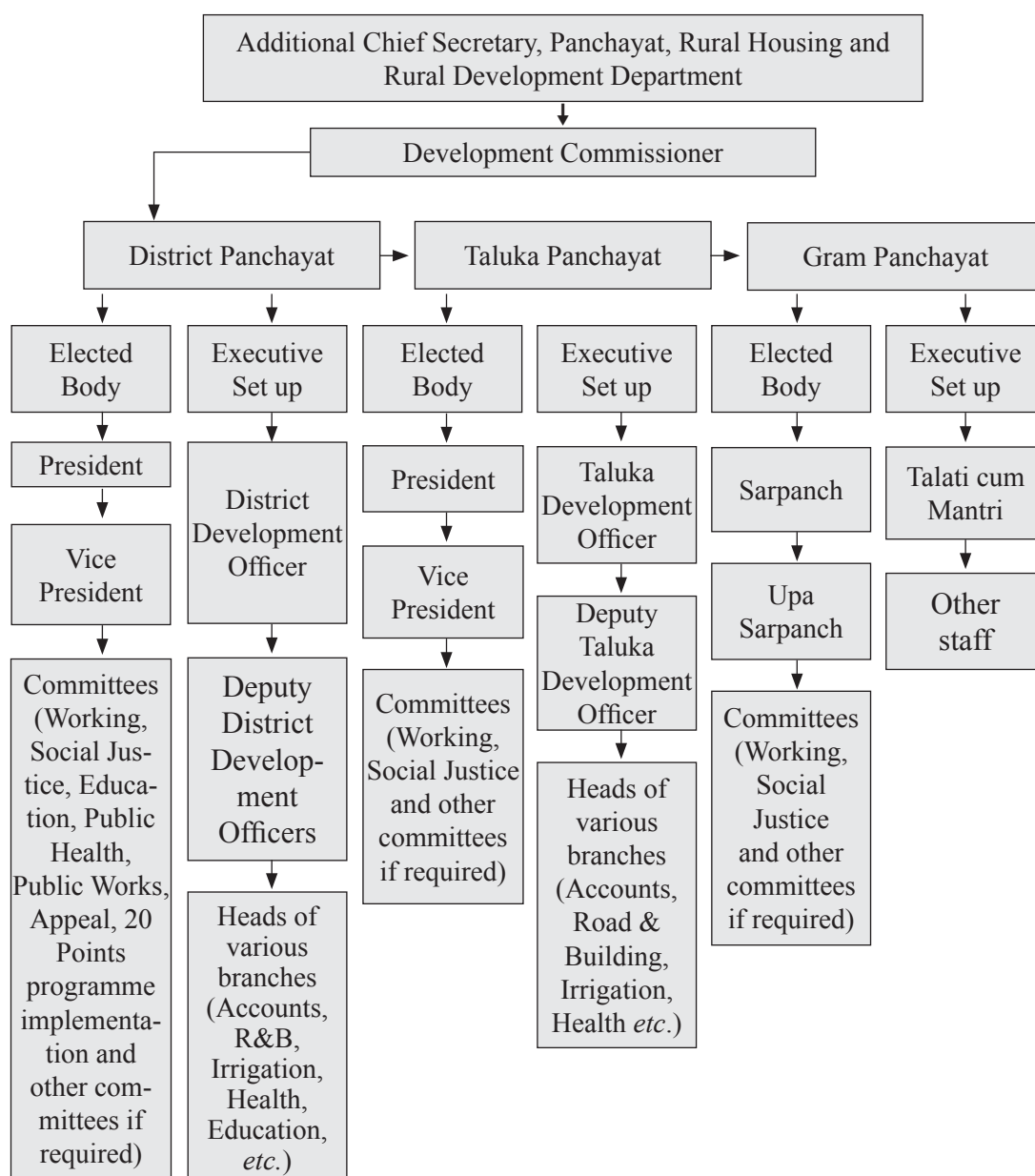
1.3 Organisational set up of the PRIs

Panchayat, Rural Housing and Rural Development Department (PRHRDD) headed by Additional Chief Secretary exercises administrative control over the

¹ District Panchayat (DP) at district level, Taluka Panchayat (TP) at intermediate level and Gram Panchayat (GP) at village level.

PRIs. The PRHRDD is responsible for framing policies pertaining to formulation and implementation of developmental schemes and administration. The PRHRDD exercises administrative control through office of the Development Commissioner, Gandhinagar. The President and Vice President of the DPs and TPs are elected from the elected representatives. The Sarpanch of a GP is elected by the villages and the Upa Sarpanch is elected from the elected representatives. The GP Act envisages the functioning of the DPs, TPs and GPs through Standing Committees having elected representatives as members and chairman. The numbers of Committees prescribed under the GP Act are seven, two and two for DPs, TPs and GPs respectively. In addition, the Panchayats may, with the prior approval of the State Government, constitute Committee(s) for specific purposes. The President in respect of DPs and TPs and Sarpanch of GPs is the *ex-officio* Chairperson of the Standing Committees.

The organisational set up of the three tier system in Gujarat is shown below:



1.4 Powers and functions

The 73rd Amendment to the Constitution envisaged transfer of the 29 functions listed in the 11th Schedule of the Constitution to the PRIs. Article 243 G of the Constitution had empowered the State Legislature to decide and confer powers and responsibilities to the PRIs. As per Section 180 (2) of the GP Act, the State Government may entrust 29 functions to the PRIs. State Government has devolved (April 1993) 14 functions fully and 5 functions partially to PRIs. Ten functions have yet not been devolved (March 2013) to the PRIs (**Appendix-I**).

1.5 District Planning Committees

Article 243 ZD of the Constitution of India envisages that a District Planning Committee (DPC) shall be constituted at district level in every State to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan (DDP) for the district as a whole. The Chairperson² of every DPC³ shall forward the draft development plan, as recommended by such Committee, to the Government of the State.

The State Government had constituted (July 2006 and January 2009) DPCs in all the districts. Due to election of ULBs and PRIs in the State between October 2010 and February 2011, all the DPCs were dissolved. Subsequently, DPCs were reconstituted (between June 2011 and June 2012) in 10 districts namely Bharuch, Dahod, Dangs, Jamnagar, Kutch, Mehsana, Narmada, Navsari, Panchmahals and Surat and in the 16 remaining districts, DPCs are yet to be constituted⁴ (March 2013).

1.6 Financial Position of PRIs

1.6.1 Fund flow chart of PRIs

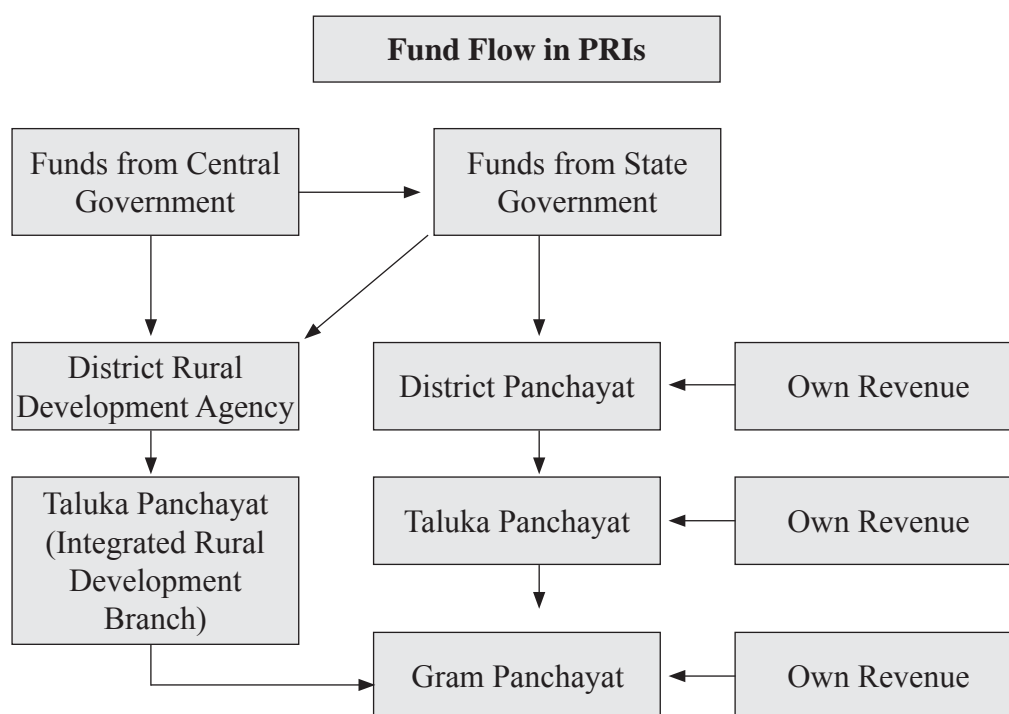
The funds of DPs and TPs are deposited in the District Treasury in Deposits Account which is operated as non-interest bearing banking account. Centrally Sponsored Scheme (CSS) funds are kept in the banks/post offices in savings accounts according to guidelines of the respective schemes. The funds of GPs are kept in savings accounts at the nearest post office or a scheduled bank.

² Minister in-charge of the district

³ DPC consists of such number of elected, nominated and permanent invitee members (not less than 15 and not more than 30) as determined by the Collector of the district.

⁴ In absence of DPC, plan is approved by District Development Officer and later ratified by DPC after reconstitution.

The fund flow-chart in PRIs is shown below:



1.6.2 Financial position of PRIs

In addition to own source of tax and non tax revenue e.g. fair tax⁵, building tax, fee, rent from buildings, water reservoirs, *etc.* and capital receipts from sale of land, PRIs receive funds from State Government and Government of India (GOI) in the form of grants-in-aid/loans for general administration, implementation of development schemes/works, creation of infrastructure in rural areas, *etc.* Besides, grants from State/Central Finance Commission are also received.

1.6.3 Sources of Revenue

The receipt of PRIs from all sources during the last three years ending 2011-12 is shown in the **Table 2** below:

Table 2 : Sources of revenue of PRIs

(₹in crore)

	2009-10	2010-11	2011-12
Government Grants	8,731.62	11,419.64	13,087.87
Own Revenue	242.48	133.88	266.61
Twelfth/Thirteenth Finance Commission Grants	186.20	230.43	299.02
Total	9,160.30	11,783.95	13,653.50

(Source : Budget publications and information furnished by the PRHRDD)

The above table shows that total receipts during 2009-12 increased by 49 *per cent* mainly contributed by increase in government grants by 50 *per cent*.

⁵ Tax on melas held in the jurisdiction of PRIs

1.6.4 Sectoral Receipt and Expenditure

The sectoral allocation of receipt and expenditure of PRIs during 2009-10 to 2011-12 is given in **Table 3** below:

Table 3 : Sectoral receipt and expenditure of PRIs

(₹in crore)

Description		General Services	Social Services	Economic Services	Total
2009-10	Budget provision	925.40	5,351.97	2,882.93	9,160.30
	Expenditure	1,330.26	5,089.18	2,797.26	9,216.70
2010-11	Budget provision	904.80	7,535.03	3,344.12	11,783.95
	Expenditure	1,073.67	7,521.04	3,353.18	11,947.89
2011-12	Budget provision	1,162.29	7,671.39	2,201.24	11,034.92
	Expenditure	921.51	7,523.21	2,510.92	10,955.64

(Source : VLC data and Budget publications).

The above table shows that percentage of expenditure to total expenditure decreased from 14 *per cent* to eight *per cent* under general services and from 30 *per cent* to 23 *per cent* under economic services whereas it increased from 55 *per cent* to 69 *per cent* under social services during the period 2009-12.

1.7 State Finance Commission

Article 243 I of the Constitution made it mandatory for the State Government to constitute a State Finance Commission (SFC) within one year from the enactment of 73rd Constitutional Amendment and thereafter on expiry of every five years to review the financial condition of the PRIs and to make recommendations to the Governor for devolution of funds on the following aspects:

- the distribution of net proceeds of taxes, duties and fees between the State and the PRIs;
- taxes, duties, fees and tolls to be assigned and appropriated by PRIs;
- release of grants-in-aid to the PRIs from Consolidated Fund of the State; and
- measures needed to improve the financial conditions of the PRIs.

1.7.1 Delayed/Non-constitution of State Finance Commission

As the Constitutional Amendment Act, 1992 came into effect on 20 April 1993, the constitution of the first SFC was due by 19 April 1994. Status of constitution of Finance Commissions by the State Government is given in **Table 4** as follows :

Table 4 : Constitution of State Finance Commission

Finance Commission	Due Date for Constitution of SFC	Actual Date of Constitution	Delay in constitution	Month of submission of reports by SFC	Date of placement in Assembly
1 st FC	19 April 1994	15 September 1994	5 Months	October 1997	28 August 2001
2 nd FC	19 April 1999	19 November 2003	55 Months	November 2006	30 March 2011
3 rd FC	19 April 2004	02 February 2011	81 Months	Not Submitted	NA
4 th FC	19 April 2009	Not constituted	--	NA	NA

(Source : Information received from PRHRDD)

The above table shows that the mandatory provisions in respect of timely constitution of the SFCs were not adhered to by the State Government. Delayed/ non-constitution resulted in non availability of set of guiding principles for distributing State's financial resources among PRIs/ULBs, determination of taxes, duties, tolls and fees which are to be assigned to or appropriated by, the Panchayats or the Municipalities.

Though 2nd SFC report was submitted in November 2006, it was placed in Legislature in March 2011 after delay of four years and five months. Out of 83 recommendations⁶ made by 2nd SFC, State Government accepted 31 recommendations⁷. Audit observed that only 14⁸ recommendations have been implemented (December 2012) as shown in **Appendix - II**.

1.8 Twelfth Finance Commission Grants

On the recommendation of Twelfth Finance Commission (TFC), Government of India released ₹931.00 crore to the State Government during the period 2005-10. State Government released the funds to the PRIs during the same period. Out of which, PRIs spent ₹264.52 crore on Water Supply and Sanitation, ₹264.52 crore on Solid Waste Management, ₹42.80 crore on database on finances and ₹352.71 crore on other works leaving an unspent balance of ₹6.45 crore (GOI share) as on March 2010. The State Government granted permission (June 2011) to PRIs to spend this unspent balance for the works recommended by TFC. However, it was observed that though more than one and a half years have elapsed, the department failed to ascertain its utilisation by PRIs as the details of expenditure incurred by the PRIs were not available with the Department (April 2013).

1.9 Thirteenth Finance Commission

The Thirteenth Finance Commission grants are divided into two components—General Basic Grant (GBG) and General Performance Grant (GPG). The GBG can be assessed by all States as per criteria laid down by the Commission. But GPG can be assessed only by those States which comply with conditions

⁶ 41 recommendations in respect of PRIs and 42 recommendations in respect of ULBs

⁷ 21 recommendations in respect of PRIs and 10 recommendations in respect of ULBs

⁸ Seven each of PRIs and ULBs

stipulated, otherwise the GPG would be forfeited. The forfeited grant is to be distributed as follows:

- 50 *per cent* of amount forfeited by the PRIs to be distributed among all States irrespective of their compliance with the condition; and
- remaining 50 *per cent* to be distributed among the States which have complied with the conditions.

The State Government for the period 2010-15 is eligible to get central grant of ₹2,333.09 crore for PRIs, of which ₹1,525.44 crore was earmarked for GBG and ₹807.65 crore for GPG. Accordingly, State Government received GBG of ₹230.43 crore⁹ for the year 2010-11 and ₹285.50 crore¹⁰ for the year 2011-12. However, records regarding utilisation of GBG and GPG grants were not made available, hence, the expenditure incurred could not be vouchsafed in audit.

Audit further observed that GPG of ₹93.80 crore allocated (2011-12) by GOI for the State was forfeited due to non-compliance of conditions stipulated by the 13th Finance Commission and received only ₹13.52 crore as GPG for the year 2011-12. This has resulted in loss of Central assistance of ₹80.28 crore.

1.10 Formats of Accounts

State Government decided (September 2004) to accept the Model Accounting System (MAS) prescribed by the Comptroller and Auditor General of India (CAG) which provides for four tier classification of accounts viz. major head, minor head, sub head and object head. Further, instructions were issued (March 2011) by the State Government for maintaining accounts as per double entry accrual accounting system in Gujarat Rural Accounting Management (GRAM) software along with eight formats prescribed in MAS in addition to the requirement of respective Financial Rules of PRIs. However, the formats have not been operationalised and PRIs continued with their existing accounting formats prescribed under the Gujarat Taluka and District Panchayats Financial Accounts and Budget Rules, 1963.

Further, audit observed that web-based software (PRIASoft) developed by the GOI for maintenance of accounts of PRIs was not adopted by the State Government.

DPs stated (January 2013) that GRAM software had facilities for keeping accounts in double entry accounting system. The reply is not acceptable as the format prescribed by CAG was not found in the GRAM software adopted by the PRIs. Further, the annual accounts maintained by the PRIs were on cash basis instead of double entry accrual based accounting system. The State Government stated (May 2013) that the proposal of adoption of PRIASoft was under consideration.

⁹ ₹217.24 crore (GBG) + ₹13.19 crore Special area basic grant

¹⁰ ₹272.31 crore (GBG) + ₹13.19 crore Special area basic grant

1.11 Audit arrangement and coverage

Director Local Fund Audit (DLFA) is the primary auditor of the accounts of PRIs under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. State Government by a resolution (May 2005) entrusted the Technical Guidance and Supervision (TGS) over the audit of PRIs to Comptroller and Auditor General of India (CAG) under Section 20(1)¹¹ of CAG's (DPC) Act, 1971. The provision of laying of Audit Report of DLFA alongwith the Report of CAG before the State Legislature was made by amending (May 2011) the Gujarat Panchayats Act, 1993. The Accounts for the financial years 2006-07 and 2007-08 of 15 DPs, 61 TPs and 488 GPs were audited during 2011-12 under Section 20(1) of CAG's (DPC) Act, 1971.

1.11.1 Status of audit of PRIs by DLFA

The status of audit conducted by DLFA up to October 2012 is shown in **Table 5** below:

Table 5 : Status of audit by DLFA

PRIs	Number of Auditee units	Units audited and period of accounts covered	Units yet to be audited and period of accounts to be covered
DPs	26	26 units (upto 2009-10)	26 units (2010-11 and 2011-12)
TPs	224	214 units (upto 2009-10)	10 units (2009-10); 224 units (2010-11 and 2011-12)
GPs	13,714	2,921 units (upto 2009-10)	10,793 units (2009-10); 13,714 (2010-11 and 2011-12)

(Source : Information furnished by DLFA)

The above table shows that audit of GPs by DLFA was in arrears from 2009-10 onwards and for DPs and TPs, the arrears were from 2010-11 onwards.

The audit report of PRIs by DLFA for 2007-08 was placed before Legislature and reports for the year 2008-09 and 2009-10 were under preparation.

1.11.2 Compliance to Inspection Reports

1.11.2.1 Inspection Reports of DLFA

Gujarat Local Fund Audit (GLFA) Act 1963, provides that DLFA should conduct audit of PRIs, prepare Inspection Reports (IRs) and send the same to the local authorities within one month of completion of audit. The IRs should be complied by the local authority within one month from the date of its receipt. Information provided by DLFA showed that as on March 2012, 16,73,896 paragraphs issued

¹¹ Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority: Provided that no such request shall be made except after consultation with the CAG.

by DLFA were pending for compliance. Age-wise pendency of IR paragraphs is given in **Table 6** as follows:

Table 6 : Pendency of IR paragraphs of DLFA

PRI's	Outstanding paragraphs pertaining to the period up to 2001-02	Outstanding paragraphs pertaining to the period 2002-06	Outstanding paragraphs pertaining to the period 2006-10	Total outstanding paragraphs
DPs	28,305	9,755	6,333	44,393
TPs	79,837	30,980	26,964	1,37,781
GPs	9,08,725	2,88,983	2,94,014	14,91,722
Total	10,16,867	3,29,718	3,27,311	16,73,896

(Source : Information furnished by DLFA)

The above table shows that out of 16,73,896 outstanding paragraphs, 10,16,867 (61 *per cent*) paragraphs were outstanding for more than ten years due to non-compliance by PRIs. This indicated lack of prompt response on the part of officials of PRIs.

1.11.2.2 Outstanding paragraphs of IRs of Accountant General

22,098 paragraphs of 5,144 IRs up to the year 2011-12 were outstanding for want of proper compliance from PRIs as on September 2012. The status of financial year-wise outstanding paragraphs is shown in **Table 7** below:

Table 7 : Position of pendency of paragraphs of AG

	Up to 2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
IRs	2,285	401	419	683	804	552	5,144
Paras	8,767	1,650	1,594	2,454	3,745	3,888	22,098
Money value (₹in crore)	31.84	5.63	1.92	2.44	0.39	9.68	51.90

Increasing trend of outstanding paragraphs indicated lack of efforts by concerned authorities in furnishing compliance to these paragraphs rendering audit exercise ineffective.

1.12 Response of departments to the audit paragraphs

Two¹² draft performance audit reports and one¹³ draft thematic audit paragraph were forwarded to the Principal Secretaries of the concerned administrative departments between August 2012 and September 2012 with a request to send their responses within four weeks. The reply to one¹⁴ draft performance audit report featured in this Report was received. Entry and exit conferences were

¹² Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme and Jawaharlal Nehru National Urban Renewal Mission

¹³ Management of Finance in Bhavnagar and Surendranagar District Panchayats

¹⁴ Implementation of Jawaharlal Nehru National Urban Renewal Mission

also held with the concerned departments on the audit findings and the replies/ views expressed have been duly considered while finalising this report.

1.13 Conclusion

The State Government has not yet devolved 10 functions out of 29 functions to the PRIs as envisaged in the 11th Schedule of the Constitution. District Planning Committees have been constituted in 10 districts only. Prescribed periodicity for constitution of State Finance Commissions was not maintained. Formats of Model Accounting System prescribed by CAG were not adopted. Long pendency of audit paragraphs and non-settlement of audit observations indicated weak internal control system in PRIs.

CHAPTER-II

This chapter contains findings of performance audit on implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme and thematic audit on Management of Finance in Bhavnagar and Surendranagar District Panchayats.

A - PERFORMANCE AUDIT

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

Executive Summary

Government of India enacted (September 2005) National Rural Employment Guarantee Act, 2005, the Act was renamed as “Mahatma Gandhi National Rural Employment Guarantee Act” (MGNREGA) from 2 October 2009. The primary objective of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) formulated under the Act was to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The performance audit on implementation of MGNREGS during the period 2007-12 revealed the following deficiencies:

State Employment Guarantee Council was constituted after a delay of four years. Shelves of projects and Development Plan were not prepared by Gram Panchayats. Perspective Plans submitted were not approved by Commissioner of Rural Development. Instances of non-refund of unspent balances by Gram Panchayats, booking of advance payments as final expenditure were noticed. Registration data was not authentic and there were discrepancies between physical and on-line records. Inordinate delays in issue of job cards were also noticed. Households provided with 100 days employment ranged between four per cent and six per cent during 2007-12. Payments of ₹6.08 crore was made by Programme Officers, Fatepura and Dahod without supporting documents and entry in Cash Book. Cases of suspected fraud/misappropriation in payment of wages, non-payment of wages and improper maintenance of muster rolls were noticed. In five districts, 447 persons were shown to have worked at two different places during same period. Excess payment of ₹18.08 crore over the rate of wage fixed by GOI was made in Dahod. Prohibited works like earthen roads and cement concrete roads at a cost of ₹6.68 crore were executed in three districts. Non-durable boribandhs were constructed at a cost of ₹101.25 crore violating the scheme guidelines. Assets created were not maintained for want of financial provision. Monitoring and Evaluation system was not effective.

2.1.1 Introduction

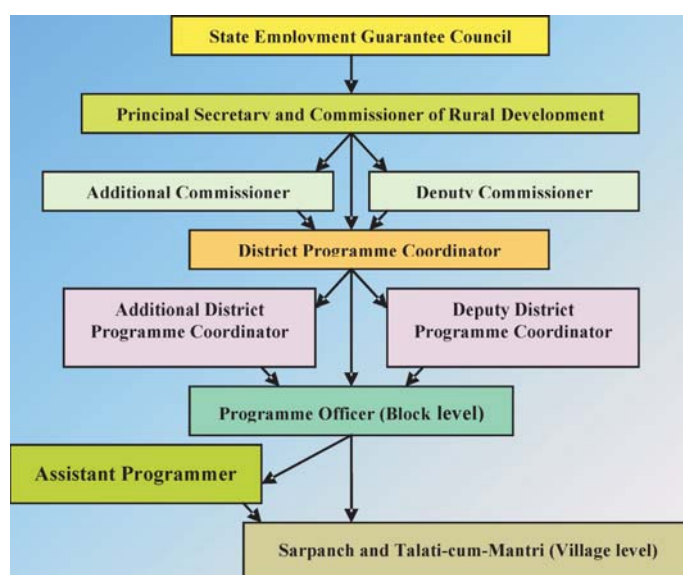
Government of India (GOI) enacted (September 2005) National Rural Employment Guarantee Act, 2005 (NREGA)¹ which came into force with effect from February 2006 in the 200 districts in rural areas of India. The Ministry of Rural Development (MoRD) was the nodal Ministry for implementation of the MGNREGA. State Government promulgated (February 2006), National Rural Employment Guarantee Scheme (NREGS)² in six districts³, which was extended to three⁴ more districts in April 2007 (Phase-II) and to the rest of 17 districts in April 2008 (Phase-III). The Principal Secretary, Panchayat, Rural Housing and Rural Development Department (PRHRDD) was responsible for implementation of the Scheme.

The primary objective of the scheme was to enhance livelihood security of rural households by providing at least 100 days of guaranteed wage employment in every financial year to every household whose adult members volunteer to do unskilled manual work. The auxiliary objectives of the scheme were to generate productive assets, protect environment, empower rural women, reduce rural to urban migration, foster social equity and strengthen rural governance through processes of decentralisation, transparency and accountability.

2.1.2 Organisational set up

The State Employment Guarantee Council (SEGC) is the apex body for implementation, monitoring and supervision of the Scheme. The Principal Secretary and Commissioner, Rural Development Department (CRD) has been designated as Employment Guarantee Commissioner at State level. He is assisted by Additional Commissioner and Deputy Commissioner.

Organogram



¹ The NREGA was renamed (October 2009) as Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).

² Renamed as MGNREGS

³ Banaskantha, Dangs, Dahod, Narmada, Panchmahals and Sabarkantha

⁴ Bharuch, Navsari and Valsad

At district level, District Development Officer (DDO) of respective District Panchayat has been designated as District Programme Coordinator (DPC). He is assisted by Additional District Programme Coordinator (ADPC)⁵. At Taluka⁶ level, Taluka Development Officer (TDO) has been designated as Programme Officer (PO). At Gram Panchayat (GP) level, Sarpanch as well as Talati-cum-Mantri (TCM) has been made joint stakeholders for implementation of the scheme, who are assisted by Gram Rozgar Sewaks (GRSs).

2.1.3 Audit objectives

The objectives of the performance audit were to ascertain whether -

- funds were released, accounted for and utilised by State Government as per the provisions of Act/Rules;
- structural mechanisms were put in place and adequate capacity building measures taken by the State Government for implementation of the Scheme;
- the procedures for preparing perspective and development plan at different levels for estimating the likely demand for work and preparing shelves of projects were adequate and effective;
- there was an effective process of registration of households (HHs), allotment of job cards and allocation of employment in compliance with the Act/Rules;
- the primary objective of ensuring the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates was effectively achieved and the unemployment allowance for inability to provide job-on-demand were paid in accordance with the Act and relevant Rules;
- works were properly planned, economically, efficiently and effectively executed in a timely manner and in compliance with the Act and Rules; durable assets were created, maintained and properly accounted for; adequate maintenance of records/data/Monitoring and Information System (MIS); and
- there was an effective mechanism to assess the impact of Scheme on individual HHs, local labour market, migration cycle and efficacy of assets created.

2.1.4 Audit criteria

The findings were benchmarked against the following criteria -

- NREGA, 2005 as amended from time to time;
- Operational guidelines (2006 and 2008) of MGNREGS and circulars issued by MoRD and State Government; and
- NREGA Fund Rules 2006, NREGA Financial Rules 2009 and MGNREGA Scheme Rules 2011.

⁵ Director, District Rural Development Agency (DRDA) holds the post in *ex-officio* capacity and is responsible for the overall implementation of the scheme in the district.

⁶ In Gujarat State, Block is known as Taluka

2.1.5 Scope and methodology of Audit

The performance audit covering the period 2007-12 was conducted (February-May 2012 and July-August 2012) at office of the CRD, eight districts⁷, 25 *per cent* of Talukas⁸ from each selected district (selected on the basis of Simple Random Sampling without Replacement) and 10 GPs from each selected Taluka (two on the basis of risk analysis and eight on the basis of probability proportional to size sampling method).

Ten works from each selected GPs were selected for field visit on the basis of random sampling for impact assessment of the scheme. In addition to this, social audit reports and other relevant records were also scrutinised to assess the effectiveness of people's participation in implementation of the scheme. Data from National Informatics Centre (NIC) was also obtained, analysed and suitably commented wherever required.

An Entry Conference was held (07 March 2012) with Principal Secretary and Commissioner, Rural Development Department to explain the audit objectives. The audit findings were discussed (17 July 2012) with the Department during Exit Conference.

Audit findings

2.1.6 Financial Management

2.1.6.1 Utilisation of funds

The Scheme guidelines provide that GOI would bear 100 *per cent* cost on wages for unskilled labour, 75 *per cent* cost of skilled, semi-skilled labour, material and administrative expenditure⁹ as determined by GOI from time to time. State Government would bear 25 *per cent* cost of material, skilled and semi-skilled labour. In addition, State Government would bear the entire cost of unemployment allowance¹⁰ to households in case of failure to provide employment within fifteen days of demand of employment and expenditure on State Employment Guarantee Council (SEGC).

⁷ District Rural Development Agencies (DRDAs) at Ahmedabad, Banaskantha, Dahod, Panchmahals, Patan, Surendranagar, Vadodara and Valsad

⁸ Office of the Taluka Panchayat (TP)

⁹ Presently it is six *per cent* of total expenditure under the scheme

¹⁰ If State Government fails to provide employment within fifteen days of demand of employment by a household, it has to pay unemployment allowance at the rate not less than one fourth of wage rate for first thirty days and not less than one half of wage rate for remaining period of the financial year.

Details of grant received and expenditure incurred by the State are as shown in **Table 1** below:

Table 1 : Grant received and expenditure incurred

(₹in crore)

Year	Opening Balance	Grant released		Miscellaneous	Total funds available	Expenditure	Percentage of expenditure ¹¹	Closing Balance
		GOI	State					
2007-08	63.29	60.01	8.48	2.91	134.69	62.98	47	71.71
2008-09	71.71	164.77	42.20	22.21	300.89	187.08	62	113.81
2009-10	113.81	777.41	61.22	124.96	1,077.40	821.01	76	256.39
2010-11	256.39	909.01	111.03	26.00	1,302.43	856.92	66	445.51
2011-12	445.51	324.61	144.74	17.10	931.96	686.52	74	245.44
Total		2,235.81	367.67	193.18		2,614.51		

(Source : Information provided by Commissioner of Rural Development)

The table shows that the percentage of expenditure incurred during 2007-12 ranged from 47 *per cent* to 76 *per cent*. Audit observed that there were variations between the figures reported by CRD and online State Monthly Progress Reports available at NREGA website. Thus, the reporting of financial data was not reliable.

2.1.6.2 Inconsistent reporting of expenditure figures of Audited Accounts and Monthly Progress Reports

The scheme guidelines provide that for transfer of funds, a financial management system be devised, which must ensure transparency, efficiency and accountability of funds and track use of funds towards final outcome.

Scrutiny of records at test checked DRDAs revealed inconsistent financial reporting between Monthly Progress Reports (MPRs) and Annual Accounts (AAs). Details of inconsistencies between the expenditure reported in MPRs and AAs were as shown in **Table 2** below:

Table 2 : Inconsistencies between the expenditure reported in MPRs and AAs

(₹in crore)

District	Expenditure reported ¹²					
	2008-09		2009-10		2010-11	
	AA	MPR	AA	MPR	AA	MPR
Ahmedabad	3.97	3.96	12.80	12.63	12.43	12.41
Banaskantha	12.99	16.11	37.78	39.00	57.74	52.11
Dahod	34.10	40.65	101.34	95.65	82.08	81.05
Panchmahals	31.08	32.61	67.22	70.04	63.97	59.86
Patan	5.96	5.54	25.64	25.58	25.00	25.13
Surendranagar	1.10	0.92	22.65	22.61	40.31	39.15
Vadodara	3.51	3.87	44.92	47.85	68.23	61.90
Valsad	2.16	2.05	11.51	12.28	16.11	15.28

(Source : AAs and MPRs of DRDAs)

The above table shows that there was difference in expenditure reported by all test checked districts for the period covered under audit. Incorrect financial

¹¹ Percentage with reference to total funds available (inclusive of opening balance)

¹² The Annual Accounts for the financial year 2011-12 were not ready during the period of audit.

reporting makes the data under MGNREGS unreliable and defeats the purpose of efficient and transparent financial management system.

2.1.6.3 Unspent funds with Gram Panchayats

The State Government notified (November 2008) Mahatma Gandhi National Rural Employment Guarantee Scheme Rules (Scheme Rules 2008) which envisaged transfer of funds to TP level for maintaining transparency in operation of scheme funds. The payments of wages were to be made directly in the bank/postal account of labourers.

Scrutiny of AAs (2010-11) of DRDAs, Dahod and Vadodara revealed that funds amounting to ₹3.62¹³ crore, which were transferred to GPs up to the year 2008-09, were lying unspent with them. As payment was centralised up to Taluka level, these unspent funds were required to be recovered from GPs. This resulted in blocking of funds at GP level.

DRDA, Vadodara stated (July 2012) that efforts were being made to recover the amount from GPs.

2.1.6.4 Unspent balances under preparatory activities

Preparatory activities under the scheme involved preparation of Perspective Plan (PP), printing/procuring of statutory documents, creation of infrastructure and computational facilities, training¹⁴ and Information, Education and Communication (IEC).

The GOI accordingly released (December 2007) ₹68.50 lakh¹⁵ for each DRDA for preparatory activities before launch of Scheme in Phase II and III districts¹⁶. Scrutiny of records revealed that ₹1.23 crore were lying unspent with DRDAs¹⁷.

DRDAs stated (July 2012) that there were no instructions from Government regarding utilisation of unspent funds due to which the funds remained unspent. The replies were not acceptable as non utilisation of funds on preparatory activities affects the implementation of scheme due to lack of planning and awareness.

2.1.6.5 Booking of advance payment as final expenditure

The scheme guidelines provide that no advances should be shown as expenditure. Scrutiny of records at three DRDAs revealed that an amount of ₹4.44 crore¹⁸

¹³ Dahod ₹3.54 crore, Vadodara- ₹0.08 crore

¹⁴ To officials of PRI, members of Village and Monitoring Committee, Data Entry Operators and monitoring personal at District and Block Level

¹⁵ IEC- ₹7 lakh, training for officials - ₹7 lakh, Printing/procuring of statutory documents - ₹40 lakh, Perspective Plan - ₹10 lakh, training for data entry operators - ₹4.5 lakh

¹⁶ Phase II districts - Bharuch, Navsari and Valsad, Phase III districts - Ahmedabad, Amreli, Anand, Bhavanagar, Gandhinagar, Jamnagar, Junagadh, Kachchh, Kheda, Mehsana, Patan, Porbandar, Rajkot, Surat, Surendranagar, Tapi and Vadodara.

¹⁷ Ahmedabad - ₹52.77 lakh, Surendranagar- ₹17.21 lakh and Vadodara- ₹53.08 lakh

¹⁸ Ahmedabad - ₹0.42 crore (March 2010), Surendranagar - ₹2.43 crore (₹0.93 crore in March 2010 and ₹1.50 crore in March 2011) and Vadodara - ₹1.59 crore (March 2011)

was deposited (March 2010 and March 2011) with Gujarat State Civil Supply Corporation Limited (GSCSCL) for supply of cement for construction of Bharat Nirman Rajiv Gandhi Seva Kendra at TP and GP level. Though the cement was not supplied in the year of release of deposit, the advance payment was booked as final expenditure in the scheme accounts by the DRDAs, in violation of guidelines. Further, no action was taken to recover the amount from GSCSCL.

DRDAs stated (July 2012) that action would be taken to recover the deposit or to get supply of the cement. However, specific reply on wrong booking of expenditure was not furnished by the DRDAs.

2.1.6.6 Irregularities in maintenance of financial records

The Scheme Rules, 2008 provide that DRDA should adopt accounting procedure as prescribed by MoRD. The accounting procedure prescribes that DRDAs as well as TPs should maintain a cash book. It further prescribes that Cash Book should be closed on every transacting day. All receipts and payments should be posted in the Cash Book on regular basis. After closing, it should be signed by the Cashier and Drawing and Disbursing Officer (DDO). The Cash Book should be certified, summarised, closed and signed on the last working day of the month by the DDO.

Scrutiny of Cash Books at test checked DRDAs and TPs revealed that -

- Cash Book for the year 2007-08 was not maintained at DRDA, Valsad;
- Cash Book for the year 2009-10 was not signed by the Director, DRDA, Dahod; Cash book for the year 2011-12 was not produced to audit by DRDA, Dahod;
- Cash Book for the year 2010-12 at Fatepura TP (Dahod district), 2009-10 at Ghoghamba TP (Panchmahals district) and 2009-11 at Santrampur TP (Panchmahals district) were not signed by the Programme Officer;
- Cash Book and classified register were not maintained for the year 2007-09 at Santrampur TP (Panchmahals district); and
- At Kwant TP (Vadodara district) an amount of ₹0.39 crore withdrawn (July-August 2010) by Programme Officer was not entered in the cash book.

Cash book being the primary record for financial transactions, its improper maintenance makes system vulnerable to risk, fraud and misappropriation.

DRDA, Valsad stated (May 2012) that the original cash book for the year 2007-08 was not traceable; Programme Officer of Dahod stated that the cash book was not signed due to heavy workload and Programme Officer, Santrampur admitted that the cash book was not maintained during initial period of the scheme.

2.1.7 Delay in constitution of SEGC and its ineffective functioning

The NREGA Act, 2005 mandates constitution of State Employment Guarantee Council (SEGC) for regular monitoring and review of the Scheme. Accordingly, State Government framed (November 2008) Gujarat SEGC Rules, 2008 and constituted (November 2009) Gujarat SEGC. Thus, the constitution of Gujarat SEGC was delayed by four years.

Further, the Rules provide that SEGC should meet at least two times in a year, prepare an annual report on implementation of schemes and present it to the Legislature.

Scrutiny of records revealed that only three meetings¹⁹ were held (up to March 2012) and audit could not find on record any annual report submitted to the Legislature. Thus, the functioning of Gujarat SEGC was not effective.

CRD stated (March 2012) that the annual report was prepared every year by CRD and SEGC has been apprised about annual progress in the meeting. The reply was not correct as the Rules provide that SEGC should prepare the report and present the same to the Legislature.

2.1.8 Planning

2.1.8.1 Non-preparation of Shelves of Projects and Development Plan

The Act envisages TPs as intermediate authorities and GPs as the principal authorities for planning. Section 16 of the Act *ibid* provides that Gram Sabhas would be held every year on October 2 by GPs, recommend shelves of projects by resolution and prepare a Development Plan (DP).

The DP was required to be forwarded to Programme Officer (PO) alongwith administrative and technical approvals by October 15 every year for consolidation. Programme Officer was to finalise and consolidate DP of all GPs, obtain approval from TP and send DP of TP to DPC by November 15. DPC was to consolidate DP of all TPs, prepare DP for the district as a whole and send them to State Government by December 31.

Scrutiny of records of test checked DRDAs, TPs and GPs revealed that GPs had not prepared shelves of projects and DP. Gram Sabha resolutions describing general nature of works with estimated cost were sent to Programme Officer, who accordingly prepared labour budget and sent to the DPC. At districts, only labour budgets were prepared. Thus, the entire process of preparation of shelves of projects and DP was not followed.

2.1.8.2 Non-preparation of Perspective Plan

The Scheme guidelines provide for preparation of Perspective Plan (PP) for long term development of the district on the basis of identification of needs of GPs and works were to be planned to cater to these needs for a longer term.

¹⁹ December 2010, April 2011 and June 2011

GOI issued checklist (November 2007) for approval of PPs by SEGC. GOI released (December 2007) ₹10.00 lakh each to 19 districts (Phase II and III) for preparation of PP for the period 2008-13.

Audit observed in five²⁰ out of eight test checked DRDAs that PPs were finalised and submitted to CRD by four DRDAs²¹ at an expenditure of ₹32.58 lakh²². In DRDA, Valsad, the agency engaged for preparation of PP did not prepare PP despite payment of ₹5.26 lakh. However, CRD had not approved any of the four PPs submitted to it.

CRD stated (March 2012) that plans were under approval, but did not assign any reason for the delay in approval. Thus, the objective of preparation of PP with a holistic approach for overall development of the district was defeated and could have resulted in carrying out works without identifying the needs of GPs.

2.1.8.3 Non-achievement of targets of Labour Budget

The Act provides for preparation of Labour Budget on the basis of projected demand for work from GPs. Scrutiny of records at CRD and test checked districts revealed that shortfall in achievement of targets of Labour Budget for the State ranged between 18 *per cent* (2011-12) and 47 *per cent* (2010-11); and in test checked districts, shortfall ranged between zero *per cent* and 66 *per cent* as detailed in **Appendix-III**.

DRDAs stated (May 2012) that the scheme was demand driven and achievement of labour budget depends on demand. The contention was not justifiable as in absence of shelves of projects and development plan, the Labour Budget prepared was not based on the demand raised from Gram Sabhas.

2.1.9 Registration and issuance of Job Cards

2.1.9.1 Unsupported records on registration

The scheme guidelines provide that any person from the village can give application in writing or request orally to GP for registration under the scheme. After receiving application, it was to be entered into an Application Register. Job cards were to be issued within 15 days from the date of receipt of application. The details of number of households (HHs) registered under the scheme are shown in the **Table 3** below:

Table 3 : Number of HHs registered under the scheme

Year	Cumulative number of HHs registered	Cumulative number of HHs issued job cards			
		SC	ST	Others	Total
2007-08	8,65,503	94,102	4,89,225	2,82,176	8,65,503
2008-09	28,77,792	4,06,580	10,38,264	14,32,948	28,77,792
2009-10	35,69,686	6,97,015	10,68,396	18,04,275	35,69,686
2010-11	39,55,523	4,84,983	13,39,955	21,30,585	39,55,523
2011-12	40,76,332	3,46,378	13,28,188	24,01,766	40,76,332

(Source : Information provided by CRD)

²⁰ Ahmedabad, Patan, Surendranagar, Vadodara and Valsad .

²¹ Ahmedabad – February 2009, Patan – November 2008, Surendranagar – September 2009 and Vadodara – September 2011

²² Ahmedabad - ₹8.83 lakh (88 *per cent*), Patan-₹8.20 lakh (82 *per cent*) , Surendranagar- ₹8.05 lakh (80 *per cent*) and Vadodara - ₹7.50 lakh (75 *per cent*)

Scrutiny of records at test checked GPs revealed that no Application Register was maintained. Due to this, audit could not verify the number of persons who had applied for registration and to whom job cards was issued. Time taken for issuance of job cards could also not be verified. Further, the information given in the table above was not reliable as discrepancies were noticed in issuance of job card as shown below -

- Records at DRDA, Dahod revealed that as against 2,65,400 physical job cards issued to Programme Officers, information on NREGA web site revealed that 3,24,644 job cards had been issued; and
- Similarly at Sayla Taluka (Surendranagar district) as against 25,475 job cards issued to GPs, web site showed 34,511 job cards had been issued.

This showed that registration data, which was the basis for employment guarantee, was not authentic and could lead to unreliability of other data²³.

Programme Officers stated (August 2012) that instructions were already issued to GPs to sort out the discrepancies, however, they would be instructed again. Programme Officer, Sayla stated that discrepancy would be scrutinised, rectified and proper care would be taken in future.

2.1.9.2 Unreliable registration data

The scheme guidelines provide use of MIS for uploading data on NREGA web site. Data regarding registration of households received from GPs are entered by Block level offices and other implementing offices on the website, administered by National Informatics Centre (NIC). Analysis of centralised data maintained by NIC revealed discrepancies as follows -

- As against the total registration of 42,35,573 HHs (February 2006 to July 2012), there were 8,95,164 HHs registrations, which were not in matching pattern²⁴ specified for system generated Registration Number (e.g. GJ-XXX-XXX-XXX/XXXXX) and these registrations were having suffix/extension viz “A,B,C F, K,L X, Z, a, d, or with some special characters *etc.*, which were not allowed under the scheme;
- There were 633 HHs registration numbers, which were without name or with names summarily appearing to be invalid such as names containing numbers or special character or instances of only one or two letter names;
- There were 8,420 HHs registrations without husband or father’s name therein; and
- There were 30,13,167 HHs registrations without photograph of head of HHs and family members.

Thus, the online data was not reliable.

²³ Regarding employment generation, wage payment etc.

²⁴ Registration number is auto generated by the System on the uniform pattern, as - First two digits denotes State, next three digit-District, next three digits-Block, next three digits-GP and last five digits for HH.

2.1.9.3 Job card not of distinct nature

The scheme guidelines provide that a distinct job card number would be issued to every HH willing to work under the scheme. However, the job cards uploaded on the NREGA website were not of distinct in nature in respect of test checked GPs as shown in **Table 4** below:

Table 4 : Job cards uploaded not of distinct nature

District	Taluka	Total number of job cards shown as issued on web site	Number of job cards having alphabetical suffix (Out of Col. No. 3)	Number of Job cards in which name of persons appearing in more than one job card (Out of Col. No. 3)	Number of job cards in which same postal account numbers were linked with more than one job card (Out of Col. No. 3)
1	2	3	4	5	6
Ahmedabad	Barwala	1,866	500	180	45
	Ranpur	2,863	148	59	167
Banaskantha	Dantiwada	4,218	94	306	168
	Deodar	3,063	618	130	73
	Palanpur	4,163	279	267	241
Dahod	Garbada	13,899	1,849	93	312
	Fatepura	11,367	1,954	569	443
Panchmahals	Ghoghamba	7,373	633	717	508
	Morva (H)	3,510	117	215	258
	Santrampur	9,942	732	1,004	964
Patan	Patan	3,286	358	89	165
	Siddhpur	6,119	1,973	8	265
Surendranagar	Limbdi	5,050	497	41	562
	Halvad	2,409	257	24	51
	Sayla	7,587	1,853	379	1,432
Valsad	Dharampur	5,773	191	332	250
	Valsad	5,208	243	208	78
Vadodara	Chhotaudepur	10,528	4,139	1,147	186
	Kwant	8,115	197	739	39
	Vaghodia	1,910	1,306	4	91

(Source : Online data downloaded from MGNREGS web site in respect of the test checked GPs)

Audit observed that job cards bearing alphabetical suffix (like A, B, C) to registration number were not available physically but were created online. Analysis of data downloaded from the NREGA website showed instances of name of same person and same postal account number appearing in more than one job card. Thus, the online data was unreliable which led to inclusion of ghost workers in Muster Rolls (MRs) as discussed in the succeeding paragraphs in the Report.

DRDAs, Surendranagar and Vadodara (May and August 2012) stated that the verification of discrepancy in job cards was on hand.

2.1.9.4 Delay in issuance of Job Card to Households

The scheme guidelines provide that job cards should be issued within 15 days from the date of application for registration. Analysis of centralised data maintained by NIC revealed that in 9,26,542 cases, delay in issue of Job Cards ranged from 16 days to 2,304 days. There was no basic record like application register in any test checked GP to verify the correctness of information.

2.1.10 Demand and providing of employment

2.1.10.1 Non-maintenance of Employment Registers

The scheme guidelines provide that any person having a job card can apply for work to GP in writing or orally, upon which the GP would issue him a dated receipt and arrange for employment within 15 days. Failure to do so would lead to payment of unemployment allowance. The guidelines further provide for maintenance of Employment Register.

Scrutiny of records at test checked GPs revealed that Employment Registers were not maintained in GPs, in absence of which audit could not verify whether employment was provided on demand and within the prescribed time limit.

Programme Officers admitted (May-August 2012) that the register was not maintained and stated that instructions would be issued to maintain the register.

2.1.10.2 Poor percentage of employment generation

The primary objective of the scheme is to provide at least 100 days employment to willing workers. Analysis of data provided by CRD revealed that achievement of providing 100 days employment to HHs ranged from four *per cent* to six *per cent* as shown in **Table 5** as follows:

Table 5 : Details of employment provided to HHs

Year	Number of HHs registered	Number of HHs provided employment	Percentage of HHs provided employment against registration	Number of HHs provided 100 days employment	Percentage of HHs provided 100 days employment ²⁵
2007-08	8,65,503	2,90,651	34	11,416	04
2008-09	28,77,792	8,50,691	30	49,160	06
2009-10	35,69,686	16,05,075	45	1,03,751	06
2010-11	39,55,530	10,96,210	28	67,651	06
2011-12	40,76,332	8,20,577	20	41,442	05

(Source : Information provided by CRD)

Further, audit analysis revealed that HHs getting employment against registration declined from 45 *per cent* (2009-10) to 20 *per cent* (2011-12).

In respect of test checked districts, achievement of providing 100 days employment to HHs ranged from zero *per cent* to eleven *per cent* and HHs getting employment against registration declined from 49 *per cent* (2009-10) to 19 *per cent* (2011-12) as shown in **Appendix – IV**.

²⁵ Percentage of 100 days employment has been calculated over total employment provided.

2.1.10.3 Allocation of work for more than 100 days

The scheme guidelines provide that 100 days employment would be provided to willing workers. Liability for employment of more than 100 days rests with State Government. Analysis of centralised data maintained by NIC revealed that more than 100 days employment was provided to 1.41 lakh HHs²⁶. Analysis of records at Programme Officers revealed that no separate grant was provided by State Government to meet this liability resulting in irregular utilisation of central funds to that extent.

2.1.11 Payment of wages

2.1.11.1 Payment of wages without supporting records

The scheme guidelines provide for payment of wages on the basis of attendance recorded on Muster Roll (MRs). However, scrutiny of Cash Book and Annual Accounts of Fatepura and Dahod, TPs (Dahod district) revealed that wage payment of ₹6.08 crore²⁷ (2009-11) made through post office was not recorded in the Cash Book. Further, no documents like MRs, measurement books and vouchers in support of expenditure booked were available with Programme Officers.

2.1.11.2 Suspected misappropriation of funds on wage payment

The scheme guidelines provide for payment of wages on the basis of attendance recorded on MRs. Scrutiny of MR issue register at DRDA, Dahod revealed that MRs used at Fatepura TP were actually issued to other TPs as shown in **Table 6** as follows:

Table 6 : Details of MRs issued to other TPs but used at Fatepura TP

(₹in crore)

Name of TP	Serial number of MRs issued		Payment made at Fatepura TP
	From	To	
Dhanpur	46,001	56,000	1.21
Dahod	1,01,001	1,02,500	0.40
	1,21,001	1,23,000	0.13
Devgadh Baria	56,001	68,000	0.85
Garbada	1,16,001	1,18,000	0.06
Zalod	78,001	88,000	0.94
Total			3.59

(Source : Extract of MR issue register at DRDA Dahod)

Further, scrutiny revealed that payment (2009-10) to the workers to the tune of ₹3.59 crore was purported to have been made on above MRs. There were no MRs attached with vouchers and only summary sheet mentioning these MR

²⁶ 2008-09: 3,826 (ranged from 101 days to 122 days); 2009-10: 58,216 (ranged from 101 days to 312 days); 2010-11: 53,086 (ranged from 101 days to 782 days); 2011-12: 26,107 (ranged from 101 days to 330 days)

²⁷ (i) Fatepura - ₹3.12 crore (2009-10) and ₹2.67 crore (2010-11); (ii) Dahod - ₹0.29 crore (2009-10)

numbers were attached with it. Thus, misappropriation of ₹3.59 crore could not be ruled out.

Programme Officer stated (May 2012) that action had been initiated against the concerned Programme Officer.

2.1.11.3 Unauthorised withdrawal of cash for wage payments by banks

The scheme guidelines provide that payment of wages should be made directly into the bank/postal accounts of labourers. A pay order was required to be generated in favour of group of workers and addressed to the bank/post office for crediting the amount into labourers account.

Scrutiny of records at Kwant TP (Vadodara district) revealed that account payee cheques amounting to ₹16 lakh were drawn by Programme Officer for wage payment in favour of banks²⁸ and sent to banks along with wage list. Instead of following the prescribed laid down procedure, addressee banks made the payments against cheques by cash. The genuineness of these wage payment was suspect.

2.1.11.4 Discrepancy in wage payment through post offices

State Government entered (June 2008) into a Memorandum of Understanding (MoU) with Department of Posts²⁹ regarding modalities for disbursement of wages under Scheme through post offices. According to this, DRDA would deposit estimated wage payment in lump-sum with the Head Post Office (HPO). Programme Officer and Other Implementing Agencies (OIAs) would send wage list to sub post offices and payment would be arranged through sub post offices.

- Scrutiny of records revealed that DRDA, Vadodara deposited (2009-12) ₹43.09 crore with HPO, Vadodara. As per Annual Accounts (2009-12), expenditure towards wage payment by HPO was ₹43.39 crore, which indicated that excess expenditure of ₹30.00 lakh was incurred by HPO against the amount deposited by DRDA. However, information furnished by HPO to DRDA showed an undistributed balance of ₹21.88 lakh. Thus, there was discrepancy between the figures of wage payment included in the Annual Accounts and information furnished by HPO. Reconciliation of discrepancy was not carried out by DRDA and HPO. In absence of reconciliation, correctness/authenticity of payment could not be ascertained.

Director, DRDA stated (August 2012) that reconciliation would be carried out.

- Scrutiny of records at Kwant TP (Vadodara district) revealed that Programme Officer prepared a wage payment list of ₹0.52 lakh for the workers having their accounts in post office. However, instead of sending the list to post office where workers had their accounts, Programme Officer sent the list to bank along with a cheque. As these workers had

²⁸ Union Bank of India, Central Bank of India, Bank of Baroda and Dena Bank

²⁹ Principal Chief Postmaster General/Chief Post Master General, Gujarat Postal Circle, Ahmedabad

accounts with post office, the wage payment was apparently not credited into the workers accounts as it was sent to the bank, instead. Therefore, the sanctity of making payments directly to the accounts of the workers was not maintained.

Programme Officer agreed (August 2012) to investigate the matter and provide detailed reply thereafter.

2.1.11.5 Payment to ghost workers

On comparison³⁰ of MRs used for different works executed during same period of work in a GP, audit observed that 447 persons worked at two different sites during same period and a payment of ₹2.79 lakh was made as shown in Table 7 below :

Table 7 : Labours working at different sites during same period of work

Sl. No.	Taluka	District	Number of GPs	Number of ghost workers	Amount paid (in ₹)
1	Barvala	Ahmedabad	3	6	4,219
2	Bavla		1	64	30,671
3	Ranpur		2	68	39,482
4	Sanand		1	5	2,665
5	Dantiwada	Banaskantha	2	26	20,275
6	Dahod	Dahod	1	31	23,064
7	Fatepura		1	1	671
8	Ghoghamba	Panchmahals	4	31	23,708
9	Kadana		2	4	2,653
10	Morva Hadaf		2	3	1,867
11	Sahera		2	13	9,415
12	Santrampur	Vadodara	2	17	4,126
13	Dabhoi		1	11	3,300
14	Kwant		1	34	5,610
15	Nasvadi		5	68	72,470
16	Savli		5	17	5,078
17	Waghodiya		6	48	30,186
	Total			447	2,79,460

(Source : Copies of MRs and vouchers)

Thus, same persons working at two different works during same date/period indicate that such workers included in the MRs were ghost workers and resulted in double payment to 447 persons.

The Programme Officers (except Ahmedabad) stated that matter would be investigated and intimated to audit. Programme Officer, Ahmedabad replied that these workers were actually engaged for work and payments made. The reply was not acceptable as in Physical MRs, the workers were shown to have worked at two different places on same day which was not possible.

³⁰ Audit found musters with same persons bearing same registration numbers working at two different works on same dates/period.

2.1.11.6 Discrepancies in wage payments

Scrutiny of MRs of Morva-Hadaf TP revealed the following discrepancies in payment of wages:

- list of payment of wages to labourers worked on 18 MRs was sent to bank for payment without Programme Officer's signature, but the bank paid the amounts;
- cheque was issued for an amount of ₹1.61 lakh whereas the amount of wages as per MRs attached with the vouchers was only ₹1.57 lakh;
- eleven workers, whose names were enrolled in the MRs were not included in the payment sheet sent to the bank and were thus deprived of ₹0.22 lakh due to them; and
- payment of ₹0.19 lakh due to nine persons was actually made to some other persons.

2.1.11.7 Non-payment of wages

The scheme guidelines provide that workers are entitled to being paid wages on a weekly basis, and in any case within a fortnight of the date on which work was done. MR completed in all respects should be submitted to the Programme Officer for payment after completion of a week's work.

Scrutiny of records of three³¹ TPs revealed that wage payments to the tune of ₹7.36 lakh were pending from 2008-09 due to -

- non-clearance of cheques at Dhanpur TP (Dahod district);
- cancellation of cheques and non-revalidation of the same at Ghoghamba TP (Panchmahals district); and
- demand draft drawn but not sent to post office for crediting into labourers account at Barwala TP (Ahmedabad district).

Programme Officers stated (August 2012) that status would be checked and suitable action taken. Reply was not tenable as non-payment of wages for such a long period deprived labourers of their right under the scheme.

2.1.11.8 Non-crediting of wages due to incorrect information of workers account

The scheme guidelines provide that a pay order should be generated in favour of group of workers in the MR addressed to the Branch Manager for crediting the wages in the account of the workers.

Scrutiny of bank statement (2010-12) of TPs, Chhotaudepur, Kwant and Range Forest Officer (RFO), Chhotaudepur (Vadodara district), revealed that in 124 cases an amount of ₹1.22 lakh was credited back into Programme Officers' accounts by payee banks due to mismatch between name and account numbers of workers.

³¹ Barwala (Ahmedabad) - ₹0.21 lakh, Ghoghamba (Panchmahals)-₹6.93 lakh, RFO Dhanpur (Dahod)-₹0.22 lakh

Similarly, at Santrampur TP (Panchmahals district), 190 workers were deprived of wage payment to the tune of ₹3.00 lakh due to mismatch between account number in the list sent to bank/post office and their actual account numbers.

2.1.11.9 Deployment of excess labourers

The scheme guidelines provide that for the purpose of measurement of work and preparation of schedule of rates, the State Government may undertake comprehensive work, time and motion studies³². Accordingly, State Government fixed (July 2008) a quantity of 1.79 cubic meters per person per day for each work for payment of minimum wages.

Scrutiny of records of selected TPs revealed that in four TPs, labourers engaged for the works were in excess of requirement, against the productivity norms fixed. This resulted in generation of excess person days ranging between 39 *per cent* to 164 *per cent* as shown in **Table 8** below :

Table 8 : Excess person days generated than required

District	Taluka	Person days ³³		Excess person days generated	Percentage of excess person days generated
		Required ³⁴	Generated		
Ahmedabad	Barwala	11,025	20,041	9,016	82
	Ranpur	78,361	2,06,493	1,28,132	164
Surendranagar	Limbdi	1,36,235	1,89,619	53,384	39
	Halvad	5,342	13,564	8,222	154

(Source : Measurement books at TPs)

Thus, productivity norms fixed as per time and motion studies were not followed resulting in generation of excess person days. The State Government may like to undertake a realistic work, time and motion study to prescribe the norms.

2.1.11.10 Variation in average wages

The wages notified by GOI during 2007-08 was ₹60 *per day*, which was revised to ₹100 (July 2008) and ₹124 (January 2011). The average wage paid to labourers during 2008-09 to 2011-12 in the test checked districts are shown in **Table 9** as follows:

Table 9 : Average wage rate in test checked districts

(Amount in ₹)

District	2008-09	2009-10	2010-11	2011-12
Ahmedabad	99	70	83	101
Banaskantha	66	87	110	117
Dahod	67	135	86	107
Panchmahals	59	73	90	113
Patan	54	72	85	124
Surendranagar	31	86	96	104
Vadodara	67	94	96	107
Valsad	85	98	99	106

(Source : MPRs of selected districts)

³² To observe productivity norms, out-turn and fix rates.

³³ Number of persons and days required for a work.

³⁴ Total work done (cubic meter) / 1.79.

The table shows that there was wide variation in average rate of wages among districts which indicates that payment of wages to the labourers as per notified wage rate was not ensured.

2.1.11.11 Excess utilisation of GOI funds on wage payment

The GOI decided (December 2009) that liability of Central Government for payment of wages would be for notified wage rate (₹100/day) and any payment in excess thereof, would be borne by State Government.

Scrutiny of records of DRDA, Dahod revealed that 51,67,000 person days were generated during the year 2009-10 and the average rate of wage paid was ₹135 *per person per day* which was more than the rate notified by GOI by ₹35 *per person per day*. This resulted in excess payment of wages to the tune of ₹18.08 crore (₹135 - ₹100 x 51,67,000). The excess payment was debited against Central assistance, though it was required to be borne by the State Government, thereby leading to excess utilisation of GOI grants.

2.1.11.12 Delay in payment of wages

The scheme guidelines provide that workers are entitled to payment of wages on a weekly basis, and in any case within a fortnight of the date on which work was done. Scrutiny of records of test checked TPs revealed that the payment of wages were delayed by Programme Officers as shown in **Table 10** below:

Table 10 : Delay in making payment of wages

District	Taluka	Delays ranging (in days)	
		From	To
Ahmedabad	Barwala	2	432
	Ranpur	3	685
	Sanand	4	382
Banaskantha	Palanpur	37	79
Dahod	Garbada	15	609
Surendranagar	Halwad	25	61
	Limbdi	1	423
	Sayla	2	513
Vadodara	Chhotaudepur	4	116
	Kwant	4	272
	Waghodia	1	397
Valsad	Dharampur	51	118
	Valsad	2	55

(Source : Vouchers of respective Programme Officers)

When pointed out, Programme Officers attributed (May 2012) shortage of staff for late payments. However, the fact remains that the workers were deprived of timely payment of their wages.

2.1.11.13 Inclusion of unregistered persons as labourers

The scheme guidelines provide for registration of employment seekers with GPs before demand for work. Scrutiny of records of GP, Umathi of Kwant Taluka (Vadodara district) revealed that 76 workers who were not registered with GPs were employed during February 2009 and payment of ₹0.12 lakh was made to them. This amounted to inclusion of unregistered workers in the MRs.

2.1.11.14 Payment into same account number for more than one Job Card

The scheme guidelines provide for payment of wages into individual accounts of labourers. Scrutiny of MRs of Kwant TP (Vadodara district) revealed that wages amounting to ₹0.33 lakh for seven MRs were credited into same account number for different job cards as shown in **Appendix - V**. As each account number bears a distinct identity like name of holder, credit into same account for two different HHs was not possible. Thus, the genuineness of the payment could not be ensured.

Programme Officer agreed (August 2012) to investigate the matter.

2.1.12 Discrepancies in respect of Muster Rolls

2.1.12.1 Improper maintenance of Muster Rolls

The scheme guidelines provide that MR Register should be maintained at TP and GP level. MRs issued/received by TP/GP must be recorded in the MR registers. Further, MR should have a unique number and should contain name of the person on work, job card number, days worked and wages paid. Signature or thumb impression of the payee should be recorded on the muster.

Field Audit Visits of test checked GPs revealed that GPs had not kept MR Receipt Register. Scrutiny of MRs revealed that signature or thumb impressions of workers were not recorded in MRs. Thus, prescribed provisions of guideline for maintenance of MR were not followed which led to various irregularities like inclusion of ghost workers and non-payment of wages.

Programme Officers agreed (May-August 2012) to maintain the register.

2.1.12.2 Non-receipt of MRs for payment of wages

Before starting a work, a MR is generated by entering details regarding sanction of work, name of work, period of work, name and registration number of labourers on scheme web site and the same is issued to implementing agency by Programme Officer. The MR is submitted to Programme Officer for payment on weekly basis and payment is made after entering details of work done in scheme website.

Scrutiny of MR issue register at Kwant TP (Vadodara district) revealed that 129 MRs³⁵ issued (2011-12) by Programme Officer to implementing agencies (line departments) were not received back for payment even after lapse of six to eight months. Thus the workers were deprived of payment of wages.

³⁵ Online entries of work done are made in e-musters

Programme Officer stated (August 2012) that instruction had been issued to the line departments for early submission of e-musters.

2.1.12.3 Payments on photo copies of Muster Rolls

The scheme guidelines provide that original MR would form part of the expenditure record of the executing agency and any MR that was not issued by Programme Officer shall be considered unauthorised. Scrutiny of vouchers at Valsad TP revealed that Programme Officer accorded sanction for payment of ₹1.99 lakh on photocopies of seven MRs³⁶ for 408 workers.

Programme Officer stated (May 2012) that due to mobilisation of more labourers and non-availability of MRs, photocopies of MRs were used. The reply is not acceptable as the Programme Officer has violated the provisions of guideline and there could be possibility of double payment on submission of original MRs.

2.1.12.4 Non-payment of wages due to missing Muster Rolls

Scrutiny of Measurement Books (MB) of Ambli and Abhlod villages of Garbada Taluka (Dahod District) revealed that payments of ₹0.62 lakh for the work done by the following MR workers were not made as they were missing. The details of non-payment of wages in respect of missing MRs are shown in **Table 11** below:

Table 11 : Details of non-payment of wages due to missing MRs

Name of GP	MB Number	Muster number	Period of work	Name of work	Payment due (in ₹)
Ambli	1192	0176908, 0165197	2.2.10 to 6.2.10	Group well (survey 67)	9,673
	1192	0176209, 0176210	25.1.10 to 30.1.10	Protection wall (survey 182)	11,846
	1192	0176207, 0176208	25.1.10 to 30.1.10	Group well (survey 67)	10,555
	1192	0176201, 0176202	25.1.10 to 30.1.10	Group well (survey 13/3)	10,941
Abhlod	2850	0249916	10.1.11 to 15.1.11	Group well (survey 139/4)	9,672
	2850	0249222	27.1.10 to 01.1.11	Group well (survey 139/4)	9,672
			Total		62,359

(Source : Measurement books)

Programme Officer admitted (May 2012) that the payment was not made as these MRs were not traceable. Thus, the labourers were deprived of their wages for the work done.

2.1.12.5 Muster roll issued after completion of work

Scrutiny of MR Issue Register and completed MRs of Waghodia TP (Vadodara district) revealed that Programme Officer issued five MRs³⁷ in September 2009 for construction of boribandh to GP Valva whereas the recordings of work in the MRs were made in respect of work done in August 2009. This might have resulted in creation of ghost assets.

³⁶ Muster Roll with Serial Numbers - 36142, 36143, 36144, 36145, 2416, 2417 and 2418

³⁷ 47678, 47679, 47680, 47681 and 47682

Programme Officer stated (August 2012) that this was due to mistake in issue of MRs. The reply is not tenable as the MRs are required to be issued before commencement of the work and not after completion of work.

2.1.12.6 Deficiency in muster generation system on scheme web site

Under the MGNREGS, GOI is committed to provide 100 days employment. If State Government wishes to provide employment beyond 100 days, payment is to be borne by State Government. For the States who have conveyed their willingness to GOI to bear the cost of payment for employment for more than 100 days, a facility has been created in NREGA website to accept the generation of muster for the households who have completed 100 days. In case of Gujarat, State Government has not conveyed its willingness to GOI for providing employment beyond 100 days.

Scrutiny of records at Range Forest Officer, Limkheda and Garbada (Dahod district) revealed that payment to 59 workers amounting to ₹0.44 lakh could not be made as their names were declined by the system at the time of entering work completion details on web site. The reason shown was completion of 100 days of employment for those households though their names were accepted at the time of generation of muster. This system deficiency led to deprivation of wages to workers.

2.1.13 Execution of works

2.1.13.1 Construction of earthen and concrete roads

MGNREGS Works Field Manual prohibits construction of earthen roads and cement concrete (CC) roads under the scheme.

Scrutiny of records, however, revealed that -

- construction of 183 earthen works in Ahmedabad and 187 earthen roads in Surendranagar at an expenditure of ₹2.44 crore and ₹3.93 crore respectively were executed (2008-12); and
- seven CC road works were constructed (2010-12) at an expenditure of ₹31.00 lakh in Banakantha district.

Programme Officers stated (May 2012) that works were undertaken on the recommendation from GPs. The reply is not justifiable as the guidelines prohibit execution of these types of works.

2.1.13.2 Execution of work without Labour component

Primary objective of the scheme is to generate employment of rural households. Scrutiny of records at DRDA, Ahmedabad revealed that DRDA sanctioned (February 2011), 24 underground drainage works for Ranpur TP at an estimated cost of ₹1.10 crore. Scrutiny revealed that these works were completed at a

cost of ₹0.90 crore and the entire expenditure was on material component. The very purpose of generation of labour employment under the scheme was thus defeated.

Programme Officer stated (May 2012) that works were executed by GPs and public contribution was utilised for labour component. The reply is not tenable, as the scheme was primarily for employment generation and material expenditure was incidental.

2.1.14 Unfruitful expenditure

2.1.14.1 Construction of boribandh

The Scheme guidelines provide for creation of useful and durable assets. The works under the scheme are required to be approved by the Gram Sabha and to be included in Labour Budget by TP.

The State Government instructed (August 2009) DRDAs to undertake construction of 1000 boribandhs³⁸ in each Taluka of the district. In all, 2,64,652 boribandhs were constructed (2009-10) at an expenditure of ₹101.25 crore. Scrutiny of technical estimates of boribandh revealed that the structure proposed was of mud/sand and could not be of a durable nature.

DRDAs stated (May 2012) that works were taken up either on the recommendation of GP or as per directions of the Government. The reply was not acceptable as the works taken were not in conformity with the scheme guidelines and no durable assets were created.

2.1.14.2 Construction of open drainage

The work of construction of open drainage by excavating soil from the existing earthen drainage at GP, Ranpur, Taluka Ranpur (Ahmedabad district) was carried out (February 2009) and expenditure of ₹0.45 lakh was incurred towards wage payment.



³⁸ Small structure constructed across non-perennial rivulets by stacking gunny-bags filled with mud/sand for the purpose of storage of water during monsoon and its percolation underground, so as to bring up the water-level; this is mostly constructed in areas having inadequate rainfall

Field audit visit of the site revealed that the open drainage constructed was choked and flooded with sewage water. Programme Officer stated (April 2012) that during initial period there was normal flow of water but subsequently due to non-maintenance by the GP, the congestion occurred. However, the fact remains that the work did not serve its intended purpose resulting in unfruitful expenditure.

2.1.14.3 Execution of canal work

At GP, Nani Kathechi of Limbdi Taluka (Surendranagar district), the work of canal excavation was done (2010-11) at a cost of ₹2.06 lakh. Field audit visit of the site, however, revealed that canal had been flattened subsequent to excavation due to mud/sand having filled it up; as shown in the picture below:



Canal site at GP Nani Kathechi, Limbdi Taluka (Surendranagar district)

It can thus, be seen that the intended purpose was not served and incurring of an expenditure of ₹2.06 lakh on canal excavation works proved unfruitful.

Programme Officer admitted (May 2012) that it was due to non-maintenance of work subsequently by GP.

2.1.15 Incomplete works

2.1.15.1 Incomplete group-wells

DRDA sanctioned (2008-11), 392 and 498 works of group-wells for Garbada TP (Dahod district) and Ghoghamba TP (Panchmahals district) at the cost of ₹4.91 crore and ₹7.02 crore respectively for the purpose of micro irrigation with a condition to complete the works within the year of sanction.

- (a) Scrutiny of records at Garbada TP (Dahod district) revealed that only 55 works were completed while 337 works remained incomplete (May 2012) as shown in **Table 12** below:

Table 12 : Incomplete group-wells

(₹in crore)

Year	Group-wells				
	Sanctioned	Amount	Completed	Expenditure	Incomplete
2008-09	31	0.39	4	0.05	27
2009-10	156	1.95	33	0.41	123
2010-11	182	2.28	11	0.14	171
2011-12	23	0.29	7	0.09	16
Total	392	4.91	55	0.69	337

(Source : Information provided by Programme Officer)

- (b) Scrutiny of records at Ghoghamba TP (Panchmahals district) revealed that only 89 works were completed at a cost of ₹1.14 crore while 409 works remained incomplete (August 2012). For 89 works which were stated to be completed, there were no recordings in measurement books of their completion.

Programme Officer, Garbada stated (May 2012) that the works remained incomplete due to lack of interest of the beneficiaries³⁹ and Programme Officer, Ghoghamba stated (July 2012) that progress of work would be furnished to audit. However, the fact remains that non-completion of works for such a long period defeated the very purpose of creation of micro irrigation facilities.

2.1.15.2 Incomplete road works

DRDA, Surendranagar sanctioned (2008-12), 102 road works to be executed by Road and Building (R&B) Sub Division, Limbdi at an estimated cost of ₹6.26 crore. The details of work executed by R&B sub division are shown in the **Table 13** below:

Table 13 : Status of road works executed

Year	Number of works	Estimated Cost	Number of works started	Expenditure incurred (₹in crore)		Status
				Labour component	Material component	
2008-09	11	1.35	5	0.25	0.00	Incomplete
2009-10	33	2.23	20	0.19	0.72	Incomplete
2010-11	2	0.52	2	0.02	0.19	Incomplete
2011-12	56	2.16	52	0.01	0.69	Incomplete
	102	6.26	79	0.47	1.60	

(Source : Information compiled from records of R&B Sub Division, Limbdi)

Scrutiny of R&B records revealed that the estimates sanctioned did not contain any details of wage-material ratio, number of person days to be generated and

³⁹ Beneficiaries are those farmers, in whose fields, the group-wells were to be constructed

time frame for completion of work which resulted in non-maintenance of 60:40 wage and material component ratio and non-completion of works. Further, in 43 works, expenditure of ₹0.55 lakh incurred was towards material component only. This defeated the objectives of the scheme to provide employment and creation of durable assets for the community.



2.1.16 Non-maintenance of Assets

The Act provides for maintenance of an asset register to record all the assets created under the scheme and for their proper upkeep. During the period covered under audit, State Government has completed 3,98,290 works under the scheme. Scrutiny of records at CRD, test checked Programme Officers and GPs revealed that the asset registers were not maintained in the GPs. Further, there was no provision for maintenance of assets at any level which led to deterioration/non-survival of assets as discussed in the succeeding paragraphs.

2.1.16.1 Non-survival of plantation

The Scheme guidelines provide for creation of durable assets for community benefit and subsequently its maintenance by GPs.

Ranpur TP (Ahmedabad district) had executed afforestation works⁴⁰ at an expenditure of ₹3.38 lakh. Field audit visit of the site revealed that not a single plantation survived at any place.

Pictures showing afforestation sites	
	
Rajpara (2011-12)	Umrala (2009-10)

Programme Officer stated (March 2012) that the GPs were responsible for maintenance of assets; non-maintenance of plantations by GPs resulted in non-survival of plantations.

2.1.17 Procurement of material

2.1.17.1 Irregular payment in material procurement

The scheme rules notified by State Government lays down that in case of material procurement, payment should be made by the Programme Officers

⁴⁰ Villages : Charanki , Gunda, Rajpra , Sangalpur and Umrala

directly to the supplier through account payee cheques after ascertaining that due administrative and accounting procedures relating to procurement of material have been followed by the implementing agency.

Scrutiny of records of Morva Hadaf TP (Panchmahals district) and Waghodia TP (Vadodara district) revealed that amount of ₹3.76 crore⁴¹ (2009-10 and 2010-11) and ₹0.02 crore (2010-11) respectively were released to GPs for making payment to suppliers for procurement of material instead of making payment directly to the suppliers by Programme Officers.

Further, scrutiny of records of test checked GPs under Morva Hadaf TP revealed that payments were made by GPs to material suppliers on bearer cheques in contravention to scheme rules.

2.1.17.2 Procurement of material from unregistered/impersonated suppliers

As per Central Stores Purchase Manual, procurement should be made from a registered supplier. Gujarat Value Added Tax (VAT) Act, 2003 provide that any dealer having a yearly turnover of ₹5 lakh and above should have a registration number.

Scrutiny of records of Morva Hadaf TP (Panchmahals district) revealed that material to the tune of ₹0.90 crore was procured (2007-12) from an unregistered dealer⁴². Further, the dealer presented an invoice bearing false VAT registration number.

2.1.17.3 Embezzlement on duplicate bills

Programme Officer, Waghodiya (Vadodara district) made payment (March 2012) of ₹0.61 lakh towards purchase of polythene bags for nursery work by RFO, Waghodiya (Social Forestry). Scrutiny revealed that the five invoices⁴³ on which payment was made were tampered⁴⁴ by taking photocopy of the original invoices and inserting A/B/C to the invoice number. This resulted in embezzlement of ₹0.39 lakh in three invoices.

2.1.17.4 Irregular use of machinery in NREGA works

The scheme guidelines prohibit engagement of contractor and use of machinery in execution of works. Scrutiny of the records of RFO, Dolariya (Vadodara) revealed that Tractors/JCB machines were used (September 2010) in land levelling work and payment of ₹1.11 lakh was made. As the scheme aimed to provide 100 days employment to unskilled/semi-skilled workers, work executed by using machinery was in violation of scheme guidelines.

RFO stated (August 2012) that due to rocky terrain, machines were used. The reply is not acceptable as scheme guidelines prohibit use of machines and thus the very purpose of employment generation was defeated.

⁴¹ ₹3.51 crore to 49 GPs (2009-10) and ₹0.25 crore to 15 GPs (2010-11)

⁴² Hari Om traders-GP Rajayata

⁴³ Invoice Numbers – 358/A, 358/B, 358/C, 357/A and 357/B

⁴⁴ By manually changing invoice number

2.1.18 Supply of tools to the beneficiaries

CRD purchased (July 2010 and December 2011) 1,03,800 and 79,075 set of tools⁴⁵ at a cost of ₹3.50 crore and ₹3.04 crore respectively for supply to HHs, who had completed 100 days employment (2010-12).

Scrutiny of records at test checked districts revealed that as there were no entries on job cards for work done, identification of workers who had completed 100 days' employment was not verifiable. Therefore, genuineness of distribution of tools was doubtful. Further, scrutiny revealed that-

- Sanand TP (Ahmedabad district) had been provided 257 sets of tools; but since there was no identification of beneficiaries, no tools were distributed;
- at Ranpur TP (Ahmedabad district), out of 461 sets received 298 sets were distributed. Physical verification by audit revealed that against book balance of 163 sets, only 29 sets were physically available;
- at Lunavada TP (Panchmahals district), 186 out of 377 sets (2009-11) were lying undistributed; and
- at Kwant TP (Vadodara district), out of 1,429 sets provided (2010-12), proof of distribution in respect of only 319 sets was available.

Programme Officer, Sanand stated (April 2012) that as the data of work done was not available in job card, the tools were not distributed; Programme Officer, Ranpur stated (May 2012) that difference would be reconciled; and Programme Officer, Kwant stated (August 2012) that acknowledgement from beneficiaries would be obtained.

2.1.19 Monitoring, Evaluation, Social Audit and Grievance redressal

2.1.19.1 Ineffective working of Ombudsmen

GOI instructed (September 2009) the State Governments to appoint ombudsmen in each district within three months. It was aimed to create an independent authority to expeditiously redress the grievances with regard to the implementation of the Scheme.

State Government appointed Ombudsmen (December 2010) for 19 districts. Out of eight test checked districts, Ombudsmen were appointed only in four districts⁴⁶. Further, ombudsmen appointed were ineffective as records of complaints received and their disposal were not available at the DRDAs. Thus, the objective of creating an independent authority for effective redressal of grievances could not be achieved.

DRDA, Valsad admitted (May 2012) that the Ombudsmen were inactive.

⁴⁵ pick axes, powarhs and galvanised chamelas

⁴⁶ Ahmedabad, Surendranagar, Vadodara and Valsad

2.1.19.2 Social Audit

The Act mandates for social audit by Gram Sabha twice a year for the works carried out under the scheme and to forward reports thereof to Programme Officer. **Table 14** shows the status of social audits conducted in test checked districts -

Table 14 : Status of Social audits conducted

District	2008-09		2009-10		2010-11		2011-12	
	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted	Total number of GPs	Social audits conducted
Ahmedabad	516	149	516	516	516	516	516	516
Banaskantha	783	783	783	783	783	783	783	783
Dahod	459	459	473	473	479	479	479	479
Panchmahals	668	621	668	624	668	668	668	668
Patan	464	314	459	465	465	465	465	465
Surendranagar	615	615	615	615	615	615	615	615
Vadodara	891	452	863	863	863	663	867	616
Valsad	345	100	345	348	374	374	374	374

(Source : Monthly Progress Reports)

Scrutiny of records at test checked TPs and GPs revealed that reports of social audit were not available at any level. In absence of records, veracity of information regarding social audits conducted as reported in MPRs could not be ascertained.

Programme Officers admitted (April-August 2012) that records or minutes of the meetings were not maintained as they were not having sufficient manpower.

2.1.19.3 Vigilance and Monitoring

The scheme guidelines provide for formation of Vigilance and Monitoring Committees (VMC). Guidelines prescribe that for every work sanctioned under the scheme, there should be a local VMC composed of members of the locality or village where the work was undertaken, to monitor the progress and quality of work while it was in progress. The final report of the committee should be attached with the completion certificate of the work and forward the report to the Programme Officer and DPC.

Scrutiny of records at test checked GPs and TPs revealed that though VMCs were formed in GPs, VMC reports in respect of inspections carried out by VMCs were not available at any level. In absence of any basic record, working of VMCs could not be verified.

Programme Officers admitted (May-August 2012) that the reports were not received from VMCs.

2.1.19.4 Grievance redressal

Operational guidelines provide for setting up of a Technical Resource Support Systems at the State and District levels to assist in the planning, designing, monitoring, evaluation and quality audit of various initiatives. For this purpose, Resource Institutions are to be identified by the State Government.

The CRD engaged (July 2010) an agency⁴⁷ at a cost of ₹82.72 lakh to develop a policy design and operating framework for the implementation of social audit and grievance redressal during the period from July 2010 to July 2011. The agency completed the work in July 2011 and payment of ₹56.17 lakh was made.

As per the report of the agency, 2,603 complaints were reported⁴⁸ under 10 categories⁴⁹. Scrutiny of report of agency and information provided by CRD revealed that out of 261 complaints received regarding involvement of ghost workers, only 44 complaints were stated as addressed; remaining complaints were either have been withdrawn or no information was available with CRD. Similarly, out of 43 complaints regarding use of machinery, only 11 cases were stated as addressed; for rest there was no information. This shows that though grievance redressal mechanism was put in place, it was not working effectively.

2.1.19.5 Complaints and Redressal

The scheme guidelines provide for receipt of complaints and their disposal in a time bound manner. A complaint register was to be maintained at every level and complaints were to be disposed off within 15 days. **Table 15** shows the status of receipt and disposal of complaints –

Table 15 : Status of receipt and disposal of complaints

Year	Complaints registered	Addressed	Balance
2007-08	19	14	5
2008-09	115	91	24
2009-10	195	149	46
2010-11	1,272	1,069	203
2011-12	1,404	1,169	235
Total	3,005	2,492	513

(Source: Information provided by CRD)

Scrutiny of records of test checked TPs and GPs revealed that Complaint Registers were not maintained. As there were no records at GPs and TPs, veracity of complaints received and their disposal could not be verified.

⁴⁷ UNNATI

⁴⁸ Through District Level Monitors (DLMs), telephone helpline and social audit campaign

⁴⁹ 1. Demand for work, 2. Job card separation, 3. Timely non availability of work, 4. Delayed payment, 5. Low wage payment, 6. Job cards and pass book not with the workers, 7. Post and Bank related, 8. Ghost workers, 9. Use of machines and 10. VMC/work place facility and other issues.

2.1.19.6 Monitoring

The scheme guidelines provide for internal verification⁵⁰ of works at field level by the official functionaries, for which targets of 100 *per cent* of works (taluka level), 10 *per cent* of works (district level) and two *per cent* (State level) in a quarter, were prescribed.

Analysis of Monthly Progress Reports⁵¹ for inspection and monitoring revealed that no information was available for inspection carried out at State level. At district level, overall shortfall was 20 *per cent* (2009-10). In test checked districts (Banaskantha and Vadodara), the shortfall was 100 *per cent* (2008-09) and at Taluka level shortfall ranged between three *per cent* (2009-10) and 15 *per cent* (2010-11) in verification of works.

Scrutiny of records at test checked TPs and GPs revealed that no inspection reports were available. In absence of availability of any basic record, authenticity of information in MPRs could not be ascertained. This indicates that monitoring mechanism was not effective.

2.1.19.7 Technical Audit

The scheme guidelines provide for quality audit of works. The CRD entered into an agreement (May 2010) with WAPCOS Limited⁵² for technical audit of works executed in 15,000 villages at a cost of ₹0.98 crore. Payment of ₹0.58 crore was made after submission of report.

Scrutiny of records at CRD revealed that the WAPCOS Limited had conducted (June 2011) technical audit of 8,963 works in 10,390 villages across the State. As per technical audit report, 8,630 works (96 *per cent*) failed on every parameter⁵³ of technical audit. This clearly showed that the technical approval for the works were weak.

CRD stated (June 2012) that capacity building of the technical persons appointed at all levels would be enhanced by providing training, arranging seminars, *etc.* to improve quality of work.

2.1.20 Shortage of Manpower

State Government sanctioned (August 2008 and September 2010) posts of Gram Rozgar Sewaks (GRS), Technical Assistants (TAs), Assistant Programmer (AP) and other supportive staff for implementation of the scheme.

Analysis of MPRs showed that there was an overall shortage (61 *per cent*) of GRS at State level and in the test checked districts it ranged between 28 *per cent* (Dahod) and 71 *per cent* (Ahmedabad). Similarly, there was an overall shortage (54 *per cent*) of TAs at State level and in the test checked districts it

⁵⁰ Physical verification of the works by the taluka, district and State level authorities

⁵¹ It contains information on physical and financial progress and also contains details of inspection, social audits *etc.*

⁵² A GOI undertaking

⁵³ Viability, adherence to technical estimates, quality of material, supervision of work and overall satisfaction of work

ranged between 16 *per cent* (Dahod) and 70 *per cent* (Ahmedabad) (**Appendix-VI**). This has resulted in delay in recording of MBs, payment of wages and monitoring and implementation of the scheme as narrated in the foregoing paragraphs of this report.

2.1.21 Conclusion

Deficiencies were noticed in planning and implementation of Scheme. Utilisation of funds was not optimal. Deficiencies in financial management like incorrect financial reporting, unspent balances lying with GPs, booking of advance payment as final expenditure, *etc.* were noticed. There were discrepancies in registration of HHs and issue of job cards. Employment of 100 days to registered HHs was not ensured. Several instances of suspected payments and ghost workers were noticed. Prohibited works were taken up and payments made. Vigilance, monitoring and evaluation mechanisms were not effective.

2.1.22 Recommendations

- Finance management needs to be strengthened and funds made available be utilised optimally;
- Planning process for employment generation may be ensured as per guidelines;
- Issuance of Job Cards for the job-seekers may be streamlined and providing of employment of 100 days ensured;
- All financial irregularities in payment of wages may be plugged;
- Works may be taken up of durable nature and maintenance of assets should be ensured; and
- Monitoring by officials, technical audit, social audit, vigilance monitoring committee and ombudsmen need to be strengthened to help reap the benefit of the scheme.

The matter was reported to Government (September 2012); reply was not received (March 2013).

B - THEMATIC AUDIT

2.2 Management of Finance in Bhavnagar and Surendranagar District Panchayats

2.2.1 Introduction

The 73rd Constitutional amendment gave Constitutional status to Panchayati Raj Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States are required to entrust the PRIs with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. A three-tier system of Panchayat was envisaged in the Gujarat Panchayat (GP) Act, 1961. The Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment Act, 1992.

Panchayats, Rural Housing and Rural Development Department (PRHRDD) is the administrative department for Panchayats. District Panchayat (DP) is the apex body of the three-tier system of PRIs. The DPs coordinate functions of Taluka Panchayats (TPs) and Gram Panchayats (GPs). District Development Officer (DDO) is the Chief Executive Officer of the DPs; TPs are headed by Taluka Development Officers (TDOs) and GPs by Talatis-cum-Mantri (TCMs).

The sources of revenues of PRIs are (i) specific purpose grant received from State/Central Government, (ii) revenue sharing and (iii) own revenue. Besides, funds are received also from District Rural Development Agency for implementation of the schemes/programmes assigned to them by State/Central Government.

In order to assess efficacy of management of finance by the DPs, records of Bhavnagar and Surendranagar DPs, along with selected TPs⁵⁴ were test checked (June-July 2012).

Audit findings are given in the succeeding paragraphs:

2.2.2 Receipts and expenditure

The main source of funds for DPs and TPs were grants from State/Central Government, own revenues consisting of sharing in respect of land revenue, stamp duty, forest revenue, professional tax, royalty on minerals, taxes, cesses, fees, fines *etc.* All the revenues received are deposited in the Personal Ledger Account (PLA) of respective DPs and TPs maintained in the Government Treasury. The details of receipts and expenditure of selected DPs are as shown in **Table 1** as follows:

⁵⁴ Bhavnagar, Shihor and Vallabhipur of Bhavnagar DP; and Chotila, Dhrangadhra and Patdi of Surendranagar DP.

Table 1 : Receipts and expenditure of selected DPs

(₹in crore)

Year	Receipt					Expenditure				
	Opening Balance	Own Revenue	Grants received	Loans and Advances	Total	Own Revenue	Out of grants	Loans and Advances	Total	Closing Balance
Bhavnagar DP										
2007-08	82.32	6.49	207.06	27.65	323.52	3.35	200.94	28.08	232.37	91.15
2008-09	91.15	5.88	242.94	31.51	371.48	3.81	226.07	28.39	258.27	113.21
2009-10	113.21	4.16	281.83	38.65	437.85	3.76	288.30	36.68	328.74	109.11
2010-11	109.11	9.80	401.41	43.27	563.59	5.01	372.17	37.74	414.92	148.67
2011-12	148.67	5.83	473.98	40.67	669.15	4.38	420.70	38.57	463.65	205.50
Sub Total		32.16	1,607.22	181.75		20.31	1,508.18	169.46	1,697.95	
Surendranagar DP										
2007-08	55.15	2.64	71.46	2.38	131.63	0.51	68.48	3.42	72.41	59.22
2008-09	59.22	5.08	83.88	13.41	161.59	0.52	73.75	12.08	86.35	75.24
2009-10	75.24	3.72	60.15	8.12	147.23	0.74	73.15	6.41	80.30	66.93
2010-11	66.93	6.05	94.07	4.39	171.44	0.75	79.08	4.45	84.28	87.16
2011-12	87.16	1.14	172.80	8.72	269.82	1.23	102.37	5.75	109.35	160.47
Sub Total		18.63	482.36	37.02		3.75	396.83	32.11	432.69	

(Source: Annual Accounts of selected DPs)

Audit analysis revealed that -

- In Bhavnagar DP, the unspent balances increased from ₹91.15 crore (March 2008) to ₹205.50 crore (March 2012) while in Surendranagar DP, it increased from ₹59.22 crore (March 2008) to ₹160.47 crore (March 2012) due to non-achievement of targets against the grants released by State Government.
- Receipt of own revenue of Bhavnagar DP declined from ₹9.80 crore (2010-11) to ₹5.83 crore (2011-12) and in Surendranagar DP from ₹6.05 crore (2010-11) to ₹1.14 crore (2011-12) due to poor recovery of taxes.

DP, Bhavnagar stated (May 2013) that as the works/projects under schemes have to be implemented after due process, the grants of on-going works/projects was lying unspent which would be utilised in the subsequent financial year based on the progress of the work. DP Surendranagar admitted (May 2013) that the unspent balance increased due to non-achievement of targets fixed by State Government against the grants released.

2.2.3 Budgeting

The Gujarat Taluka and District Panchayats Financial Accounts and Budget Rules, 1963 (GTDPFAB Rules) provide that every District Panchayat should prepare a Budget Estimate (BE) of its income and expenditure for the ensuing year and get it approved by General Body on or before March 31. The budget should be realistic and accurate in order to avoid wide variations between budgeted and actual figures at the end of the year.

Audit scrutiny revealed that there were wide variations between the estimated income and expenditure and actual income and expenditure (**Appendix - VII**). In Bhavnagar DP, the variation between BE and actual receipt ranged

from nine *per cent* (2009-10 and 2010-11) to 21 *per cent* (2007-08) and two *per cent* (2011-12) to 16 *per cent* (2007-08) between BE and actual expenditure. Similarly, in Surendranagar DP, the variation between BE and actual receipt ranged from 22 *per cent* (2008-09) to 65 *per cent* (2010-11) and 42 *per cent* (2008-09) to 80 *per cent* (2010-11) between BE and actual expenditure.

DPs stated (January 2013) that as per provisions of GP Act, DP was to prepare and finalise annual budget of its own fund only, however, while preparing the budget estimates, Government grants were also considered. The reply is not justified as the rules provide that all anticipated receipts and expenditures should be considered while preparation of budget estimates. Further, grants to the DPs are decided on the basis of their previous year utilisation and need for current year.

2.2.3.1 Arrears in primary audit

Director Local Fund Audit (DLFA) is the primary auditor of the accounts of DPs, TPs and GPs under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. In selected DPs, the DLFA had conducted audit up to the year 2009-10 and the audit of accounts for the year 2010-11 and 2011-12 was in arrears.

2.2.3.2 Excess expenditure over allotted grants

Government Resolution (April 1993) of PRHRDD provides that expenditure should not be incurred in excess of the allotted grants, however, in cases of exigencies, approval of the grant controlling authority must be obtained and arrangements for additional grants be made during the next year. Further, the concerned departments should release 100 *per cent* grants towards staff salaries in respect of the transferred activities.

Scrutiny of records of test checked DPs revealed that there were minus balances of ₹22.93 crore as on 31 March 2008 and ₹22.88 crore as on 31 March 2012 under 26 Major Heads (MHs) (**Appendix-VIII**). The excess expenditures were not adjusted in the subsequent years and prior approval of the grant controlling authority for incurring excess expenditure was not obtained (August 2012). Further, in six MHs⁵⁵, minus balances were carried forward since March 2007.

When pointed out, DDOs stated (January 2013) that minus balances were mainly in salary heads and that the matter has been taken up with respective State Departments.

2.2.4 Non-utilisation of grants

There were opening balances (2007-08) of ₹63.39 lakh and ₹11.54 lakh under two MHs⁵⁶ viz., water supply for Scheduled Tribe (ST) area and purchase of

⁵⁵ MH 2020 Income and Expenditure - ₹2.19 lakh, MH 2070 Police - ₹0.10 lakh, MH 2225 Social Welfare (Landless) - ₹14.70 lakh, MH 2225 Social Welfare (Education) - ₹119.03 lakh, MH 4210 Medical and Public Health (Sim well) - ₹0.40 lakh and MH 2515 CDP-8 Other Rural Development Programme (drinking water) - ₹30.49 lakh

⁵⁶ Bhavnagar - MH 2515 Water Supply and Surendranagar - MH 2702-(P)-052 MNR-228 T&P

vehicle with DP, Bhavnagar and Surendranagar respectively. Grants amounting to ₹3.55 lakh and ₹4.00 lakh respectively were received (2007-12) by the DPs for the above activities. Audit observed that no expenditure was found to have been incurred (May 2013) by the DPs except refund (2009-10) of ₹0.86 lakh by DP, Bhavnagar.

Bhavnagar DP stated (January 2013) that as per previous experience, it was not possible to utilise this grant for ST area, however, possibility of expenditure if any would be looked into. The reply is not acceptable as the non expendable funds should be refunded back to the grant controlling authority. Surendranagar DP stated (January 2013) that process of purchase of vehicles was in progress. The funds provided were not utilised for long periods.

2.2.4.1 Non-utilisation of TFC grant

On recommendation of Social Justice and Empowerment Department, Commissioner of Rural Development released (March 2007) Twelfth Finance Commission (TFC) grant of ₹30.70 lakh to Bhavnagar DP for development works under Special Component Plan. However, no expenditure was incurred and the amount remained unspent in the PLA of the DP.

Thus, due to non-utilisation of grant for more than five years, the ST community was deprived of the intended benefits.

2.2.5 Non-adjustment of funds

Functions relating to Primary Health were withdrawn (March 2005) from the ambit of TPs and transferred to the Block Health Officer (BHO). Consequently, the unspent balances with TPs were required to be transferred to the BHOs and minus balance, if any, was to be adjusted by obtaining a Government grant for that purpose.

Audit scrutiny in six TPs revealed retention of ₹1.07 crore on account of savings and non-adjustment of minus balances amounting of ₹1.43 crore (August 2012) as detailed in **Table 2** as follows:

Table 2 : Funds retained and minus balances not adjusted

(₹in lakh)

Name of TPs	Saving of grant			Minus Balances		
	MH-2210	MH-2211	Total	MH-2210	MH-2211	Total
Bhavnagar	0	46.50	46.50	-37.80	0	-37.80
Shihor	0	11.27	11.27	-15.81	0	-15.81
Vallabhipur	0	0	0	-24.99	-5.61	-30.60
Dhragandhra	15.90	21.24	37.14	0	0	0
Chotila	3.66	0	3.66	0	-17.66	-17.66
Patdi	0	8.83	8.83	-41.04	0	-41.04
Total	19.56	87.84	107.40	-119.64	-23.27	-142.91

(Source : Annual Accounts of TPs)

DPs stated (January 2013) that the process of transfer of funds/adjustment of minus balance from TPs to BHOs was being carried out. The fact remains that the funds were not transferred and adjusted even after lapse of eight years.

2.2.6 Reconciliation of accounts

2.2.6.1 Un-reconciled differences

The GTDPFAB Rules provide that balances of Treasury Pass Book shall be reconciled with the balances of Cash Book at the end of every month and differences, if any, be reconciled to ensure proper classification of the receipt and expenditure and to detect any misappropriation or excess drawal of funds. As the validity of cheques expires after three months from the month of their issuance, the time barred unencashed cheques are required to be revalidated or amounts written back in the books of accounts.

Audit scrutiny revealed that -

- In Bhavnagar DP, remittances amounting to ₹75.52 lakh (1968 to 2012) were credited to the PLA, but for want of copies of challans, the receipts were not accounted for in the Cash Book. No action was, however, taken to carry out the adjustments.
- In DPs⁵⁷ and five TPs⁵⁸, cheques amounting to ₹38.32 lakh issued (1999 to 2011) remained un-encashed beyond the validity period, but the amounts were not written back in the relevant heads of accounts.

When pointed out, DPs stated (January 2013) that efforts were being made to reconcile the difference. The non-reconciliation of balances and non-accountal of receipt in the cash book indicate of very weak internal controls.

2.2.7 Non-submissions of Utilisation Certificates

Gujarat Financial Rules, 1971 provide that administrative departments shall release funds for the subsequent financial year only after receipt of Utilisation Certificate (UC) in respect of the grants of preceding year. Scrutiny revealed that UCs for ₹46.90 crore, for which grants towards Major Head 2216-Housing (Plan) received (2007-11) by DPs from Development Commissioner were not submitted.

Further scrutiny revealed that DPs released grant of ₹2.10 crore⁵⁹ to TPs, though UCs for grants released in the previous years were not obtained. In Surendranagar DP, an amount of ₹1.97 crore⁶⁰ was retained by DP instead of releasing to TPs or refunding to the grant controlling authority. Thus, the DPs failed to ensure financial discipline in their subordinate offices. The status of the works and fund utilisation by TPs could also not be ascertained.

DPs stated (January 2013) that UCs would be submitted to the Development Commissioner on receipt of UCs from TPs.

⁵⁷ Bhavnagar DP - ₹23.19 lakh and Surendranagar DP - ₹6.35 lakh

⁵⁸ Chotila- ₹1.36 lakh, Dhrangadhra - ₹2.38 lakh, Patdi - ₹0.40 lakh, Shihor - ₹4.28 lakh and Vallabhipur - ₹0.36 lakh.

⁵⁹ DP, Bhavnagar - ₹0.30 crore and DP, Surendranagar - ₹1.80 crore

⁶⁰ Out of total receipt of ₹28.88 crore (2007-12) for housing purpose, after transferring ₹23.61 crore to TPs and ₹3.30 crore to other DPs, a balance of ₹1.97 crore was retained by the DP.

2.2.8 Creation/Administration of funds

2.2.8.1 State Equalisation Fund

The GP Act, 1963 provides that a State Equalisation Fund (SEF) shall be created at State level in which five *per cent* of average land revenue collected by State Government through GPs during the last three years shall be credited. The SEF shall be utilised to minimise the social and economic inequalities between the DPs, development of agro-products, water supply schemes, village roads *etc.* The balance of the SEF was to be distributed as special grants to the DPs⁶¹ subject to the condition of utilisation of funds within next two years. **Table 3** shows the details of special grants received and expenditure incurred (2007-12) by the Bhavnagar DP.

Table 3 : Grants received and expenditure incurred by Bhavnagar DP out of SEF

(₹in lakh)					
Details	2007-08	2008-09	2009-10	2010-11	2011-12
Opening Balance	22.69	17.31	5.00	5.00	5.00
Grant received	0	0	0	0	0
Grant distributed	5.38	12.31	0	0	0
Balance in PLA	17.31	5.00	5.00	5.00	5.00

(Source : Accounts statement of DP)

Due to non-utilisation of available funds, no fund from SEF was released (2007-12) to Bhavnagar DP.

The DP stated (January 2013) that the balance funds would be utilised and proposal for new grant would be submitted to Development Commissioner.

2.2.8.2 District Equalisation Fund

The GP Act, 1993 provides that a District Equalisation Fund (DEF) shall be created in each district. State Government shall release 7.5 *per cent* of 60 *per cent* of average land revenue collected by GPs during last three years as grant to DPs for providing special grants to the backward GPs to minimise the social and economic inequalities between the GPs in the district. Further, DEF Rules provide that DEF should be kept in Government treasury and maximum one third of the fund could be deposited in banks. The details of receipts and payments out of DEF (2007-12) were as shown in **Table 4** as follows:

Table 4 : Receipts and payments out of DEF

(₹in lakh)					
Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
DP, Bhavnagar					
Opening Balance	8.04	5.77	10.72	11.82	18.30
Receipts ⁶²	1.73	6.88	1.10	6.48	4.47
Grant given to GPs	4.00	1.93	0	0	0
Closing Balance	5.77	10.72	11.82	18.30	22.77
DP, Surendranagar					
Opening Balance	39.03	40.07	47.09	52.55	57.10
Receipts	1.04	7.02	5.46	4.55	8.39
Grant given to GPs	0	0	0	0	0
Closing Balance	40.07	47.09	52.55	57.10	65.49

(Source : Accounts statement of DPs)

⁶¹ Bhavnagar DP falls under Category A and were eligible for the grant at the rate of one paise per rural population; Surendranagar DP falls under Category B and were eligible at the rate of two paise per rural population.

⁶² Grant and interest earned

Audit scrutiny revealed that no grants were released to GPs by Surendranagar DP (2007-12) and Bhavnagar DP (2009-12). Further, Surendranagar DP had kept ₹54.58 lakh in Fixed Deposit and ₹0.47 lakh in savings banks account in violation of above provisions. Moreover, DPs have not taken any action to identify backward GPs for providing the grants to minimise the social and economic inequalities which resulted in the funds lying undistributed in bank. Therefore, the very purpose of creation of DEF was defeated.

2.2.8.3 District Village Encouragement Fund

The GP Act, 1993 provides that a District Village Encouragement Fund (DVEF) shall be constituted in every DP. State Government shall release 7.5 per cent of 60 per cent average land revenue collected by it through GPs during the last three years as grant to DPs as incentive to those GPs in which tax collection had gone up substantially. Further, DVEF rules provide that DVEF should be kept in Government treasury and could be invested in Government Securities. The details of receipts and payments of grant (2007-12) from DVEF were as given in **Table 5** below:

Table 5 : Receipts and payments of grant from DVEF

(₹in lakh)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
DP, Bhavnagar					
Opening balance	26.64	29.71	39.42	43.03	51.43
Receipts ⁶³	3.07	9.71	3.61	8.40	6.52
Grant given to GPs	0	0	0	0	0
Closing balance	29.71	39.42	43.03	51.43	57.95
DP, Surendranagar					
Opening Balance	152.04	156.55	177.84	193.58	205.28
Receipts	4.51	21.29	15.74	11.70	19.12
Grant given to GPs	0	0	0	0	0
Closing balance	156.55	177.84	193.58	205.28	224.40

(Source : Accounts statement of DPs)

Audit scrutiny revealed that despite balances existing in the DVEF, no grants were released to any GP during the period 2007-12 by the DPs. Further, Bhavnagar DP kept ₹51.48 lakh in Fixed Deposit and Surendranagar DP kept ₹213.15 lakh in Fixed Deposit and ₹0.65 lakh in savings bank account in violation of above provisions. The DPs thus, violated the DVEF Rules by depositing the unutilised amounts in banks.

2.2.9 Grants out of royalty receipts

Gujarat Minerals Act, 1961 authorises District Collector to issue permits for extraction of minerals such as sand, stone, gravel, etc. The royalty on such extraction was initially to be credited into Government account after deducting

⁶³ Grant and interest earned

five *per cent* towards administrative charges. Director of Geology and Mining was to then release from the credited amount (i) 50 *per cent* to DPs for flood control works, repairing roads and river banks damaged due to mining and (ii) 50 *per cent* for GPs (through DPs and TPs), where the mining had taken place.

Scrutiny of records of DPs revealed that royalties amounting to ₹6.16 crore⁶⁴ were received (2007-12), but, ₹3.08 crore⁶⁵ was retained by DPs and remained unspent in the PLA of DDOs. Further, in five test-checked TPs, as against the grant of ₹22.50 lakh⁶⁶ received from DPs for distribution amongst the GPs, the TPs unauthorisedly retained ₹10.35 lakh and distributed only ₹12.15 lakh⁶⁷ to the GPs. Thus, the funds released for DPs were not spent for the purpose intended and TPs unauthorisedly retained funds not meant for them.

DPs stated (January 2013) that fund would be utilised after preparing a detailed plan and approval of competent authority. DDO, Surendranagar further stated (January 2013) that TPs have distributed most of the grant to respective GPs. But, as per records, substantial sums were lying unutilised.

2.2.10 Earmarked fund for welfare of SC/ST and OBC

The GP Act provides that every DP shall spend seven *per cent* for the welfare of Scheduled Castes (SCs), seven *per cent* for the welfare of Other Backward Castes (OBCs) and a proportionate percentage of total population for the welfare of STs from its gross own resources after deducting administrative and recurring expenditure. This fund referred to as ‘Samajik Nyay Nidhi’ (SNN) was to be maintained by the DPs.

Audit scrutiny revealed that no fund was separately earmarked for the welfare of SCs, STs or OBCs in Surendranagar DP. In Bhavnagar DP, SNN fund was created through ad-hoc annual contribution of ₹3.00 lakh. However, out of available amount of ₹29.23 lakh⁶⁸ in the fund, DP, Bhavnagar spent only ₹4.06 lakh (2007-12) for supply of sewing machines to SC beneficiaries, leaving an unspent balance of ₹25.17 lakh (March 2012).

2.2.11 Unadjusted advances

The GTDPFAB Rules provide that advance payment shall be entered in the Register of Advances with details of amount and person/work for monitoring its recovery. Further, as per Gujarat Financial Rules, an amount of advance paid for specific works shall be adjusted on completion of the work.

Records of test checked DPs and TPs revealed that there were unadjusted advances amounting to ₹1.89 crore as on 31 March 2012 as shown in **Table 6** as follows:

⁶⁴ Bhavnagar ₹0.87 crore and Surendranagar ₹5.29 crore

⁶⁵ Bhavnagar ₹0.44 crore and Surendranagar ₹2.64 crore

⁶⁶ Patadi ₹0.45 lakh, Chotila ₹1.25 lakh, Dhrangadhra ₹14.22 lakh, Shihor ₹0.24 lakh and Vallabhipur ₹6.34 lakh

⁶⁷ Dhrangadhra ₹2.54 lakh and Vallabhipur ₹9.61 lakh

⁶⁸ Opening Balance ₹14.23 lakh (2007-08) + ₹15.00 lakh (₹3.00 lakh adhoc yearly contribution during 2007-08 to 2011-12)

Table 6 : Unadjusted advances

(₹in lakh)

Name of DP/TP	Amount	Nature of advances
Bhavnagar DP	59.37	Advances given to the Government servant to execute specific works
TP, Bhavnagar	13.46	Food grain Advance
TP, Shihor	31.33	Details not available
TP, Vallabhipur	12.40	Details not available
Surendranagar DP	69.86	Advances given to the Government servant to execute specific works
TP, Dhragandhra	0.13	Food grain and Festival advance
TP, Chotila	0.71	Details not available
TP, Patdi	2.01	Advances given to the Government servant to execute specific works
Total	189.27	

(Source : Advance Register and Annual Accounts of the DPs and TPs)

- Out of the total outstanding advances in DP, Bhavnagar, ₹11 lakh was given in 1982-83 as advance to field officers (water works) and ₹25.87 lakh given in 1984-85 for purchase of cement *etc.* but remained unadjusted;
- In DP, Surendranagar, Food Grain Advances of ₹3.38 lakh given in 1979-99 remained unadjusted;
- In DP, Bhavnagar, ₹1.11 lakh received from Deputy Director of Agriculture (Extension) towards sale proceeds of plants in 1987-88 was accounted as minus advance instead of accounting as receipts in cash book; and
- Advance Registers were not updated (2007-12) by test checked TPs of Bhavnagar, due to which the actual position of advances granted was not available.

DPs stated (January 2013) that most of the advances given to TPs at the time of natural calamities (1981-82 and 1984-85) for the purchase of cement has been adjusted to the PLAs of DDOs, however, accounting adjustment would be completed in due course. The delays in the adjustments for long periods showed very weak internal control.

2.2.12 Lapsed Deposits

The GTDPFAB Rules provide that each item of deposit received shall be entered in the Register of Deposits and final disposal be watched. Further, rules provide that balances unclaimed for more than three complete years shall be credited into the lapsed deposits account.

Audit scrutiny revealed that an amount of ₹2.08 crore (₹0.88 crore-Bhavnagar DP and ₹1.20 crore-Surendranagar DP) pertaining to public contributions, contractors' deposits, *etc.* remained unadjusted (March 2012). Further, un-utilised grants of ₹1.63 crore (₹1.20 crore-Bhavnagar DP; ₹0.43 crore- Surendranagar DP) refundable to Government were credited to Deposits account and retained as such in the Deposits Register.

2.2.13 Omissions in maintenance of Cash Book

In contravention to the provisions of GTDPFAB Rules, following omissions in maintenance of Cash Book were noticed –

- Separate Cash Book for DEF and DVEF were not maintained;
- Cash Book pages were left blank in both the DPs;
- No surprise checks of cash balances were done by the DDOs and TDOs;
- Corrections in the Cash Book were not attested and entries were corrected by over-writing; and
- Opening Balances at the beginning of year were not attested by DDOs and TDOs.

Non-observance of the provisions of the GTDPFAB Rules in respect of maintenance of the Cash Book is fraught with risk of mistakes remaining undetected leading to possible misappropriation of funds.

DPs stated (January 2013) that separate cash book for DEF and DVEF would be maintained and corrective measures taken in future.

2.2.14 Conclusion

Unspent balances of Bhavnagar and Surendranagar District Panchayats (DPs) increased due to non-achievement of targets communicated by the State Government under the schemes. Receipts of own funds decreased in both DPs due to poor recovery of taxes. Grants received for water supply and purchase of vehicles and from Twelfth Finance Commission were not utilised. Funds of devolved function of Primary health were not transferred to Block Health Officers. DPs failed to indentify backward GPs for providing District Equalisation Fund grants to minimise inequalities and also did not distribute grants on account of royalty to GPs. Separate fund for welfare of SC, ST and OBC was not earmarked in Surendranagar DP. Advance payments were lying un-adjusted since long. Cash Books of DPs and TPs were also not properly maintained.

The matter was reported to Government (September 2012); no reply was received (March 2013).

CHAPTER-III

AN OVERVIEW OF FINANCES AND ACCOUNTS OF URBAN LOCAL BODIES

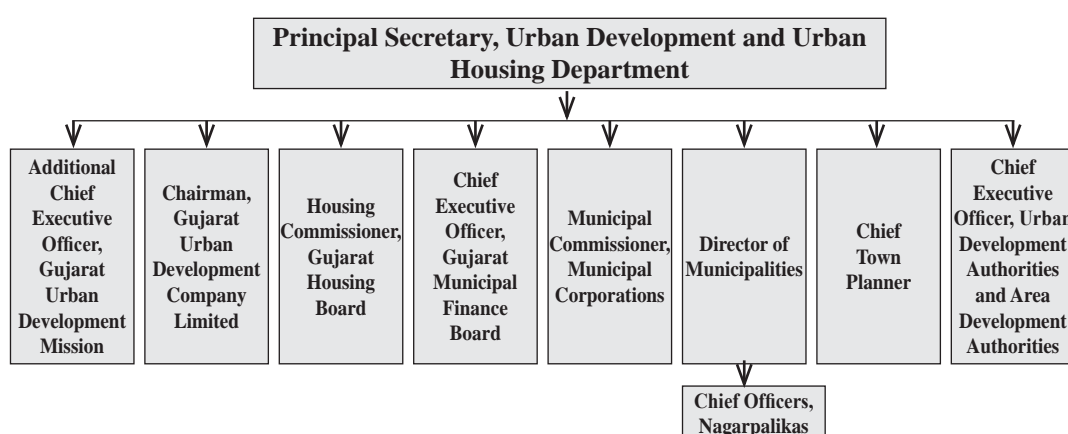
3.1 Introduction

Consequent upon the 74th Constitutional Amendment in 1992, Articles 243P to 243 ZG¹ were inserted in the Constitution whereby the legislatures could endow certain powers and duties to the Urban Local Bodies (ULBs) in order to enable them to function as institutions of self-government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution.

As per census 2011, the urban population of Gujarat State was 2.57 crore, which constituted 42.55 *per cent* of the total population (6.04 crore) of the State and 2.12 *per cent* of the total population (121.02 crore) of India. In Gujarat State, there were 190 ULBs i.e. eight Municipal Corporations (MCs), 159 Nagarpalikas (NPs) and 23 Notified Areas² (NAs) as of March 2012. The MCs were constituted under the Gujarat Provincial Municipal Corporations Act³, 1949. The NPs were constituted under the provisions of Gujarat Municipalities Act, 1963. Each MC/NP is divided into a number of wards, which is determined and notified by the State Government considering the population, dwelling pattern, geographical condition and economic status of the respective area.

3.2 Organisational set up

3.2.1 The administrative department dealing with affairs of the ULBs is the Urban Development and Urban Housing Department. An organisational chart indicating administrative set-up of the department in Gujarat is as shown below:



¹ Regarding constitution and composition of municipalities and ward committees, reservation of seats for SCs/STs, powers, authority and responsibilities of municipalities, power to impose taxes, audit of accounts, elections to the municipalities, constitution of district planning committee, etc.

² Notified areas are declared by Industries and Mines Department. Every notified area shall have a committee called the Board of Management appointed by the Government and shall perform its function and duties as per Gujarat Municipalities Act, 1963.

³ Bombay Provincial Municipal Corporations Act, 1949 has been renamed as Gujarat Provincial Municipal Corporations Act, 1949.

3.2.2 In order to ensure comprehensive development and to improve service delivery systems in the thickly populated and urbanised areas of the State, the State Government constituted various Boards and Authorities assigning specific functions to them as shown in **Table 1** below :

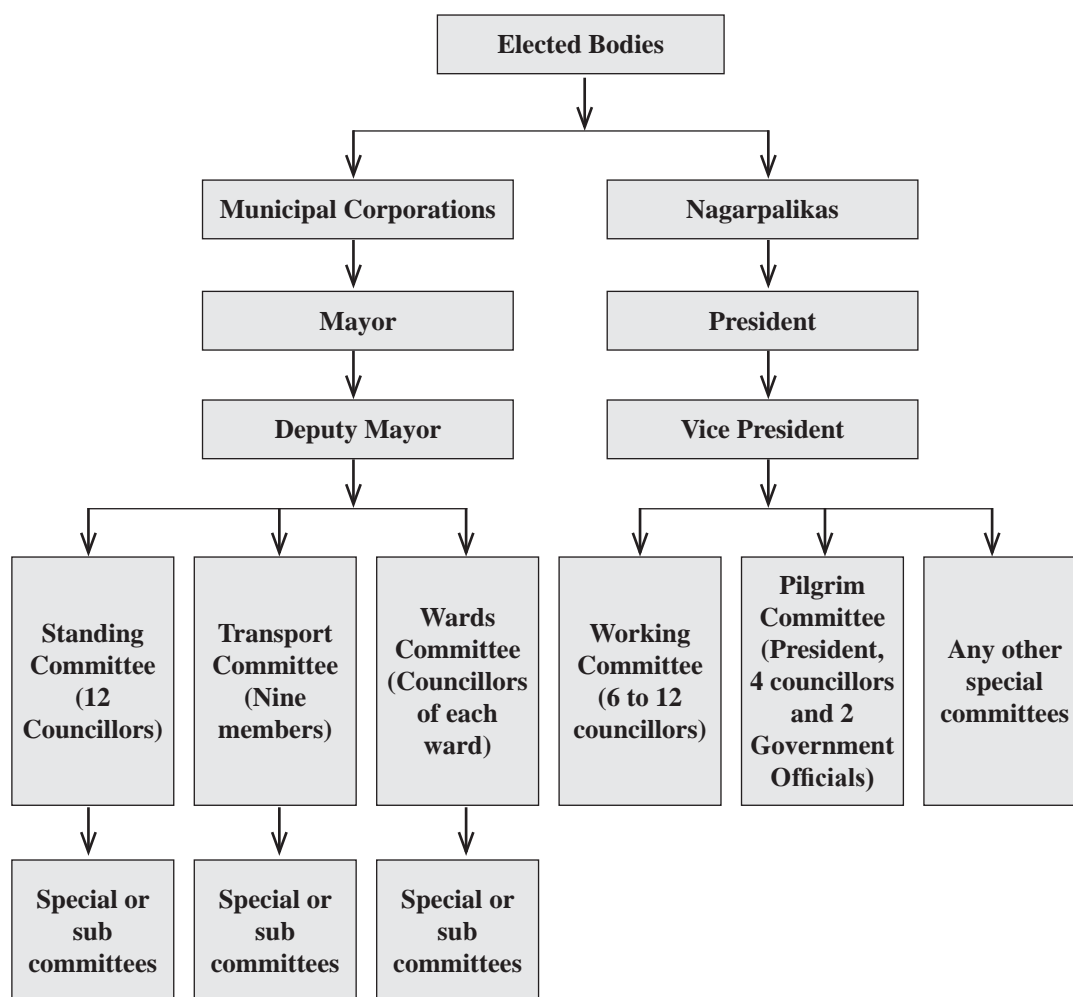
Table 1 : Boards and Authorities under the Department⁴

Sr. No.	Details of Boards/ Authorities	Function
1.	Gujarat Municipal Finance Board	To provide grants and loans for basic and infrastructure facilities through various development schemes for ULBs.
2.	Gujarat Urban Development Mission	Established as State Level Nodal Agency for the purpose of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and other State sponsored schemes.
3.	Gujarat Urban Development Company Limited	To facilitate urban development by assisting State government and existing agencies in formulation of policy, institutional capacity building and project implementation, and to assist in the funding and implementation of projects. The Company is appointed as Nodal Agency for implementation of Gujarat Urban Development Projects (GUDP) programme, Municipal Solid Waste Management project for the ULBs of the State of Gujarat, Infrastructure Facilities in the Towns identified under Tribal Sub Plan and for implementing the drainage projects under Swarnim Jayanti Mukhya Mantri Saheri Vikas Yojana (SJMMSVY).
4.	Gujarat Housing Board	The Board constructs houses for Economically Weaker Section (EWS), Lower Income Group (LIG), Middle Income Group (MIG) and Higher Income Group (HIG).
5.	12 Urban Development Authorities and 13 Area Development Authorities	Preparation and execution of town planning schemes, acquire, hold, manage and dispose of property, executive works in connection with supply of water, disposal of sewerage and provision of other services and amenities, etc.

⁴ Urban Development and Urban Housing Department

3.2.3 Composition of ULBs

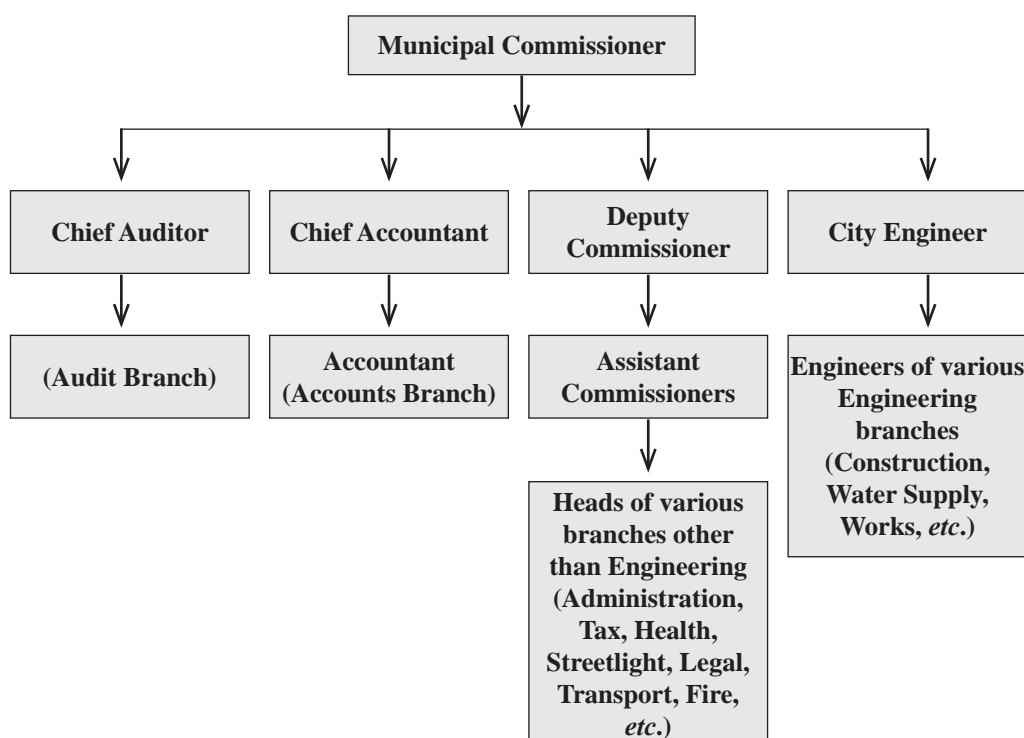
All the ULBs have a body comprising of Corporators/Councillors elected by the people under their jurisdiction. The Mayor/President who is elected by majority of the Corporators/Councillors presides over the meetings of the Council and is responsible for governance of the body. The following chart shows the set up of elected bodies in ULBs:



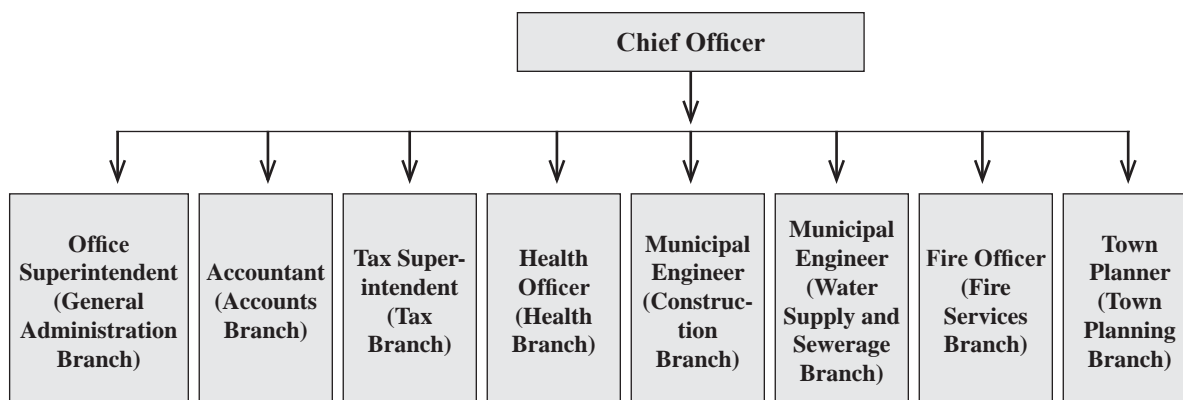
The Mayor, Deputy Mayor, President and Vice President are elected from the elected councillors. The members for committees/sub-committees are elected from the elected councillors and the Chairman of the committee is appointed from the members of the committee. The members of Transport Committee are persons with experience of administration or transport or in engineering, industrial, commercial, financial or labour matters and who may or may not be councillors.

The Municipal Commissioner is executive head of Municipal Corporation and Chief Officer is the executive head of Nagarpalika. The officers of ULBs exercise such powers and perform such functions as notified by the State Government from time to time. The executive set-up of MCs and NPs is shown as follows :

Executive set-up of Municipal Corporations



Executive set-up of Nagarpalikas

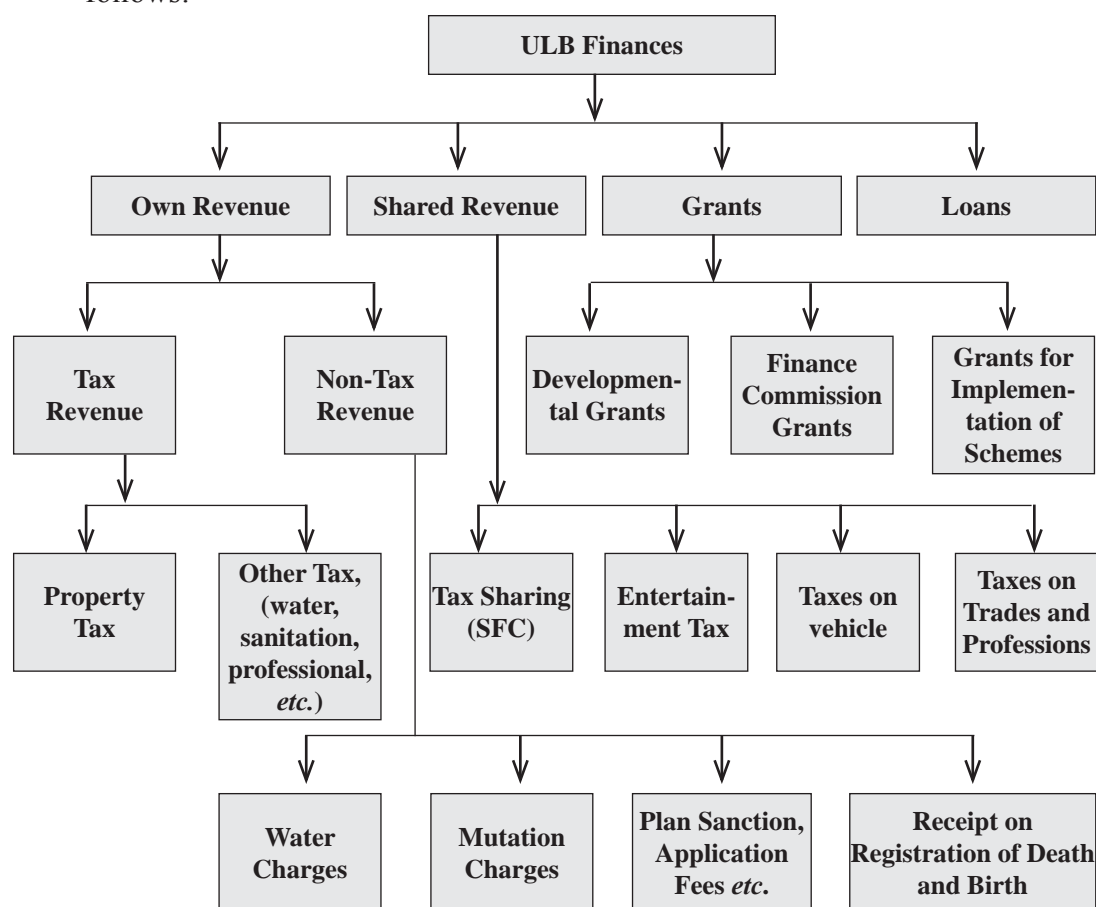


3.3 Financial management

3.3.1 Sources of receipts and items of expenditure

The ULBs do not have a large independent tax domain. The finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GOI)/State Government and loans raised from financial institutions or nationalised banks. The property tax on land and buildings is the mainstay of ULB's own revenue. The own non-tax revenue of ULBs comprises of fee for sanction of plans/mutations, water charges, *etc.*

Grants and assistance released by the State Government/GOI as well as loans raised from financial institutions are utilised for developmental activities and execution of various schemes. Flow chart of finances of ULBs is shown as follows:



3.3.2 Receipts and Expenditure of ULBs

The details of receipts and expenditure of ULBs are shown in **Table 2** below :

Table 2 : Receipts and expenditure of ULBs

	(₹in crore)		
	2009-10	2010-11	2011-12
Opening Balance⁵	Not available	3,349.04	7,919.94
Receipts			
Grant-in-aid	4,839.43	5,670.71	3,530.41
Own Revenue	3,299.23	3,748.54	4,425.41
Finance Commission grant	82.80	121.20	191.00
Total Receipt	8,221.46	9,540.45	8,146.82
Total Funds available	8,221.46	12,889.49	16,066.76
Expenditure			
Roads, Drains, Culverts	1,049.68	916.11	783.33
Public Health sanitation	209.44	225.51	242.35
Water Supply	667.11	763.72	707.97
Pay and Allowances	1,724.92	2,011.63	2,198.80
Loan repayment	117.92	52.86	93.34
Others	1,103.35	999.72	1,409.81
Total Expenditure	4,872.42	4,969.55	5,435.60
Closing Balance	3,349.04	7,919.94	10,631.16

(Source : Information as per Finance Accounts and as furnished by GMFB)

⁵ Opening Balance and Closing Balance has been arrived at by audit.

The above position indicates that -

- the expenditure against the revenue received during the period from 2009-10 to 2011-12 increased from 52 *per cent* (2010-11) to 67 *per cent* (2011-12);
- though the revenue collection of own revenue of ULBs increased by 34 *per cent*, the grant-in-aid reduced by 27 *per cent* during the period from 2009-10 to 2011-12;
- though the closing balance of funds enhanced from ₹3,349.04 crore in 2009-10 to ₹10,631.16 crore in 2011-12 (217 *per cent*), it was not clear why the total expenditure of the ULBs increased only by 12 *per cent* during the period 2009-10 to 2011-12;
- the recurring expenditure on Public Health sanitation constituted only 4.46 *per cent* of the total expenditure; and
- the expenditure on roads, drains, culvert reduced to 14 *per cent* (2011-12) from 22 *per cent* (2009-10).

3.4 Thirteenth Finance Commission

As per recommendations of Thirteenth Finance Commission, Gujarat State is eligible to get Central grant of ₹1301.81 crore for ULBs (2010-15); ₹851.16 crore as General Basic Grant (GBG) and ₹450.65 crore as General Performance Grant (GPG). Against this, GOI released ₹120.96 crore⁶ (2010-11) and ₹163.95 crore⁷ (2011-12). Grants of ₹120.96 crore⁸ (2010-11) and ₹163.95 crore⁹ (2011-12) were released to ULBs.

As of March 2012, unspent grant of ₹162.97 crore and ₹32.82 crore¹⁰ was lying with the NPs and three MCs against ₹204.54 crore and ₹50.49 crore released during 2010-11 and 2011-12 respectively. It was also observed that no expenditure was incurred by 96 Nagarpalikas though grant of ₹124.47 crore¹¹ were released to them during 2010-11 and 2011-12. Thus, the very purpose of release of funds under Thirteenth Finance Commission was defeated. The details of expenditure incurred by other MCs were not made available to audit.

3.5 Devolution of Functions

3.5.1 Transfer of Functions

Twelfth Schedule (Article-243 W) of the Constitution of India envisages that the State Government may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to function as institutions of self-government.

⁶ GBG ₹119.75 crore and ₹1.21 crore for Special Area Grant

⁷ GBG ₹153.40 crore, ₹1.21 crore for Special Area Grant and ₹9.34 crore for Performance Grant

⁸ ₹30.91 crore to seven Municipal Corporations and ₹90.05 crore to 159 Nagarpalikas

⁹ ₹42.56 crore to seven Municipal Corporations and ₹121.39 crore to 159 Nagarpalikas

¹⁰ ₹29.43 crore with AMC. ₹1.48 crore with JMC and ₹1.91 crore with SMC against grant of ₹29.74 crore, ₹1.76 crore and ₹18.99 crore released.

¹¹ ₹54.81 crore of 2010-11 and ₹69.66 crore of 2011-12.

As per Sections 87 to 92 of the Gujarat Municipality Act 1963 and Section 63 of Gujarat Provincial Municipal Corporations Act, 1949, State Government devolved all the 18 functions envisaged in the Twelfth Schedule to the NPs and MCs to enable them to function as institutions of self-government.

3.6 Accounting framework

3.6.1 Accounting arrangements

As per 13th Finance Commission's recommendations, an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual (NMAM) was to be adopted by 2011-12. All ULBs were to thus introduce accrual based double entry accounting system as per the NMAM.

The MCs and NPs have adopted the accrual based double entry accounting system since 2006-07. NMAM envisages all States to develop State specific Municipal Accounts Manual, however, audit observed that the draft Municipal Accounts Manual was pending for approval with the Government (January 2013). Thus, the adoption of consistent accounting system by all ULBs in the State has been delayed. Further, the annual accounts for the year 2011-12 in respect of all 159 NPs have not been finalised (January 2013).

3.6.2 Audit mandate

The Director Local Fund Audit (DLFA) is the primary Auditor of ULBs in terms of Section 7 of the Gujarat Local Fund Audit (GLFA) Act, 1963. The Commissioner/Chief Officer is responsible for rectification of defects or compliance to the irregularities pointed out in the report of the DLFA.

The State Government entrusted (May 2005) the audit of accounts of all NPs to the Comptroller and Auditor General of India (CAG) under Section 20(1) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 with Technical Guidance and Supervision (TGS). The State Government further entrusted (April 2011) the audit of accounts of all MCs to CAG under section 20(1) of CAG's (DPC) Act, 1971 with TGS. The provision of laying of Audit Report of DLFA alongwith the Report of CAG before the State Legislature was made by amending (May 2011) relevant Acts.

3.6.3 Arrears in Primary Audit of ULBs

Out of total 159 NPs, audit of accounts of 136 NPs for the period up to 2009-10 has been completed by DLFA (October 2012). The audit of 159 NPs was in arrears for the year 2010-11 and 2011-12. Audit of MCs has not been taken up by DLFA so far (March 2013).

3.6.4 Response to Audit observations

The Commissioners/Chief Officers are required to comply with the observations contained in the Inspection Reports (IRs) issued by DLFA and rectify the defects or omissions and report their compliance to DLFA within four months from

the date of issue of IRs. The DLFA informed (October 2012) that there were 1,47,286¹² audit paragraphs outstanding as at the end of February 2012 relating to the period up to 2009-10.

3.7 Lack of Response of Government to Audit

3.7.1 Inspection Reports outstanding

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, omissions, *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the Accountant General within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of the Department requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As on 31 March 2013, 140 IRs (1,895 paragraphs) were outstanding in respect of Nagarpalikas. Year-wise details of IRs and paragraphs outstanding are given in **Table 3** below:

Table 3 : Outstanding IRs and paragraphs

Year	Number of Inspection Reports	Number of Paragraphs	Money Value (₹in crore)
2006-07	07	117	4.75
2007-08	13	172	20.99
2008-09	32	417	2.88
2009-10	21	245	0.52
2010-11	26	332	4.74
2011-12	23	359	0.19
2012-13	18	253	0.41
TOTAL	140	1,895	34.48

3.8 Conclusion

The grant-in-aid of ULBs reduced by 27 *per cent* though their own revenue increased by 34 *per cent*. The utilisation of funds increased by only 12 *per cent* though the closing balance of funds enhanced substantially. The utilisation of funds on roads, drain and culvert reduced to 14 *per cent* (2011-12) from 22 *per cent* (2009-10). Thirteenth Finance Commission's grant of ₹124.47 crore were not utilised by 96 Nagarpalikas. State's Municipal Accounts Manual has not been finalised. The audit of DLFA was in arrears. The Department failed to ensure prompt and timely action by executives of ULBs in respect of audit objections raised by DLFA and CAG.

¹² Upto 2002-03 – 1,14,733 paras, 2003-04 – 4,635 paras, 2004-05 – 5,493 paras, 2005-06 – 5,765 paras, 2006-07 – 4,692 paras, 2007-08 – 4,595 paras, 2008-09 – 2,822 paras and 2009-10 – 4,551 paras.

CHAPTER IV

PERFORMANCE AUDIT

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.1 Implementation of Jawaharlal Nehru National Urban Renewal Mission

Executive Summary

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in December 2005 with the objective of reforms-driven fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs/Parastatal agencies towards citizens. The performance audit on implementation of JNNURM has revealed the following deficiencies:

The GOI and State Government released only 72 per cent and 65 per cent respectively of their committed share up to March 2012. Mandatory reform of Rent Control Act and optional reforms for introduction of property title certification, introduction of computerised registration of land and property and simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose were not implemented by ULBs. Out of 72 housing projects sanctioned, only five projects were completed, six were abandoned and 26 projects were not even started. Despite the availability of funds, housing projects with estimated cost of ₹155.24 crore of Vadodara Municipal Corporation and housing projects with estimated cost of ₹53.23 crore of Surat Municipal Corporation were not taken up due to non-availability of land and transit accommodation. Surat Municipal Corporation also could not complete 1,776 Dwelling Units after incurring expenditure of ₹6.72 crore due to non-availability of clear title of land. In Ahmedabad Municipal Corporation and Jamnagar Municipal Corporation, work orders were awarded to the second lowest bidders. As a consequence of deficient planning there were cases of cost overrun of ₹37.46 crore and subsequent loss of Central assistance of ₹12.38 crore. An avoidable expenditure of ₹3.25 crore was incurred by Ahmedabad Municipal Corporation due to injudicious rejection of tender. Draft Project Reports were found to have been framed without survey of beneficiaries. Irregular inclusion of water supply projects and acceptance of invalid bank guarantee were also noticed. The State Level Sanctioning Committee was not constituted and State Level Coordination Committee did not meet as envisaged. Independent and third party monitoring agencies were appointed belatedly and these agencies did not submit their reports to State Level Nodal Agency.

4.1.1 Introduction

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched in December 2005 with the objective of reforms-driven fast track development of cities across the country, with focus on efficiency in urban infrastructure, service delivery mechanism, community participation and accountability of ULBs/Parastatal¹ agencies towards citizens. The Mission period was for seven years (2005-2012). The Mission consisted of two sub-missions; (i) Urban Infrastructure and Governance (UIG) (Sub-mission I) and (ii) Basic Services to the Urban Poor (BSUP) (Sub-mission II) for mission cities. To cater to the remaining cities and towns, two components were envisaged, 'Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)' and 'Integrated Housing and Slum Development Programme (IHSDP)' with the same broad objectives as envisaged in UIG and BSUP respectively.

The identified cities were to prepare planned urban perspective framework for a period of 20-25 years (with five yearly updates) indicating policies, programmes and strategies for meeting fund requirements, which was to be followed by preparation of City Development Plans (CDP) integrating land use with services, urban transport and environment management. Detailed Project Reports (DPRs) were to be prepared for undertaking projects under identified areas in cities/urban agglomerations (UAs)/parastatals. Ahmedabad, Porbandar, Rajkot, Surat and Vadodara cities were selected as Mission cities in Gujarat.

The main objectives of JNNURM were –

- Focused attention to integrated development of infrastructural services in the cities covered under the Mission;
- Establishment of linkages between asset-creation and asset-management through a slew of reforms for long-term project sustainability;
- Ensure adequate funds to meet the deficiencies in urban infrastructural services;
- Planned development of identified cities including peri-urban² areas, outgrowths and urban corridors leading to dispersed urbanisation³;
- Scale-up delivery of civic amenities and provision of utilities with emphasis on universal access to the urban poor;
- Special focus on urban renewal programme for the old city area to reduce congestion; and
- Provision of basic services to the urban poor including security of tenure at affordable prices, improved housing, water supply and sanitation and ensuring delivery of other existing universal services of the government for education, health and social security.

¹ Statutory agencies of State Government which are assigned the responsibility for delivering services e.g. water supply, sewerage, etc. In this context, the term has been used for urban agencies.

² Immediately adjoining an urban area; between the suburbs and the countryside.

³ Urbanisation is the physical growth of urban areas as a result of global change or the increase in proportion of the total population becomes concentrated in towns. (As per Wikipedia – free encyclopedia website)

4.1.2 Organisational set up

A National Steering Group (NSG), chaired by Minister of Urban Development and co-chaired by Minister of State for Housing and Urban Poverty Alleviation (HUPA) was responsible to set policies for implementation, monitor, review progress and suggest corrections, wherever necessary. NSG was supported by a Technical Advisory Group for appraisal of proposals and a Central Sanctioning and Monitoring Committee (CSMC) for further appraising and sanctioning the proposals. The DPRs were scrutinised by the Technical Wings of the Ministry/ specialised technical agencies or outsourced agencies, before placing the proposals for sanction of the CSMC.

At State level, JNNURM was co-ordinated by a State Level Steering Committee (SLSC) headed by the Chief Minister/Minister of Urban Development and Urban Housing. The SLSC was responsible for review and prioritising the proposals. State Government established (January 2006) Gujarat Urban Development Mission (GUDM), registered under the Societies Act, to act as State Level Nodal Agency (SLNA). GUDM was to support SLSC by inviting project proposals, their appraisals, management and monitoring. A Project Management Unit (PMU) at the State level was formed (June 2008) to strengthen the capacity of the GUDM to manage and implement the composite array of tasks associated with the Mission. A flow chart with clear role demarcation of project proposal and policy directive is shown in **Appendix – IX**.

A Project Implementation Unit (PIU) with the Urban Local Body (ULB) was meant to be an operations unit to supplement and enhance the existing skill mix of the ULB and enhance the pace and quality of implementation of the Mission activities.

4.1.3 Audit objectives

The objectives of the performance audit were to ascertain whether –

- Financial management and controls were adequately exercised;
- The reforms agenda sought to be achieved were achieved;
- Detailed Project Reports (DPRs) were based on proper planning, survey and availability of resources;
- Proper tendering system was adopted;
- Projects were executed efficiently and achieved their intended objectives; and
- There was adequate and effective mechanism for monitoring and evaluation.

4.1.4 Audit criteria

The audit findings were benchmarked against the following criteria –

- Guidelines, instructions/circulars/orders issued by the concerned Ministries;

- Memorandums of Agreement and DPRs of projects selected for performance assessment;
- Toolkits prescribed by Ministry of Urban Development (MoUD)/HUPA for various issues under JNNURM; and
- Minutes of the 26th meeting of CSMC.

4.1.5 Scope and coverage of audit

In all, 197 projects under the Mission were sanctioned (up to March 2012) in 84 cities/towns⁴ at a total project cost of ₹8,627.40 crore. Out of 197 projects, 28 projects implemented in five cities were selected⁵ (**Appendix-X**) on the basis of ground level execution for detailed performance audit covering the period up to March 2012.

Audit conducted test-check (April-July 2011 and May-August 2012) of the records (2005-12) of Urban Development and Urban Housing Department, GUDM and Municipal Corporations of Ahmedabad, Jamnagar, Rajkot, Surat and Vadodara. An Entry Conference was held (06 May 2011) with Secretary (Housing) to explain the audit objectives and scope. The audit findings were discussed (29 December 2011) with the Principal Secretary, Urban Development and Urban Housing Department during an Exit Conference. The Government replied to the audit findings in October 2012 and the replies have been considered while finalising the report.

Audit findings

4.1.6 Financial Management

4.1.6.1 Financial Assistance

Assistance under JNNURM was in the form of Additional Central Assistance (ACA). The funding pattern for projects under UIG and BSUP was as given in **Table 1** below:

Table 1 : Funding pattern

(Figures in percentage)

Category of cities/ towns	UIG			BSUP	
	Central Share	State Share	ULB/Parastatal share/Loan from Financial Institutions	Central Share	State/ULB/ Parastatal share, including beneficiary contribution
Cities with 4 million plus population as per 2001 census	35	15	50	50	50
Cities with million plus but less than 4 million population	50	20	30	50	50
Cities other than those mentioned above	80	10	10	80	20

(Source: Guidelines of UIG and BSUP)

⁴ UIG and BSUP (5 cities), IHSDP (45 cities/ towns), UIDSSMT (52 cities/towns) including 18 cities/towns common in both IHSDP and UIDSSMT

⁵ Eight from Ahmedabad, two from Jamnagar, one from Rajkot, 12 from Surat and five from Vadodara

In respect of UIDSSMT projects, funding was in the ratio of 80:10 between Central Government and State Government and the balance 10 *per cent* was to be raised by the nodal/implementing agencies. In respect of IHSDP projects, it was in the ratio of 80:20 between Central Government and State Government/ULBs/Parastatal/beneficiary contribution.

The ACA received in Consolidated Fund of the State was released through the State Budget to Gujarat Urban Development Mission (GUDM) together with State share in the form of grant-in-aid. GUDM was to pass on the assistance to the ULBs in the form of soft loan or grant-cum-loan or grant. The position of projects sanctioned and share of GOI/State/ULB (March 2012) is given in **Table 2** below:

Table 2 : Number of projects sanctioned and their funding

(₹ in crore)

Sr. No.	Sub-Mission	No. of projects	Approved cost	GOI share	State share	ULB share
1	UIG	73	5,625.09	2,492.58	990.74	2,141.77
2	BSUP	27	2,032.92	1,015.47	423.11	599.29
3	UIDSSMT	52	434.87	348.32	43.48	43.48
4	IHSDP	45	534.52	237.87	304.40	89.40
	Total	197	8,627.40	4,094.24	1,761.73	2,873.94

(Source : Information furnished by GUDM)

The GOI and State Government released ₹2,956.68 crore (72 *per cent*) and ₹1,145.67 crore (65 *per cent*) as of March 2012 as against their committed share of ₹4,094.24 crore and ₹1,761.73 crore respectively.

4.1.6.2 Release of funds by GOI

Details of committed share of GOI, ACA released and expenditure incurred in respect of the projects selected for performance audit are given in **Appendix-X**.

4.1.6.3 Outstanding reimbursement claims

Guidelines of JNNURM provide that Mission cities can seek assistance for preparation of CDPs/DPRs, training and capacity building, community participation and information, education and communication activities. The assistance was restricted to five *per cent* of ACA or actual requirement, whichever is less.

Scrutiny of records of the three selected ULBs revealed that in respect of 36 projects, the claims for reimbursement of cost of CDPs/DPRs amounting to ₹13.51 crore⁶ were outstanding due to submission of documents in Gujarati instead of English to GOI (February 2013).

GUDM stated (March 2013) that compliance was in process.

⁶ 1. Rajkot Municipal Corporation – claim for nine DPRs + one CDP = ₹0.78 crore, 2. Surat Municipal Corporation – claim for 16 DPRs = ₹8.07 crore and 3. Vadodara Municipal Corporation – claim of 10 DPRs = ₹4.66 crore

4.1.7 Urban Reforms

4.1.7.1 Non creation of Revolving Fund

As per guidelines of JNNURM a Revolving Fund (RF) was required to be formed to meet Operations and Maintenance cost of the assets created under the Mission and for financing further investment in infrastructure projects. While releasing the financial assistance to the ULBs in the form of grant-cum-loan, 25 per cent of Central and State assistance was to be recovered and ploughed into the RF. At the end of the Mission period, the RF was to be graduated to the State Urban Infrastructure Fund. It was also provided that GUDM would be responsible for management of the RF. However, the RF was not created in the State (August 2012). The State Government issued a Resolution (September 2007) regarding formulation of a funding pattern for disbursement of central and state grants to ULB under various sub-missions of JNNURM wherein the criteria for recovery of loan, interest, moratorium period, ploughing of recoveries into RF, etc., were fixed. Subsequently, the State Government cancelled (October 2007) the above resolution.

The Government stated (October 2012) that it was decided to release the assistance in the form of grants only considering the project size, financial and technical position of ULBs. The fact, however, remains that the RF was not created as ACAs were released in the form of grants instead of as grant-cum-loan and consequently, the provision for maintenance of assets could not be ensured.

4.1.7.2 Non-formation of Project Implementation Unit

Guidelines of JNNURM provide that a Project Implementation Unit (PIU) be formed within the ULB for supplementing and enhancing existing skill and to work in tandem with the existing staff with focus on strengthening implementation of the Mission.

Out of five test checked ULBs, Jamnagar Municipal Corporation (JMC) did not form any separate PIU and the existing staff were executing JNNURM works. This resulted in the regular staff being saddled with the additional work which ultimately affected the speed of implementation of the JNNURM works.

The Government stated (October 2012) that separate branches were available for water supply and slum department in JMC, therefore PIU was not formed as both the branches handled the projects separately. The reply is not acceptable as the role and responsibility envisaged in the JNNURM guidelines for PIU was not fulfilled due to non-formation of the same.

4.1.7.3 Non-inclusion of renewal projects

One of the main objectives of JNNURM was to take up urban renewal programme of redevelopment of inner (old) city areas to reduce congestion. However, scrutiny of records revealed that out of 73 and 52 projects approved under UIG and UIDSSMT, none related to urban renewal.

When pointed out, GUDM stated (September 2012) that projects as proposed by ULBs in their City Development Plan were appraised by SLSC and none of the MCs proposed any renewal projects. However, the fact remains that a vital component of the Mission was totally neglected.

4.1.7.4 Implementation of Urban Reforms

The main objective of the reforms under JNNURM was to provide an enabling environment for the growth of the cities by enhancing effective urban service delivery and civic infrastructure through improvements in urban management, land management, financial management and stakeholder participation in local governance. Accordingly, State Government and ULBs were required to accept the implementation of an agenda of reforms broadly categorised as Mandatory and Optional Reforms. The status of implementation of the urban reforms at State/ULBs/Parastatal level is shown in **Table 3** below:

Table 3 : Status of implementation of Urban Reforms

Level at which implemented	Category	Nature of reform	Status
State	Mandatory	Implementation of decentralisation measures as envisaged in 74 th Constitutional Amendment Act	Implemented
		Reforms of Rent Control Act	Not implemented
		Rationalisation of Stamp Duty	Implemented
		Enactment of Public Disclosure Law	Implemented
		Repeal of Urban Land Ceiling and Regulation Act	Implemented
		Enactment of Community Participation Law	Implemented
Urban Local Body	Mandatory	Shift to/Adoption of accrual based double entry accounting system	Implemented
		Property tax reforms with Geographical Information System (GIS) to achieve at least 85 <i>per cent</i> collection	Implemented (except GIS)
		Internal earmarking of funds for Urban poor	Implemented
		E-Governance	Implemented
		Levy of reasonable user charges to recover full cost of O&M/ recurring cost	Implemented
		Provision of basic services to urban poor	Implemented
Both State and Urban Local Body	Optional	Introduction of property title certification (transfer to ULB level)	Not implemented
		Introduction of computerised registration of land and property (transfer to ULB level)	Not implemented
		Earmarking 20-25 <i>per cent</i> developed land for EWS/LIG housing with a system of cross subsidisation	P a r t i a l l y implemented
		Revision of bye-laws to streamline the approval process for construction of buildings, development of sites, <i>etc.</i>	Implemented
		Simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose (transfer of power to ULB)	Not implemented
		Revision of bye-laws to make rain water harvesting mandatory in all buildings and adoption of water conservation measures	Implemented
		Bye-laws for reuse of recycled water	Implemented
		Administrative Reforms	Implemented
		Structural Reforms	Implemented
		Encouraging Public Private Partnership	Implemented

(Source : Information furnished by GUDM and ULBs)

- Mandatory reform of Rent Control Act and optional reforms for (i) introduction of property title certification, (ii) introduction of computerised registration of land and property and (iii) simplification of legal and procedural framework for conversion of agriculture land to non-agriculture purpose were not implemented by ULBs.
- Earmarking atleast 20-25 *per cent* of developed land in all housing projects for Economical Weaker Sections/Low Income Group was not done.
- Reform of the property tax systems was one of the mandatory reforms under the Mission. The guidelines emphasize the need for proper mapping of properties using a Geographical Information System (GIS). For the purpose, every ULB had to fully migrate to GIS by the year of Mission period committed in the Memorandum of Agreement (MoA). Audit scrutiny, however, revealed that four ULBs had not implemented the GIS as committed in the MoA as shown in **Table 4** below:

Table 4 : Progress of implementation of Geographical Information System

Name of ULB	Year committed in MoA for full migration to GIS	Status	Remarks
Ahmedabad Municipal Corporation	Fourth year (2008-09)	Not implemented	Tendering under process (February 2013)
Jamnagar Municipal Corporation	Sixth year (2010-11)	Not implemented	No progress achieved (February 2013)
Rajkot Municipal Corporation	Third year (2007-08)	Implemented	-
Surat Municipal Corporation	Fourth year (2008-09)	Not implemented	Work awarded in February 2012 with a stipulation to complete within 18 months and the work was at development and designing stage (February 2013)
Vadodara Municipal Corporation	Fifth year (2009-10)	Not implemented	Tendering over, work to be awarded (February 2013)

(Source : Information furnished by the ULBs)

Thus, the ULBs were not equipped with the facility of mapping properties in the city with the help of GIS to bring them under the tax net.

When pointed out, Government stated (October 2012) that –

- it was difficult to earmark 20-25 *per cent* of land for urban poor, however, the Gujarat Town Planning and Urban Development Act, 1976 provides for reservation of plots to the extent of 10 *per cent* and
- proper mapping of properties using a GIS was under progress.

Implementation of Housing Projects

Housing projects were undertaken under sub-mission Basic Services to Urban Poor (BSUP) in mission cities and Integrated Housing and Slum Development Programme (IHSDP) in cities other than mission cities with the objective to provide housing either in situ or at a new location to the urban poor with basic infrastructure amenities⁷ in a healthy environment.

4.1.8 Status of Housing Projects and dwelling units

The status of housing projects as of March 2012 is shown in **Table 5** below:

Table 5 : Status of housing projects

Name of Sub-mission	Projects sanctioned	Projects completed	Projects in progress	Projects not started	Projects abandoned
BSUP	27	5	22	0	0
IHSDP	45	0	13	26	6
Total	72	5	35	26	6

(Source : Information furnished by GUDM)

The above table shows that out of 72 sanctioned housing projects (27-BSUP and 45-IHSDP), only five projects were completed, six were abandoned and 26 projects were not even started. The percentage of completion of projects was 19 and zero under BSUP and IHSDP, respectively.

Similarly, out of eleven housing projects (10-BSUP and 01-IHSDP) selected for audit, only four were completed and two were not started while the remaining five were in progress.

Each housing project consists of several dwelling units (DUs). The position of completion, allotment and occupancy of DUs of 72 projects sanctioned is shown in **Table 6** below:

Table 6 : Position of completion, allotment and occupancy of DUs

Name of Sub-mission	DUs sanctioned	DUs completed	DUs in progress	DUs allotted	DUs occupied
BSUP	1,13,488	79,522	9,864	57,917	39,202
IHSDP	32,913	3,800	3,076	545	425
Total	1,46,401	83,322	12,940	58,462	39,627

(Source: Information furnished by GUDM)

The above table reveals that against 1.46 lakh DUs sanctioned only 83,322 DUs were completed and of these completed DUs, 58,462 DUs were allotted and only 39,627 DUs were occupied.

The audit findings on implementation of housing projects under BSUP and IHSDP are discussed as under:

4.1.9 Basic services to urban poor (BSUP)

The main thrust of the sub-mission BSUP was on integrated development of slums through projects for providing shelter, basic services and other related civic amenities in mission cities with a view to provide utilities to the urban poor. The following irregularities were noticed in implementation of sub-mission:

⁷ Basic infrastructure such as facility of drinking water, roads, sewerage etc.

4.1.9.1 Non-commencement of work

(i) The CSMC approved (February 2010) a housing project of in-situ development of 6,096 DUs at cost of ₹155.24 crore for urban poor residing in slums of Vadodara city at 12 different places. The project was targeted to be completed by December 2011.

Scrutiny of records of Vadodara Municipal Corporation (VMC) revealed that GOI and State Government together released ₹26.29 crore (March 2010) as first installment for implementation of the project. However, the tendering process was delayed upto December 2010 though the ownership of the land of proposed site was with the State Government. After getting possession of land (May 2012), work orders for 6,096 DUs were issued (September 2011 and March 2012).

Audit observed that work awarded (September 2011) could not commence as residents of slums filed petition (December 2011) in High Court of Gujarat for alternate accommodation during execution of the project, which was allowed (March 2012) and the work has not been taken up so far (March 2013).

Thus, failure of Government to transfer the land to ULB in time and lack of planning to provide alternate accommodation before displacing the slum dwellers for in-situ construction of DUs resulted in non-commencement of work and blocking of ₹26.29 crore for over two years.

The Government stated (October 2012) that in view of the slum development policy, VMC had anticipated that allotment of land shall be made for this purpose by the government and temporary accommodation charges were included in the DPR but the same were not approved by State Government and CSMC. The reply is not acceptable as the land was not available for development and no alternate accommodation was arranged for the slum dwellers by the VMC.

(ii) The CSMC approved (January 2009) two redevelopment housing projects for urban poor residing in slums at Bhimnagar and Kamrunagar in Surat city at an estimated cost of ₹29.48 crore (1,176 DUs) and ₹23.75 crore (740 DUs) respectively.



Photo showing slums at Bhimnagar

The project was for an in-situ development by demolishing the existing slums. The GOI and the State Government together released ₹8.06 crore⁸ (March 2009) towards the first installment and an amount of ₹95.07 lakh⁹ was sanctioned for transit accommodation as a part of project cost. However, the transit accommodation was not provided and the slum dwellers continued to stay in the slums.

⁸ Bhimnagar – ₹4.50 crore and Kamrunagar - ₹3.56 crore

⁹ Bhimnagar – ₹47.56 lakh and Kamrunagar - ₹47.51 lakh



Photo showing slums at Kamrunagar

It was found that work at both the places was awarded to an agency¹⁰ (April 2010), however, due to non-availability of clear site, the agency could not commence the work and was subsequently relieved (October 2011). Since then, no further progress was made and grant of ₹8.06 crore was lying unutilised (June 2012) with the Surat Municipal Corporation (SMC).

The Government stated (October 2012) that the work could not commence as beneficiaries did not agree to vacate their place of residence. Regarding construction of transit accommodation, it was stated that a single tender was received in the first attempt and further that the agency expressed its inability to execute the work. SMC had successfully shifted 449 slum dwellers (October 2012) and expected to shift the remaining in the near future. It further stated that the process of tendering for both projects was in progress.

It was noticed that as SMC could not provide transit accommodation to all slum dwellers, the construction of DUs could not be undertaken, thereby the beneficiaries were deprived of the benefits of the Mission.

4.1.9.2 Incomplete dwelling units

(i) The CSMC approved (December 2006) a housing project (DPR-V) for construction of 7,392 DUs at an estimated cost of ₹98.88 crore for urban poor of Surat city. The project period was 27 months. SMC divided the project in seven packages, each consisting of 1,056 DUs, for execution. The lowest bidder of each package was awarded (January 2008) work with time limit of 12 months. Out of 7,392 DUs sanctioned, 5,616 DUs were completed (March 2012).

The 7,392 DUs were to be constructed on two plots at Kosad. The land for the entire project was acquired (May 2005) from Gujarat Housing Board (GHB). While the work was in progress, the Municipal Commissioner ordered (October 2008) stopping the execution of further work in respect of 37 blocks consisting

¹⁰ Standard Buildcon Limited

of 1,776 DUs as the ownership of said land was with private parties. The ULB had incurred an expenditure of ₹6.72 crore on these 1,776 DUs by then. There has been no progress on the work since then (February 2013).



Photos showing incomplete housing blocks at Kosad, Surat

Audit scrutiny revealed that the title of the land on which construction of 37 blocks was in progress, was not with the SMC/GHB and the fact was known to the ULB before commencement of work. It was only after receipt of a representation from the landlord that the construction was stopped.

The Government stated (October 2012) that after the preparation of the DPR for the entire land, the work had been started. However, GHB did not intimate that some portion of land belonging to private owners had not been acquired by the GHB which resulted in stoppage of the construction work. The reply is not acceptable as construction of DUs was taken up on land not owned by SMC/GHB and this fact was known to the ULB prior to commencement of the work.

(ii) The CSMC approved (September 2006) a housing project at Bhestan, Surat for the construction of 5,424 DUs at an estimated cost of ₹56.45 crore for urban poor. The project period was 30 months. Out of 5,424 DUs sanctioned, 4,768 DUs were completed (March 2012).

The project was divided into nine packages for execution. Work orders for two packages (1-A/A¹¹ and 1-A/C¹²), each consisting of 320 DUs were awarded (March 2007 and May 2007) to the lowest bidder¹³ with time limit of ten months. The agency after executing work of ₹1.55 crore stopped work (September 2010 and March 2011) and material worth ₹2.42 crore supplied free of cost to the agency was utilised till then (total expenditure ₹3.97 crore).

Eventually, the SMC blacklisted (August 2011) the agency and thereafter ULB invited repeated tenders 12 times, but work could not be awarded (July 2012) for want of response or due to the rejection of tender on various grounds.

¹¹ Tendered cost ₹1.74 crore without cost of steel and cement

¹² Tendered cost ₹1.76 crore without cost of steel and cement

¹³ A.K. Patel



Photos showing incomplete houses at Bhestan, Surat

Audit observed that though the agency failed to complete the work within the stipulated date, only notices were served by SMC and the action of blacklisting the agency was taken after three years from the stipulated date of completion. It was also seen that in response to a tender notice on the fourth attempt, an agency¹⁴ quoted 9.91 *per cent* above the estimated cost (SOR of 2011-12), but the Tender Scrutiny Committee (TSC) rejected it. All the subsequent attempts did not evoke any response (July 2012). Thus, construction of 640 DUs remained incomplete even after incurring expenditure of ₹3.97 crore.

The Government stated (October 2012) that the work had been awarded (August 2012) and would be completed by end of May 2013. As regard non-acceptance of tender that was 9.91 *per cent* above the cost, it was stated that the tender was rejected in view of the Standing Committee's resolution stipulating that tenders above 4.77 *per cent* of the estimated cost were not to be accepted. The reply is not acceptable as the ULB failed to take proper action against the agency in time and a subsequent tender at 9.91 *per cent* above the estimated cost was rejected by the TSC referring to a Standing Committee's resolution which was not applicable in the instant case.

4.1.9.3 Post tender negotiations

(i) The CSMC approved (February 2007) a housing project at an estimated cost of ₹338.76 crore for construction of 18,976 DUs at Ahmedabad. The work was divided into five packages. The fourth and fifth packages consisted of 3,520 DUs (estimated cost ₹54.14 crore) and 3,488 DUs (estimated cost ₹53.65 crore) respectively.

The Ahmedabad Municipal Corporation (AMC) invited tenders (March 2007) for fourth and fifth packages¹⁵ and when the price bids were opened (April 2007), an agency¹⁶ which was L₁ in both the packages quoted negotiated bids of ₹64.70 crore (fourth package) and ₹62.98 crore (fifth package).

Audit observed that the price bid of L₁ agency for fourth package was rejected by AMC on the ground that L₁ was already having number of works on hand, though, no such condition was found in the tender documents. Further, it was

¹⁴ Jay Construction

¹⁵ AMC enlarged scope of work to 10,000 DUs (10 April 2007) and last date of submission of bids was extended to 21 April 2007; ETL was advertised without reference to any enhanced scope of work

¹⁶ MS Khurana Engineering Limited

noticed that L₂ agency¹⁷ on expressing his willingness to execute the work at a cost quoted by L₁ agency was issued the work order. Thus, the rejection of offer of L₁ agency and awarding of work to L₂ agency was not in order.

The Government stated (October 2012) that Standing Committee in Municipal Corporation is a competent authority, under Gujarat Provincial Municipal Corporation Act, 1949 for acceptance, rejection or allocation of work of any amount. The work was awarded to L₂ agency at the rate of L₁ agency for speedy execution of work without any financial implication by the Standing Committee. The reply is not acceptable as such criteria for rejection of offer was not available in the tender document.

(ii) Ahmedabad Urban Development Authority (AUDA) after inviting tenders for work of construction of 2,500 DUs for urban poor of Ahmedabad, opened (March 2005) price bids and the L₁ agency¹⁸ offered to undertake the work at ₹23.24 crore (five *per cent* below estimated cost). However, AUDA negotiated (March 2005) with all the bidders and on post negotiations L₂ agency (whose quotation stood at ₹23.46 crore) made total reduction of seven *per cent* from the estimated cost and brought down their offer to ₹22.84 crore. Due to this reduction, L₂ agency became the lowest bidder and AUDA awarded (April 2005) the work to L₂ agency at negotiated price of ₹22.84 crore against an estimated cost of ₹24.57 crore (seven *per cent* below). Thus, orders/instructions regarding award of work and post tender negotiations as stipulated by Central Vigilance Committee (CVC) were flouted as instructions of CVC forbid post tender negotiations/negotiations with any agency other than L₁ agency.

Subsequently, after the launch (December 2005) of JNNURM by GOI, the AMC decided to treat the work as a JNNURM work and booked an expenditure of ₹11.19 crore (September 2006) which had been incurred on this project (up to December 2005) under JNNURM.

The Government stated (October 2012) that as L₁ agency did not offer any rebate, AUDA invited the other bidders to offer rebate from their quoted rates. Based on the rebate offer of L₂ agency being below the rate quoted by L₁ agency, the work was awarded to L₂ agency. The reply of the Government (October 2012) that negotiations with L₂ agency were done as L₁ agency did not offer any rebate is not justifiable as this is not permissible as per rules.

¹⁷ Syntax Industries Limited.

¹⁸ BPC Project and infrastructure Private Limited

4.1.9.4 Loss of Central Assistance

Audit observed loss of Central assistance and denial of benefits in three cases as under –

(₹ in crore)

Name of the project	Amount of Central assistance lost	Reasons
Housing Phase I for Urban Poor, Vadodara	₹8.21	<p>The CSMC approved (December 2006) a housing project (Phase-I) of 6,668 DUs at cost of ₹88.61 crore for urban poor of Vadodara. The GOI released ₹33.96 crore in four instalments (upto March 2012). Of the above, 1,276 DUs were planned to be developed at Karelibaug area, but work could not be started due to protest from local residents. Also no efforts were made to get alternate land allotted for construction of an equal number of DUs.</p> <p>VMC submitted (April 2011) a revised DPR for 5,392 DUs at cost of ₹73.50 crore by dropping 1,276 DUs sanctioned earlier which was accepted (June 2011) by reducing GOI share from ₹42.17 crore to ₹33.96 crore; thus inability of VMC to find suitable site for residential accommodation resulted in loss of Central assistance of ₹8.21 crore.</p> <p>The Government admitted (October 2012) that the work was not executed due to public protest, hence DPR was revised and got approved from CSMC. The work of 5,392 DUs has been completed.</p>
Construction of 5,280 DUs for Urban Poor, Surat	₹2.37	<p>The CSMC approved (November 2006) a housing project (DPR-III) of 5,280 DUs at cost of ₹72.03 crore for the urban poor of Surat. The GOI released admissible ACA amounting to ₹34.28 crore. The work was completed by executing extra items costing ₹4.75 crore due to change in design of slope, upgraded quality of tiles, construction of slabs <i>etc.</i> Thus, due to deficient DPR, Central assistance of ₹2.37 crore being the fifty <i>per cent</i> of the cost of extra item could not be availed of by SMC as the extra items were not admissible for ACA under the mission.</p> <p>The Government stated (October 2012) that subsequent changes were made to improve the environment based on various training, discussion and suggestions from experts. The reply is not acceptable as these aspects were required to be considered at the time of finalisation of DPR.</p>
DPR II, III and IV for Urban Poor, Surat	₹1.80	<p>In the DPR for three projects (DPR-II, III and IV), SMC made lump-sum provision of ₹40.34 lakh for social infrastructure. However, Community Hall, Anganwadi, Shopping centres, party plots <i>etc.</i>, included subsequently in the projects, were estimated to cost ₹4.00 crore. Thus, due to defective DPR, SMC could get only ₹20.17 lakh against admissible amount of ₹2.00 crore resulting in loss of Central assistance of ₹1.80 crore.</p> <p>Government stated (October 2012) that some part of infrastructure was included in the DPR but as the same was not substantial, required infrastructure were created from own fund of SMC. The reply is not acceptable as the SMC should have assessed the above requirements and included in DPR to avoid loss of Central assistance.</p>
Total	₹12.38	

4.1.9.5 Cost overrun due to lack of planning

For taking up a housing project, availability of suitable land with clear title was pre-requisite. Hence, details of availability of land with description were required to be mentioned in DPR. Further, proper planning for execution of work was essential to avoid time and cost overruns. Instances of poor planning which led to cost overruns are mentioned below :

(₹ in crore)

Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs for Urban Poor, Ahmedabad	₹338.76	₹6.34	<p>The CSMC approved (February 2007) a housing project (DPR Phase I) for construction of 18,976 DUs; but tenders were invited in five packages for only 15,168 DUs for want of land and technical deficiencies in land earmarked. The AMC arranged (October 2009) alternate land for remaining 3,808 DUs but ULB decided to not award the work to the existing agencies of the first phase considering their slow progress of work and also tried to shift the construction technology from Mescon to RCC frame structure. However, after tendering, the work of Phase-II was awarded (December 2011 and January 2012) to the agency executing Phase-I without any change of technology.</p> <p>The tendered cost (₹278.61 crore) was 19.43 per cent over the estimated cost of ₹233.29 crore (Phase-I) whereas the tendered cost (₹85.48 crore) was 29 per cent over the estimated cost of ₹66.26 crore (Phase II); hence, there was an excess tendered cost of 9.57 per cent in Phase-II. As the estimated cost of the work in Phase-II was ₹66.26 crore; there was a cost overrun of ₹6.34 crore.</p>	<p>The Government stated (October 2012) that due to non availability of land on account of legal disputes in respect of some proposed plots, there was delay in awarding of work. The RCC frame structure was considered for ensuring timely completion of the project. However best efforts were made for timely completion of work and safeguarding its financial interest.</p> <p>The reply is not acceptable as the ULB submitted DPR without availability of land and incorrect information. None of the proposals of AMC to award work to a fresh agency with a change of technology were acted upon by the ULB. Thus, improper planning of AMC resulted in a cost overrun of ₹6.34 crore.</p>

Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs for Urban Poor, Surat	₹55.42	₹26.98	<p>The CSMC approved (September 2007) the DPR of a housing project (DPR-VI) for construction of 4,032 DUs at 11 different locations at an estimated cost of ₹55.42 crore; but the estimate of the work was approved (March 2008) by Standing Committee after six months from the sanction of the project. After a series of changes, the tender was invited (March 2009) after 18 months of the approval for nine packages for 4,032 DUs at an estimated cost of ₹74.81 crore. Work order was issued (July 2009) at tendered cost of ₹73.33 crore (two per cent below) resulting in a cost overrun of ₹17.91 crore over the estimated cost of DPR.</p> <p>Out of these 4,032 DUs, agencies could not take up construction of 1,602 DUs due to non-availability of land. Alternate land was made available in July 2011. Since the agencies refused to execute the work at tendered cost due to a price rise in the material and labour over this period of time, fresh tender was invited by revising the estimated cost (₹36.47 crore) as per the current SOR (2011-12) and work order was issued at tendered cost of ₹38.21 crore which led to further cost overrun. Thus, there was an overall cost overrun of ₹26.98 crore¹⁹. The work of all 4,032 DUs was in progress (April 2013).</p>	<p>The Government stated (October 2012) that delay was merely at various sanctioning/ approval stages, proposed lands not being available due to opposition from the public, non-finalisation of town planning scheme at the time of preparation of DPR and non-viability of some of the proposed plots due to passage of high tension electric lines, encroachments, part possession of land, etc.</p> <p>The reply is not acceptable as the ULB submitted the DPR without ascertaining the availability of land and considering the other points stated above. Improper planning of SMC resulted in cost overrun of ₹26.98 crore.</p>

¹⁹ ₹73.33 crore/4,032 DUs × 2,430 = ₹44.19 crore + ₹38.21 crore = ₹82.40 crore - ₹55.42 crore (original estimated cost) = ₹26.98 crore

Name of the project	Estimated cost	Excess expenditure	Reasons	Reply of Department
DUs of Urban Poor of Surat	₹56.45	₹4.14	The CSMC approved (September 2006) a housing project (DPR-II) at Bhestan, Surat for construction of 5,424 DUs at an estimated cost of ₹56.45 crore. The project was divided into nine packages for the purpose of execution and Surat Municipal Corporation (SMC) invited tender for seven packages for 1,840 DUs in the first phase (October 2006) and two packages for 3,584 DUs in the second phase (November 2006). Tenders accepted (March 2007) in Phase-I were (tendered cost - ₹10.06 crore) at average 9.12 per cent below the estimated cost (₹11.07 crore), whereas the Tender accepted (May 2007) for Phase-II was (tendered cost ₹23.75 crore) at 10 per cent above the estimated cost (₹21.59 crore). This resulted in 19.12 per cent difference of tendered cost between Phase-I and Phase-II, though both the works were to be executed on the same plot. The estimated cost of Phase-II was ₹21.59 crore which resulted in cost overrun of ₹4.14 crore.	The Government stated (October 2012) that since DPR-II was a pilot project of SMC, tender for seven packages comprising of only 160 to 320 DUs each were invited in Phase-I but considering the requirement of completion of project within stipulated time, the tenders were invited for remaining 3,584 DUs in two packages. Considering the time schedule and size of package, the tendered cost was accepted after negotiation. The reply is not acceptable as the need for a pilot project has not been established which is supported by the fact that the tenders were invited within a period of one month. Thus, improper planning of SMC resulted in cost overrun of ₹4.14 crore.
Total		₹37.46		

4.1.9.6 Avoidable expenditure due to delay in allotment of DUs

The CSMC approved (between September 2006 and March 2011) construction of 46,856 DUs for the urban poor of Surat. Out of 46,856 DUs, 34,206 DUs were completed and 25,056 DUs were allotted to the beneficiaries. Due to delay of up to two years in allotment of completed units to the beneficiaries and lack of security arrangements to safeguard the assets created, the electrical fittings, plumbing, overhead water tanks, etc., were found to have been damaged. This resulted in avoidable expenditure of ₹91.54 lakh by SMC towards repairs.

The Government stated (October 2012) that the delay in allotment was on account of failure of beneficiaries to submit the required supporting documents, payment of beneficiary contribution fixed by the standing committee and

delay in completion of infrastructural facilities. It was further, stated that the expenditure for repairs was met from the SMC fund. The reply is not acceptable as the above expenditure could have been avoided by making necessary security arrangements.

4.1.10 Integrated Housing and Slum Development Programme (IHSDP)

The basic objective of IHSDP is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter and basic infrastructure facilities for slum dwellers of identified areas of the non-mission cities.

The CSMC sanctioned (February 2007) a housing project of 864 DUs and allied infrastructure at the cost of ₹10.06 crore for the city of Jamnagar. The following irregularities were observed in implementation of the project:

4.1.10.1 Deficient survey of beneficiaries

After survey of Jalaram and Summair-Club slum pockets of the city only 414 slum dwellers²⁰ were identified. However, JMC proposed DPR for construction of 864 DUs. There was no co-relation between numbers of slum dwellers and numbers of DUs proposed in the DPR.

The Government stated (October 2012) that the ULB had identified 58 slum pockets but at the time of preparation of DPR, only 414 slum units of above two slum pockets were surveyed. The reply is not acceptable as the DPR was proposed without identifying the exact demand.

4.1.10.2 Unauthorised truncation of project

The Administrative Approval of the above project contained a condition that any cost increase while execution of the work, shall have to be borne by the ULB.

The JMC invited (August 2007) tenders for construction of 864 DUs at an estimated cost of ₹7.52 crore (SOR²¹ 2004-05), against which negotiated rates quoted by the only bidder²² were 56 *per cent* above the estimated cost. Since the rates quoted were also above the market rate, the GUDM rejected (October 2007) the bid and ordered re-invitation of tender. Thereafter, JMC made eight unsuccessful attempts (between December 2007 to November 2008) due to lack of response to the tender and on the tenth attempt (December 2008), a negotiated rate of the L₁ agency²³ of ₹15.80 crore (110.10 *per cent* above estimated cost) was considered reasonable by the GUDM (January 2009) and accepted.

²⁰ Jalaram - 314 slum units and Summair Club - 100 slum units

²¹ Schedule of Rates

²² Malani Construction Company

²³ Shanti Construction

The Standing Committee resolved (24 September 2009) to award the work to the L₁ agency to the extent of funds available and accordingly work order for construction of 420 DUs was issued (October 2009) at tendered cost of ₹7.68 crore. Thus, rejection of tender at first attempt without comparing rates of current SOR and market rate led to avoidable expenditure of ₹1.98 crore²⁴ and increase of per unit cost to ₹1.83 lakh (210 *per cent*) as against ₹0.87 lakh²⁵ approved (December 2008) in the General Board. Since the ULB was to bear the cost over and above the estimated cost sanctioned, the action of JMC to truncate the project was also unauthorised.

The Government stated (October 2012) that JMC had already approved the tender for remaining DUs and would complete those without taking any additional grant from the IHSDP scheme. However, no comment was offered for rejection of the tender of first attempt and the work is yet to start (February 2013).

4.1.11 Non-creation of social infrastructure

JNNURM (BSUP) guidelines provide for civic amenities/infrastructure like community halls, child care centre, internal roads, *etc.* apart from providing DUs to the urban poor. Test check of records revealed the following deficiencies;

Name of ULB	Project	Details of deficiencies
Jamnagar Municipal Corporation	Construction of 864 DUs	Community hall at an expenditure of ₹41.32 lakh was provided in the DPR and ACA of ₹33.05 lakh was sanctioned. However, this item was not executed.
Surat Municipal Corporation	Housing Project (DPR-IV and V)	Housing project was completed and allotted to the beneficiaries; but two internal roads were not constructed. Besides, there was shortfall in length and width of the roads and road metal work as well as grouting work was not completed.

The Government stated (October 2012) that JMC had renovated the existing community hall at the current site and would construct a new community hall for the remaining DUs. The reply is not acceptable as the community hall which was renovated was not situated within the project site. As regards the issue relating to the SMC, Government admitted (October 2012) that road length was reduced due to land acquisition problems and would be fully constructed after completion of land acquisition.

4.1.12 Implementation of Urban Infrastructure Projects

Urban Infrastructure projects were undertaken under sub-mission Urban Infrastructure and Governance (UIG) in mission cities and Urban Infrastructure

²⁴ ₹11.73 crore (bid amount on first invitation for 864 DUs) ÷ 864 (number of DUs) × 420 (number of DUs for which work order issued on second invitation) = ₹5.70 crore (proportionate bid amount on first invitation); ₹7.68 crore (proportionate bid amount on 10th invitation for 420 DUs) – ₹5.70 crore = ₹1.98 crore (amount of avoidable expenditure)

²⁵ ₹7.52 crore/864 DUs = ₹0.87 lakh, ₹0.87 lakh x 210/100 = ₹1.83 lakh

Development Scheme for Small and Medium Towns (UIDSSMT) for cities and towns other than mission cities. The main thrust of UIG was on major infrastructure projects relating to water supply including sanitation, sewerage, solid waste management, road network, urban transport *etc.*

4.1.12.1 Status of Urban Infrastructure Projects

Out of total 125 projects (73-UIG and 52-UIDSSMT), 17 projects (16-UIG and 01-UIDSSMT) were selected for audit scrutiny. The scope of audit was restricted to Water Supply (six out of 64), Sewerage (ten out of 19) and Urban Transport (one out of five). The status of projects as of March 2012 is as shown in **Table 7** below:

Table 7 : Status of urban infrastructure projects

Name of Submission	Project sanctioned	Projects completed	Projects in progress	Projects not started	Projects abandoned	Percentage of projects completed
UIG	73	38	34	0	1	52
UIDSSMT	52	20	32	0	0	38
Total	125	58	66	0	1	

(Source: Information furnished by GUDM)

The table indicates that the percentage of completion of project was 52 and 38 under UIG and UIDSSMT respectively.

The following irregularities were observed in implementation of the projects:

Water supply projects

4.1.12.2 Preparation of DPR in disregard to quantities/requirements

The CSMC approved (March 2007) a DPR for a Water Supply Scheme²⁶ of SMC at an estimated cost of ₹140.69 crore based on SOR of 2005-06. The GOI released ₹70.34 crore during the period March 2007 to August 2009. The work was completed (May 2012) at a cost of ₹145.41 crore.

We observed that as against the estimated quantity of 10,200 running metre (RMT) of MS pipes²⁷ at estimated cost of ₹16.76 crore, the actual quantity executed²⁸ was 6,900 RMT at a cost of ₹11.84 crore. Thus, the estimated quantity was inflated by 3,300 RMT with a cost implication of ₹4.92 crore and also resulted in excess receipt of Central assistance of ₹2.46 crore²⁹.

²⁶ Augmentation of Water Supply Works in Sarthana, Katargam and Rander area

²⁷ 5,500 RMT of 1,422 mm dia MS pipes (transmission main Rander Water works to Jogninagar) and 4,700 RMT of 1,016 mm dia MS pipes (transmission main Athwa gate to Athwa Water Distributing System)

²⁸ 3,700 RMT (1,422 mm dia) and 3,200 RMT (1,016 mm dia)

²⁹ 50 per cent of ₹4.92 crore

The Government stated (October 2012) that as the proposed alignment of the pipelines in DPR was on the busiest roads and there existed important underground utility services, the route of work was changed. The lower usage of MS pipes coupled with the reply confirmed that DPR was prepared without proper survey and assessment of material requirement.

4.1.12.3 Irregular inclusion of ongoing projects in JNNURM

The JNNURM guidelines provide that the State Government and the ULBs (including parastatal³⁰ agencies wherever applicable) would execute a Memorandum of Agreement (MoA) with the GOI indicating their commitment to implement identified reforms and ULBs should have elected bodies in position to access Mission funds. CSMC sanctioned (May 2006) WS Projects for Vesu and Pal-Palanpur of SMC at an estimated cost of ₹19.19 crore and ₹9.95 crore respectively. These two projects were divided into packages and executed (October 2005 to November 2007) by Surat Urban Development Authority³¹ (SUDA) in seven components at an expenditure of ₹27.34 crore.

We observed that both the projects were under execution (since June 2004) by SUDA in the urban area of Surat prior to launch of JNNURM, however, this fact was not mentioned in the DPRs. Further, these projects were executed by SUDA without executing tripartite agreement with State Government/GOI. Therefore, inclusion of ongoing project of SUDA, its execution by SUDA without MoA and transfer of ₹20.40 crore by SMC to SUDA (December 2005 to July 2008) was in violation of provisions of JNNURM guidelines.

The Government stated (October 2012) that the projects were included in the CDP prepared (December 2005) by SUDA as per State Government instructions and was approved (March 2006) by GOI. It was also confirmed in reply that there was no separate MoA between SUDA and GOI/State Government. The facts, however, remain that the details of prior execution of projects were not included in the DPR and the provisions of JNNURM guidelines were violated due to non-execution of MoA by a non-elected body.

4.1.12.4 Non-observance of codal provisions and CVC guidelines

The SLSC approved (October 2006) Jamnagar Water Supply Project Phase-II under UIDSSMT at a cost of ₹20.15 crore. The work was sub-divided into five packages. Audit observed that JMC awarded (August 2007) the work of Package-I³² to L₂ agency³³ instead of L₁ agency³⁴ at the rate of ₹9.23 crore quoted by L₁ and agreed to by L₂ agency. Thus, the instructions contained in CVC Circular (November 1998) and GPW Manual regarding post tender negotiation were not adhered to.

³⁰ Statutory agencies of State Government, which are assigned the responsibility for delivering services e.g. water supply, sewerage, etc. In this context, the term has been used for urban agencies.

³¹ A para-statal body administered by Board of Directors appointed by the State Government

³² Design build and commissioning contract for storage civil works of pumping station and supply-installation of pumping machineries for water supply project –Jamnagar, Phase-II

³³ Phonex Projects Private Limited

³⁴ Ramky Infrastructure Limited

The Government stated (October 2012) that as the progress of work in Phase-I by L₁ agency was found to have been slow, the work was awarded to the L₂ agency with no extra financial implications. The reply is not acceptable, as the provisions of CVC instructions and GPW manual do not permit recourse to such action.

Sewerage treatment plants

4.1.12.5 Avoidable expenditure due to injudicious rejection of tenders

The price bids for sewerage treatment plant at Pirana old site were opened in April 2007 and L₁³⁵ offer received was ₹24.70 crore against the estimated cost of ₹21.75 crore (14 *per cent*/10 *per cent* above the estimated cost/Market cost³⁶). After negotiation, the agency agreed to execute the work at the cost of ₹22.84 crore (two *per cent* above the market rate). The tender was rejected (May 2007) by AMC as it was considered to be on the higher side. On re-invitation (July 2007) of tender, the negotiated bid of L₁ agency³⁷ at ₹24.11 crore was accepted and work was awarded (September 2007). Thus, the rejection of first tender at ₹22.84 crore and acceptance of negotiated bid through second tender at ₹24.11 crore (11 *per cent*/eight *per cent* above the estimated cost/Market Rate) in less than 90 days resulted in avoidable expenditure of ₹1.27 crore.

The Government stated (October 2012) that the first tender was rejected as the rates were found to be on the higher side than those prevailing in the market and also in anticipation of getting lower rate on re-invitation. However, the objective of getting lower rate could not be achieved due to rise in price of material. The reply is not acceptable as the rejection of rate received on first occasion on the ground of being on higher side (though the same was only two *per cent* above the prevailing market rate) was without any basis.

4.1.12.6 Acceptance of defective Bank Guarantee towards Security Deposit

The work approved (January 2007) under JNNURM for Sewerage gravity line Zone-II, Vadodara City Phase-I was awarded (June 2008) to an agency³⁸ at the tendered cost of ₹21.17 crore against estimated cost of ₹15.64 crore with time limit of 15 months for completion. As per conditions of the contract agreement, successful bidder had to submit Security Deposit (SD) of an amount equal to five *per cent* of the contract value by demand draft or bank guarantee from a Nationalised Bank. The agency submitted (July 2008) bank guarantee from Union Bank of India, Mumbai for ₹1.06 crore.

As the work was found to be of poor quality, the VMC black listed (August 2009) the agency and decided to forfeit the deposits and get the work completed from another agency at the risk and cost of the black listed agency.

³⁵ Ramkay Infrastructure Limited

³⁶ Market cost - ₹22.39 crore

³⁷ Shri Ram EPC Limited

³⁸ Hydroair Tectonics (PCD) Ltd.

We observed that on submission of bank guarantee (August 2009) for encashment by VMC, the bank did not accede (September 2009) to the request as the contingencies³⁹ under which the Bank Guarantee issued were those applicable to Earnest Money Deposit⁴⁰ (EMD) and not SD. Further scrutiny revealed that Mobilisation Advance (MA) amounting to ₹1.06 crore was also paid (August 2008) to the agency without obtaining a bank guarantee in contravention of Central Vigilance Commission's instructions of April 2007. The MA paid was also not recovered from the agency.

Thus, VMC could not recover ₹2.12 crore from agency due to acceptance of invalid bank guarantee (₹1.06 crore) and payment of MA (₹1.06 crore) without safeguarding its financial interests.

The Government stated (October 2012) that normally all the documents were scrutinised at the time of payment of RA Bill but in the instant case, the agency had claimed only its first RA Bill and the same had yet not been scrutinised. As regard MA, it was stated that MA paid was in order as per tender condition and would be recovered from RA Bill. The reply is not acceptable as the correctness of documents submitted by agency were required to be scrutinised before issuing the work order and MA could not be recovered due to non-incorporation of suitable conditions in tender.

Bus Rapid Transit System

4.1.12.7 Delay due to lack of planning

The Rajkot Municipal Corporation (RMC) issued (February 2009) the work order for 10.7 km long two lane Bus Rapid Transit System (BRTS) road to an agency⁴¹ at a tendered cost of ₹100.54 crore with a stipulation to complete the work within 15 months (April 2010). The work was completed (June 2011) at a cost of ₹103.19 crore (February 2013)⁴² with time overrun of 14 months and cost overrun of ₹2.65 crore.

The delay of 14 months in completion of the work was because right of way was not provided to the contractor and plans of over-ground and underground utilities were not supplied to the contractor in time.

The Government stated (October 2012) that the Project was delayed due to (i) large scale encroachments that had to be removed, (ii) digital mapping of utilities was not available as the area was not within ULB limits earlier, (iii) utilities were sensitive, active and could not be removed before hand and (iv) delays caused in shifting the utilities not owned by the ULB. The reply indicates that had proper planning been undertaken before the project was started, the time and cost overrun could have been avoided.

³⁹ EMD is for tendering process and can be forfeited on withdrawal or non acceptance of Tender, whereas SD is obtained after issue of work order and can be forfeited in event of slow progress, abandon of work, non completion etc.

⁴⁰ This is deposit to be given by the bidders along with tender

⁴¹ Backbone Enterprises Limited

⁴² Final Payment made

4.1.13 Taking up activities not provided in the Mission

4.1.13.1 Execution of projects by unqualified bodies

The JNNURM guidelines provide that the State Government and the ULBs (including parastatal agencies wherever applicable) would execute a Memorandum of Agreement (MoA) with the GOI indicating their commitment to implement identified reforms and ULBs should have elected bodies in position to access Mission funds. The tripartite agreement was required to be submitted along with the DPRs. On execution of tripartite agreement by AMC, 32 projects (approved cost ₹2,977.03 crore) were sanctioned (up to March 2012) by CSMC.

We observed that of the above, 10 projects (approved cost ₹554.31 crore⁴³) out of 32 projects and ₹310.39 crore were transferred to AUDA⁴⁴ by AMC in violation of above provisions of JNNURM guidelines as AUDA had no elected body in position and was not a local self-governing body to implement urban reforms. Further, AUDA had not executed tripartite agreement with State Government/GOI.

The Government stated (October 2012) that most of the area of AUDA where the development projects were taken was merged in AMC in 2007 and AMC has implemented reforms in said area. The reply is not acceptable as the area was merged with AMC in 2007; hence these projects were required to be executed by AMC instead of AUDA.

4.1.13.2 Sale of DUs constructed out of JNNURM funds

The CSMC sanctioned (September 2006) a housing project for construction of 8,000 DUs in Ahmedabad city at a cost of ₹89.40 crore. AMC transferred the project to AUDA along with the funds. The AUDA incurred an expenditure of ₹105.84 crore and completed 7,400 DUs. The remaining 600 DUs were under construction (March 2012).

Scrutiny of records revealed that though the DUs constructed under JNNURM were meant for allotment to identified slum dwellers, AUDA, however, sold and handed over possession of 608 DUs (October 2008) for ₹4.36 crore to Sabarmati River Front Development Company Limited for allotment to the displaced slum-dwellers of Sabarmati River Front Development Project⁴⁵. Thus, AUDA sold out DUs to a commercial undertaking against payment and retained the amount realised irregularly instead of refunding the same to the respective Government through AMC as the DUs were constructed with the assistance of GOI and State Government under JNNURM.

⁴³ GOI share of ₹210.34 crore and State share of ₹100.03 crore – total ₹310.37 crore released and remaining to be borne by ULB

⁴⁴ a parastatal body administered by Board of Directors appointed by State Government responsible for planned and phased development of areas lying outside limits of AMC

⁴⁵ Under SRFDP, the land on both bank of Sabarmati river was reclaimed for developmental activities by shifting the existing slums. The salient features of SRFDP were construction of embankments on both sides, retention of water in river, development of gardens, wide public promenades and informal markets, selling of a portion of the reclaimed land for residential and commercial development, etc.

4.1.14 Monitoring

4.1.14.1 State Level Steering Committees

The position of various monitoring committees under JNNURM is as under –

Sl. No.	Name of Committee	Role	Status
1	State Level Sanctioning Committee (UIDSSMT)	The Committee was to meet at least thrice in a year to review the progress of ongoing projects and sanction of new projects	Not constituted
2	State Level Coordination Committee (IHSDP)	The Committee was to meet quarterly to review the progress of ongoing projection and sanction of new projects	Constituted in 2006; as against 24 meetings due, met only six times. The Committee did not meet since August 2009

GUDM confirmed (September 2012) non-constitution of State Level Sanctioning Committee and the fact that the requisite number of meetings had not been held.

4.1.14.2 Delay in constitution of monitoring agencies and submission of reports

JNNURM guidelines provide for appointment of Independent Review and Monitoring Agency (IRMA) and Third Party Inspection and Monitoring Agency (TPIMA). The IRMA was to be appointed for reporting the status of projects to GUDM and CSMC regarding physical, financial and technical aspects at different stages⁴⁶ in respect of UIG and BSUP projects. The GUDM was to review the reports, scrutinise issues highlighted and initiate corrective action, wherever necessary.

Scrutiny of records revealed that projects under JNNURM were sanctioned since 2006 but GUDM appointed IRMA and TPIMA belatedly in April 2009. By this time, of 82 sanctioned projects, 14 were completed, 54 at different stages of construction and 14 at pre-construction stage. Further, the final reports of completed projects were not available with GUDM. The appointment of monitoring agencies was delayed and thus the very purpose of their appointment was defeated.

GUDM stated (September 2012) that delay in appointment of IRMA was due to delay in approval by CSMC and IRMA was to submit its report directly to GOI. The reply is not acceptable as it was the duty of GUDM being the State Level Nodal Agency to ensure timely appointment of required monitoring agencies and as per the provisions of prescribed tool-kit, IRMA was required to furnish its reports to GUDM.

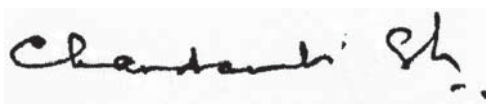
⁴⁶ Pre-construction, construction, commissioning, trial run, testing and post construction to GUDM being State Level Nodal Agency.

4.1.15 Conclusion

The stipulated (mandatory/optional) urban reforms had not been implemented fully. The implementation of Jawaharlal Nehru National Urban Renewal Mission was deficient in planning and the DPRs were prepared without addressing all the issues. Instances of award of work to second lowest agencies after post tender negotiations, injudicious rejection of tenders, cost overrun and loss of Central assistance were noticed. In some cases, works were not taken up due to failure of the ULBs to arrange land and providing alternate/transit accommodation for the slum dwellers. Projects already under execution were included in the Mission against the scheme guidelines. Monitoring mechanism was also not effective.

4.1.16 Recommendations

- The State Government and ULBs may take initiatives to implement the Urban Reforms as envisaged;
- The Detailed Project Reports should be prepared carefully;
- Post tender negotiations should be avoided;
- Availability of suitable land and arrangements for transit accommodations should be confirmed before taking up any project; and
- Monitoring mechanism needs to be strengthened.



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CHAPTER-II

PERFORMANCE AUDIT AND AUDIT OF TRANSACTIONS OF PANCHAYATI RAJ INSTITUTIONS

This chapter contains two Performances Audits of ‘Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme’ and ‘Implementation of Backward Regions Grant Fund Programme’ and four paragraphs relating to transaction audit of Panchayati Raj Institutions.

Rural Development and Panchayati Raj Department

PERFORMANCE AUDITS

2.1 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

Executive Summary

The Mahatma Gandhi National Rural Employment Guarantee Act, 2005 came into force from 2 February 2006 providing legal right of employment for 100 days in a financial year to every rural household whose adult members volunteer to do unskilled manual work on demand. The Scheme was financed by GoI except 25 per cent State share of material cost, wages of skilled and semi-skilled workers and 100 per cent State share of unemployment allowance and expenditure on State Employment Guarantee Council. The Scheme is being implemented in all the districts of the State.

A Performance Audit of implementation of the Scheme in selected districts revealed that State Government released its share with delay, there were instances of unauthorised advances to Sarpanch (₹ 40.19 lakh), excess administrative expenditure (₹ 73.59 crore), mis-classification of funds (₹ 7.34 crore) and non-recovery from Post Offices (₹ 4.18 crore).

Instances of deficiencies viz. delayed/non-payment of wages to workers, infructuous expenditure (₹ 10.22 crore), execution of non-permissible works (₹ 30.66 crore), material purchased without adherence to financial provisions (₹ 20.79 crore) were also noticed. Lack of maintenance of records, deficiencies in social audit and monitoring were noticed.

Beneficiary survey revealed that there was substantial improvement in socio-economic conditions of rural masses, more than 70 per cent of total labourers were women and SC/ST employment was substantial.

2.1.1 Introduction

Government of India (GoI) enacted (September 2005) National Rural Employment Guarantee Act (henceforth referred to as the Act) for providing employment to rural population. In Rajasthan, the Act was made applicable from 2 February 2006 initially in six districts¹ and extended to all the districts by April 2008. The Act was renamed as “Mahatma Gandhi National Rural Employment Guarantee Act” (MGNREGA) from 2 October 2009. Under the Act, Government of Rajasthan (GoR) notified (July 2006) the National Rural Employment Guarantee Scheme, Rajasthan (henceforth referred to as Scheme).

The basic objective of the Act is enhancement of livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to any rural household (HH) whose adult members volunteer to do unskilled manual work on demand. Other auxiliary objectives were generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity among others.

2.1.1.1 Organisational structure

Additional Chief Secretary (ACS), Rural Development and Panchayati Raj Department (RD&PRD) is the head of nodal agency. The organisational structure for implementation of MGNREGA is given in *Appendix-III*.

2.1.2 Audit objectives

The main objectives for the performance audit were to ascertain whether:

- preparatory steps were taken for implementation of the Act;
- funds released, accounted for and utilised were according to provisions of the Act;
- MGNREGA works were properly planned, executed and durable assets created and accounted for;
- wages and unemployment allowances were paid in accordance with the Act and the guidelines and the intended objective of providing 100 days of annual employment at the specified wage rate was effectively achieved; and
- mechanisms for monitoring of the Scheme at different levels, social audit and grievance redressal were effective.

1. Districts : Banswara, Dungarpur, Jhalawar, Karauli, Sirohi and Udaipur.

2.1.3 Audit criteria

The audit criteria for the performance audit were based on the following:

- The Act, 2005 and notification and circulars issued there under by Central and State Government.
- MGNREGA Operational Guidelines (2006 and 2008).
- Gramin Karya Nirdeshika (GKN), 2004 and 2010.
- Rajasthan Panchayati Raj Rules (RPRRs), 1996.

2.1.4 Audit coverage and methodology

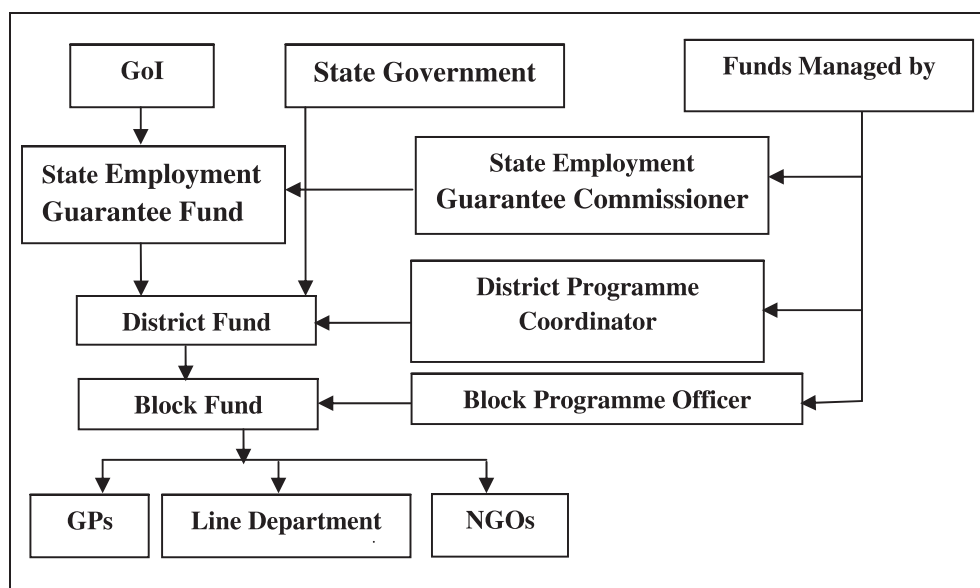
Audit sampling for the study of MGNREGA was done on the basis of Simple Random Sampling without Replacement method for the selection of districts and blocks by using random tables. The performance audit of the Scheme was conducted in two phases (**Appendix-IV**), in phase-I during June 2010 to August 2011, audit of eight districts, 16 blocks, 64 Gram Panchayats (GPs) and five works in each GP (total 320 works) were taken up for the period February 2006 to March 2011. In phase-II during February 2012 to June 2012, audit of eight districts, 18 blocks, 180 GPs and 10 works in each GP (total 1,794 works) was conducted for the period of 2007-08 to 2011-12. An interview with 10-15 beneficiaries in each GP was also held by the audit parties. Entry conferences were held in May 2010 and February 2012 for Phase-I and II respectively with Secretary, RD&PRD and Commissioner, MGNREGA in which audit methodology, scope, objectives and criteria were discussed. An exit conference was held (November 2012) with ACS, RD&PRD in which the audit observations were discussed. Reply had been received from the State Government and same incorporated suitably.

Audit acknowledges the cooperation and assistance of the State Government officials in conducting this audit.

2.1.5 Financial management

The Scheme was implemented as a Centrally Sponsored Scheme. GoI share was 100 *per cent* of cost for payment of wages for unskilled labourers and administrative expenses and 75 *per cent* of material cost, wages of skilled and semi skilled workers. State share was 25 *per cent* of material cost, wages of skilled and semi skilled workers and 100 *per cent* of unemployment allowances and administrative expenses of State Employment Guarantee Council (SEGC). The fund flow of the Scheme followed in the State is given in **Chart 2.1** below:

Chart 2.1: Fund flow of the Scheme



GoI share is kept in bank accounts at State level. State share is directly transferred to districts. At District, Block and GP level funds are kept in bank accounts. At District and State level audit of accounts is being done by Chartered Accountants (CAs).

2.1.5.1 Financial position of the scheme

GoI released central share directly to District Programme Coordinator (DPC) up to 2009-10 and thereafter to SEGUC while the State Government released State share to DPC directly. The position of funds received and expenditure incurred there against at DPC and SEGUC level for the year 2005-06 to 2011-12 are given in **Tables 2.1** and **2.2** below:

Table 2.1: Position of funds received, expenditure incurred and adjusted at DPC level

(₹ in crore)									
Year	Opening Balances*	Funds received from		Miscellaneous receipts ²	Total	Expenditure (MPRs)	Fund adjusted	Closing balance of funds unutilised	Percentage of fund lying unutilised
		Central ^{**}	State						
1	2	3	4	5	6	7	8	9(6-8)	10
2005-06	Nil	40.23	4.71	0.85	45.79	22.27	10.94	34.85	76
2006-07	110.26 ¹	763.13	79.62	5.03	958.04	693.06	631.69	326.35	34
2007-08	339.89 ²	1,050.49	118.59	17.38	1,526.35	1,511.65	1,322.50	203.85	13
2008-09	228.73 ³	6,125.65	454.21	62.81	6,871.40	6,175.55	4,959.74	1,911.66	28
2009-10	1,911.66	5,350.15 ⁴	406.57	56.50	7,724.88	5,669.05	5,072.07	2,652.81	34
2010-11	2,653.23 ⁴	3,422.67	285.88	87.71	6,449.49	3,300.33	4,225.90	2,223.59	34
2011-12	2,223.59	1,868.05	200.86	93.13	4,385.63	3,184.47	3,399.98	985.65	22
Total	18,620.37	1,550.44	323.41		27,961.58	20,556.38	19,622.82		

Source: Chartered Accountant Report and information furnished by State Government.

* Opening balances had been taken as per finalised accounts

** Central release for DPC.

¹ ₹400.52 crore transferred directly to DPC by the GoI.

² Includes ₹34.88 crore of Sampoorna Gramin Rojgar Yojana and ₹40.53 crore of National Food for Work Programme.

³ Includes ₹13.54 crore opening balance of six new districts.

⁴ Includes ₹24.88 crore opening balance of 20 new districts.

⁵ Includes ₹0.50 crore opening balance of Pratapgarh district and excludes ₹0.08 crore pertain to Amrita Devi Scheme.

2. Bank interest, earnest money, tender fees, securities etc.

Table 2.2: Position of funds received and expenditure incurred at SEGC level

Year	Opening balance	Central fund received	Miscellaneous receipts ²	Total fund available	Expenditure			Closing balance (funds in SEGC bank account)
					Expenditure on MGNREGA Cell	Fund Transferred to DPC	Total	
2008-09	Nil	0.35	0.01	0.36	0.32	-	0.32	0.04
2009-10	0.04	5,942.64	7.71	5,950.39	1.40	4,949.63	4,951.03	999.36
2010-11	999.36	2,788.82	34.52	3,822.70	4.65	3,422.67	3,427.32	395.38
2011-12	395.38	1,619.76	16.40	2,031.54	6.25	1,868.05	1,874.30	157.24
Total		10,351.57	58.64		12.62	10,240.35	10,252.97	

(Source: Balance sheet and related document of SEGC).

The major shortcoming/irregularities noticed in audit as regards financial management are summarised as under:

- Unutilised balances of ₹ 1,142.89 crore (at DPC level ₹ 985.65 crore and SEGC level ₹ 157.24 crore) were lying in the Scheme accounts as of March 2012. The State Government stated (June and November 2012) that the Scheme was demand based and funds were utilised in the next year. Reply was not acceptable because actual employment was 96 per cent to 100 per cent of employment demanded during 2006-07 to 2011-12, which indicates that the labour budget was prepared in excess of the trend of previous year's employment.
- Funds for execution of works were lying unutilised to the extent of 13 per cent to 34 per cent of available funds at DPC level during the year 2006-07 to 2011-12.
- The State Government did not create a revolving fund at SEGC level as envisaged in the Act, but transferred its share directly to the districts through Personal Deposit (PD) accounts. The State Government stated (June and November 2012) that the procedure prescribed by Finance Department was followed. Reply was not acceptable as provision of the Act should be followed. As of March 2012, ₹ 784.28 crore were lying unadjusted in 16 test checked districts. The State Government stated that as of January 2013 only ₹ 94.33 crore were due for adjustment in these districts.
- As per the guidelines, State should transfer its share within 15 days of release of Central share but the State Government released its share amounting to ₹ 784.65 crore with delays of six to 289 days beyond the prescribed period. The State Government stated (June and November 2012) that delay was due to the time consuming procedure in sanctions. Reply was not acceptable as the procedures were laid down by State Government only.
- Against the provisions of the guidelines, an advance of ₹ 40.19 lakh³ given (October 2007 to August 2010) to Sarpanch/ Secretaries of GPs for purchase of material were lying unadjusted without purchasing of material at

3. GPs: Booth Jethmal (Block, Barmer) - ₹ 5.11 lakh, Garu (Block, Kathumar) - ₹ 9.95 lakh, Jagpura (Block, Ghatol) - ₹ 1.65 lakh, Naharpura (Block, Anandpuri) - ₹ 6.98 lakh, Sameli - ₹ 5.02 lakh and Samrol - ₹ 11.48 lakh (Block, Manohar Thana).

the time of audit. The State Government stated (June 2012) that instructions had been issued for initiation of proper action against defaulters.

- Rupees 7.95 crore⁴ were charged under the administrative head in excess of prescribed limit (two to four *per cent* upto February 2007 and thereafter upto six *per cent*) in six test checked districts during 2010-11 and 2011-12. The State Government stated (June and November 2012) that excess expenditure was due to less demand of works, hence less expenditure on wages but fixed salary of staff was paid and it was within limits at the State level. The reply was not correct as such prescribed limit was to be adhered to at the district level.
- Against the GoI directions, in two districts and eight blocks pay and allowances of ₹ 59.52 lakh⁵ were paid to regular Government employees who were also performing duties of other schemes⁶ alongwith MGNREGA. The Programme Officers of blocks stated (July 2011) that the payment was made as per GoR order of October 2009. The reply was not acceptable as GoR order was not in consonance with the GoI directions.
- In contravention of GoI order (March 2007), Zila Pramukh, Pradhan, Sarpanch and members of Zila Parishad and blocks were paid ₹ 51.96 crore on account of increased honorarium from the Scheme funds during October 2009 to September 2011. The State Government accepted (June and November 2012) the facts and stated that the order had been withdrawn in September 2011. However, reply is silent about recovery of excess amount paid to elected representatives of PRIs.
- Against the provisions of the Act, expenditure of SEGC amounting to ₹ 12.30 crore was charged to the Scheme funds during 2009-12. The State Government stated (June and November 2012) that expenditure charged was not of SEGC but was of a cell under Rajasthan Rural Employment Guarantee Council and expenditure was within the limit of administrative expenses. Reply was not acceptable as there was no provision of establishing a separate cell for assistance of SEGC.
- An expenditure of ₹ 77.64 lakh⁷ relating to transportation of wheat, publicity of Harit Rajasthan, Keshav Badi Yojana, Chief Minister's visit and

4. 2010-11: Alwar (₹ 1.91 crore), Bundi (₹ 0.39 crore) and 2011-12: Dausa (₹ 1.01 crore), Dholpur (₹ 1.31 crore), Jaisalmer (₹ 0.23 crore) and Jalore (₹ 3.10 crore).

5. Districts: Jhalawar - ₹ 6.73 lakh and Karauli - ₹ 3.98 lakh and Blocks: Barmer - ₹ 7.25 lakh, Bikaner - ₹ 0.91 lakh, Bilara - ₹ 4.42 lakh; Ghatol - ₹ 4.51 lakh, Kolayat - ₹ 16.18 lakh, Pratapgarh - ₹ 4.26 lakh, Sindhari - ₹ 6.31 lakh and Umrain - ₹ 4.97 lakh.

6. Watershed development, Member of Parliament Local Area Development, Indira Awas Yojana, Member of Legislative Assembly Local Area Development and Swarnjayanti Gram Swarajgar Yojana, etc.

7. Districts: Ajmer - ₹ 0.29 lakh, Banswara - ₹ 0.64 lakh, Barmer - ₹ 1.58 lakh, Bikaner - ₹ 11 lakh, Dholpur - ₹ 1.85 lakh, Jaipur - ₹ 0.22 lakh, Jhalawar - ₹ 1.02 lakh, Jodhpur - ₹ 5.74 lakh and Karauli - ₹ 22.69 lakh, Blocks: Anandpuri - ₹ 0.16 lakh, Barmer - ₹ 3.68 lakh, Bikaner - ₹ 0.69 lakh, Dug - ₹ two lakh, Ghatol - ₹ 0.73 lakh, Hindaun - ₹ 3.08 lakh, Jhalrapatan - ₹ 14.70 lakh, Karauli - ₹ 1.30 lakh, Kathumar - ₹ 1.50 lakh, Kolayat - ₹ 0.50 lakh, Mandore - ₹ 0.70 lakh, Sindhari - ₹ 1.55 lakh and Umrain - ₹ 2.02 lakh.

rent of building was charged in nine districts and 13 blocks, which was not permissible by GoI.

- Guidelines envisaged that mate remuneration should be charged under material components. In contravention of guidelines, GoR allowed (May 2008 to February 2009) mate remuneration to be charged to wage component due to which 30 blocks of 14 districts wrongly charged ₹ 7.34 crore (*Appendix-V*) of mate remuneration in the wage component. The State Government stated (June and November 2012) that there was no clear instruction till February 2009. Reply was not acceptable as guidelines, issued in 2008 clearly stated that remuneration of mates was to be charged under material component.
- In seven districts and four blocks, ₹ 4.18 crore⁸ deposited in Post Offices for opening of accounts of job card holders which were to be adjusted from first payment to labourer concerned, were lying unrecovered as of November 2012. The State Government stated (June and November 2012) that directions had been issued with the consultation of Chief Post Master General to recover the balance amount.
- As per guidelines, unspent balance of Sampoorna Gramin Rojgar Yojana (SGRY) and National Food for Work Programme (NFFWP) as of March 2007/March 2008 were to be transferred to the Scheme fund. Audit observed that in 13 districts unspent balances of SGRY and NFFWP of ₹ 10.50 crore was transferred with delay of five to 55 months and in five districts ₹ 2.33 crore⁹ was not transferred (November 2012) to MGNREGA fund. The State Government stated (June and November 2012) that instructions had been issued (August 2008) for transfer of unutilised balances. Reply was not acceptable as the unutilised balances were yet to be transferred despite lapse of more than four years.

2.1.5.2 Irregularities in adjustment of fund and accounts

Guidelines stipulate that PO should scrutinise the utilisation certificates (UCs) furnished by executing agencies and furnish a consolidated report of fund duly adjusted to the DPC. The DPC should adjust the advance lying with PO after scrutinising the adjustment orders of PO. A Chartered Accountant (CA) is required to verify the UCs and to certify the correctness of UCs in his Audit Report at DPC level. Scrutiny revealed that:

- In Barmer and Sindhari blocks ₹ 257.70 crore were included in final accounts for the years 2007-08 to 2009-10 against which only ₹ 170.08 crore were adjusted by DPC. Thus, ₹ 87.62 crore¹⁰ were included in the final

8. Districts: Bikaner - ₹ 0.20 crore, Dholpur - ₹ 0.08 crore; Jaipur - ₹ 0.45 crore, Jaisalmer - ₹ 0.17 crore, Karauli - ₹ 0.35 crore, Nagaur - ₹ 0.12 crore and Udaipur - ₹ two crore and Blocks: Barmer - ₹ 0.31 crore, Dug - ₹ 0.30 crore, Jhalrapatan - ₹ 0.10 crore and Umrain - ₹ 0.10 crore.

9. Districts: Bhilwara - ₹ 0.24 crore, Churu - ₹ 0.20 crore, Dholpur - ₹ 0.47 crore, Jaipur - ₹ 1.30 crore and Jalore - ₹ 0.12 crore.

10. Blocks: Barmer - ₹ 60.56 crore (₹ 123.22 crore included in final accounts - ₹ 62.66 crore actually adjusted) and Sindari - ₹ 27.06 crore (₹ 134.48 crore included in final accounts - ₹ 107.42 crore actually adjusted).

accounts without proper adjustment and supporting documents. The State Government accepted (June 2012) the facts.

- PO, Barmer transferred ₹ 1.88 crore to GP, Booth Jethmal upto March 2010. It was noticed that ₹ 1.94 crore were incorporated in final accounts of DPC whereas GP utilised only ₹ 1.41 crore. Thus, ₹ 0.53 crore were incorporated in final accounts without utilisation, including ₹ 0.06 crore which were not provided to GP. The State Government stated (June 2012) that actual position of funds of GP was called from PO and DPC, Barmer.

- In Block, Dug ₹ 2.87 crore were adjusted in excess of fund provided during 2005-06 to 2010-11 and in Dholpur district ₹ 0.71 crore¹¹ were included in excess of actual expenditure in CA reports for 2008-09 to 2011-12. The State Government stated that adjustment orders in GP, Pagaria (Block, Dug) (June 2012) would be examined and in Dholpur district (November 2012) adjustment order was based on the expenditure figures sent to DPC in middle of years. Reply was not acceptable as the adjustment was to be finalised on the basis of actual expenditure at the end of year, which was not done.

Above irregularities indicates that system of accounting, adjustment of funds and issue of UCs was not proper. Moreover, CAs failed in proper examination of actual expenditure, UCs and funds utilisation position while certifying the DPC accounts.

2.1.5.3 Non reconciliation of cash and bank balances

As per guidelines on Finance and Accounts, 2011, the CAs were required to reconcile the advances, opening and closing balances in cash book as well as in the accounts of Blocks/DPCs.

During test check it was observed that there were differences of ₹ 0.12 crore (March 2011), ₹ 0.30 crore (March 2012) and ₹ 0.42 crore (March 2012) in balances as per cash book and bank statement in Blocks, Jhalrapatan, Chaksu and Viratnagar respectively which were to be reconciled. Similarly upto year 2011-12 there was a difference of ₹ 0.47 crore in funds provided to Post Office and their adjustment in Dholpur district. The State Government intimated (November 2012) that instructions had been issued to comply with the deficiencies. This indicates weak internal controls.

2.1.6 Employment and wages

2.1.6.1 Unemployment allowance was not paid to HHs

The Act stipulates that State Government is required to provide employment to a registered applicant within 15 days from demand of work, failing which

11. Dholpur block: ₹ 0.14 crore (CA Report ₹ 18.86 crore - Actual expenditure ₹ 18.72 crore), Rajakhhera block: ₹ 0.57 crore (CA Report ₹ 10.84 crore - Actual expenditure ₹ 10.27 crore).

unemployment allowance is payable from State share funds at the rate of one fourth of the wage rate for first thirty days and one-half of the wage rate for the remaining period of the financial year.

Scrutiny revealed that employment was not provided for 51,158 persondays during 2006-07 to 2010-11 and no unemployment allowance was paid. The unemployment registers were either not maintained or lying blank in test checked GPs. Beneficiaries survey conducted jointly with departmental officials by audit revealed that 95 *per cent* beneficiaries (out of 800 beneficiaries surveyed in phase-I) were not aware about the unemployment allowance.

The State Government stated (June and November 2012) that employment was provided to all demanded HHs and unemployment allowance was not demanded by any HH. The reply was not acceptable as it was observed in Dholpur district that employment for 3,103 days only was provided against 6,320 days demanded by 66 HHs of three GPs¹². For the remaining 3,217 days neither employment was provided nor any unemployment allowance paid. Moreover, beneficiary survey had revealed that beneficiaries had no knowledge of the unemployment allowance and it was the responsibility of the Programme Officer to pay the unemployment allowance once employment could not be provided after demand by HHs.

2.1.6.2 Unauthorised Employment

The Act stipulates that every HH shall be entitled to employment subject to a maximum of 100 days in a financial year. Audit observed that more than 100 days employment was provided in contravention of provisions of the Act. The position of excess employment provided beyond 100 days in the State during 2008-09 to 2011-12 is given in **Table 2.3** below:

Table 2.3: Position of excess employment beyond 100 days

Year	Employment provided to HHs (in lakh)	Persondays generated by HHs more than 100 days (in lakh)	Average wages of State (in ₹)	Wages paid (₹ in crore)
1	2	3	4	5 (3x4)
2008-09	4.23	27.75	88	24.42
2009-10	3.44	16.94	87	14.74
2010-11	1.14	5.18	75	3.88
2011-12	1.22	5.56	90	5.00
Total		48.04		

(Source: MGNREGA website)

Besides this, during 2007-08, in Banswara district, employment for 24,935 persondays in excess of 100 days was provided and ₹ 0.17 crore paid in contravention of provisions of the Act. Thus, an amount of ₹ 48.21 crore was irregularly charged to the Scheme fund. As per Section 3(4) of the Act, the State Government may provide employment beyond 100 days but the wages in excess of 100 days should be paid either from State funds or from other schemes. The State Government accepted (June 2012) the fact and stated that

12. District, Dholpur: GPs, Basai Gheeyaram (3,000 days), Biparpur (1,860 days) and Saipau (1,460 days).

in Banswara district the amount had been recovered (June 2012) from concerned GPs.

2.1.6.3 *Lack of deployment of women mates*

Commissioner, State Employment Guarantee Scheme, instructed (March 2008) that women should be posted against 50 *per cent* posts of total mates. Audit observed that these instructions were not adhered to by all the GPs test checked in phase-I except Rawar, Olvi (Block, Bilara), Jagpura (Block, Ghatol), Patoda (Block, Hindaun). The State Government stated (June and November 2012) that those women were considered for mate as and when they applied and in Banswara district, literacy of women was very low.

2.1.6.4 *Delay/non-payment of wages*

- The Act stipulates that wages were required to be paid in 15 days to every worker under the Scheme at the minimum wage rate fixed by GoR. In the case of delay, workers were entitled to get compensation as per provisions of the payment of wages Act, 1936. Audit observed that the wages of ₹ 129.05 crore (**Appendix-V**) on 1,83,897 Muster Rolls (MR) were paid with delays upto 812 days in test checked works of 31 blocks of 15 districts but no compensation was paid for delay in payment of wages. Further, an amount of ₹ 1.31 crore¹³ was not paid to the Scheme workers in 10 GPs despite lapse of one to four years. The State Government stated (June and November 2012) that delay was due to complaints relating to execution of works, improper accounting and procedural delay. The fact remains that due to non-disposal of complaints relating to execution of works in time and non-monitoring of procedure for timely payment, wages were not paid at all in 10 GPs and there was delay in payment of wages for which no compensation was paid.

- A sum of ₹ 0.84 lakh was transferred to Branch Post Office, Gandehi in Block, Rajakhera for payment of 127 Scheme workers of GP, Gandehi for the period August and September 2011. The funds were transferred by the DPC to the Post Office for payment of wages which was not made to the labourers even after lapse of 182 days as of March 2012. The State Government stated (March 2013) that payment to all labourers had now been made.

2.1.6.5 *Improper maintenance of muster rolls*

As per operational guidelines, MR is an important and basic document for attendance and payment of wages. MRs with a unique identity number were to be issued by the PO to the GPs and properly accounted for by PO and GPs. Audit noticed that ₹ 9.03 lakh were paid to unregistered workers on 271 MRs in 14 GPs between March 2006 and December 2009. In GPs, Dundhari and Gordha (Block, Kekri) ₹ 32.21 lakh were paid to the Scheme workers between January 2008 and January 2009 on 257 MRs, without verification of attendance, obtaining their signatures/thumb impressions and recording of requisite details of work i.e. measurement and quantum of work done, total

13. Blocks: Dug - GP, Parapipli (₹ 0.01 crore) and Kekri - nine GPs (₹ 1.30 crore).

persondays etc. Further, although registers of receipt and issue of MRs were maintained in all test checked blocks and GPs but audit observed that in 12 GPs of Blocks, Chaksu and Phagi, 490 MRs were not found recorded in their receipt registers. MR registers of GP, Kathwala (Block, Chaksu) were not produced to audit, failing which possibility of misuse of MRs could not be ruled out.

The State Government while accepting the facts stated (June and November 2012) that action would be taken after investigating the matter. Thus, no proper record of MRs was maintained for accounting of attendance of workers and payment of wages.

2.1.7 Execution of works

2.1.7.1 Operational guidelines provide that facilities (medical aid, drinking water, shade and crèche (if there are more than five children below the age of six years)) should be provided at work sites. It was observed that shade facilities were provided with delays ranging from three to 24 months in five districts¹⁴, medical aid was delayed by one to 35 months in four districts¹⁵ and crèche facility was provided with a delay of one to 34 months in six districts¹⁶. Moreover, in Dholpur block 100 medical kits of expiry date (4 December 2010) were distributed to the Scheme workers during December 2010 to June 2011. The State Government accepted (June and November 2012) the facts of delayed provision of facilities.

2.1.7.2 Non-availability of technical sanctions in GPs

Scrutiny of records of 1,794 works at executing agency level revealed that in 660 cases technical estimates were not found in GPs. State Government stated (November 2012) that no work could be executed without technical estimates. The reply was not acceptable as audit contention was non-availability of technical estimates with GPs in relevant records failing which execution of works as per estimation could not be verified.

2.1.7.3 Lack of revised technical and financial sanctions

GKN 2010 stipulates that if the expenditure incurred on the work, exceeds more than 10 *per cent* of sanctioned amount, revised technical and financial sanction is to be obtained. The position of sanctioned cost of works, expenditure incurred and fund adjusted in four test checked blocks is given in **Table 2.4** below:

Table 2.4: Position of works sanctioned in test checked blocks

(₹ in lakh)

Name of Block	Number of works	Sanctioned amount	Expenditure incurred	Excess expenditure (in percentage)	Expenditure adjusted	Excess fund adjusted
1	2	3	4	5 (3-4)	6	7 (6-3)
Anandpuri	02	2.02	3.14	1.12 (55)	3.14	1.12

14. Districts: Ajmer, Alwar, Banswara, Barmer and Karauli.

15. Districts: Banswara, Bikaner, Jhalawar and Karauli.

16. Districts: Alwar, Banswara, Bikaner, Jhalawar, Jodhpur and Karauli.

Name of Block	Number of works	Sanctioned amount	Expenditure incurred	Excess expenditure (in percentage)	Expenditure adjusted	Excess fund adjusted
Jhalrapatan	14	68.36	98.43	30.07(44)	98.43	30.07
Mandore	02	6.64	10.17	3.53(53)	10.17	3.53
Silora	100	523.61	858.09	334.48 (64)	549.58	25.97

Excess expenditure of ₹ 3.69 crore (ranging from 44 *per cent* to 64 *per cent*) was incurred against sanctioned cost, in above blocks and in respect of test checked individual works the excess expenditure than estimate was ranging between 11 *per cent* and 374 *per cent* but revised technical and financial sanctions were not issued. The State Government while accepting the facts stated (June 2012) that efforts were being made to recover the fund adjusted in excess.

2.1.7.4 Status of works in the State and selected districts

The Act provides that works of water conservation and harvesting should be given top priority and rural connectivity the last priority. The year-wise and category-wise position of works of districts test checked in phase-I are in given in **Appendix-VI**. Status of work in the State for the year 2005-06 to 2011-12 is given in **Table 2.5** below and priority wise status of works in eight districts test checked in phase-I is given in **Graph 2.1** below:

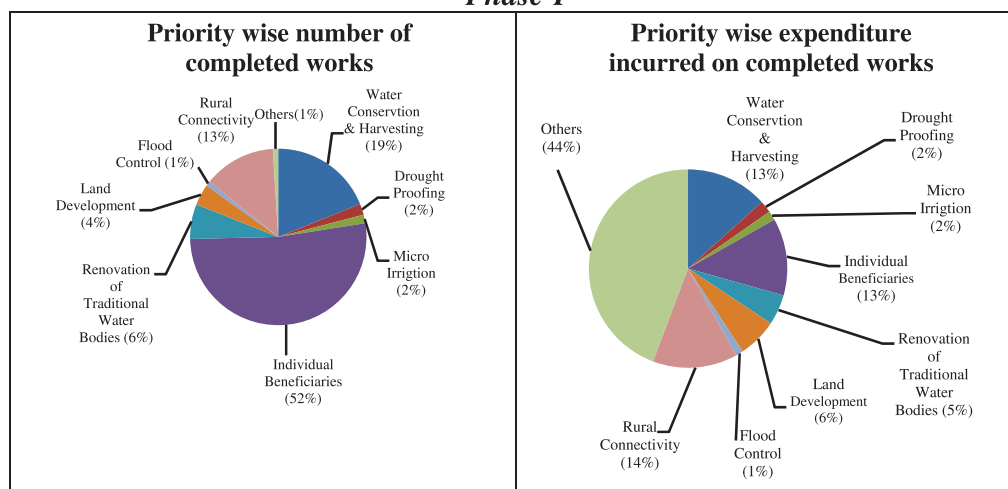
Table 2.5: Status of works at State level

(₹ in crore)

Year	Completed		Ongoing		Total	
	Number of works	Expenditure	Number of works	Expenditure	Number of works	Expenditure
2005-06	2	NA	3,475	20.44	3,477	20.44
2006-07	8,771	289.20	13,278	389.04	22,049	678.24
2007-08	34,028	451.54	68,998	1,027.79	1,03,026	1,479.33
2008-09	1,00,472	1,591.87	1,35,720	4,432.87	2,36,192	6,024.74
2009-10	92,251	1,906.41	1,10,996	3,830.67	2,03,247	5,737.08
2010-11	54,757	1,099.81	1,39,673	2,522.49	1,94,430	3,622.30
2011-12	29,950	374.27	3,59,949	2,629.74	3,89,899	3,004.01

(Source: Monthly Progress Reports)

Graph 2.1: Priority-wise status of works in test checked eight districts-Phase-I



Audit scrutiny revealed that:

Percentage of works remaining 'ongoing' to total works at State level ranged from 55 *per cent* to 92 *per cent* and in selected districts 53 *per cent* to 95 *per cent* during 2006-07 to 2011-12.

- Graph 2.1 indicates that a large proportion of the works (13 *per cent*) and expenditure was incurred (14 *per cent*) on the least priority work i.e. rural connectivity which indicates that focus on priority of works was not given. The State Government stated (November 2012) that keeping in view the geographical condition of the State, in majority cases rural connectivity roads were insisted upon by villagers and hence works were sanctioned. The priority to road works was not in conformity of the provision of the Act.
- An expenditure of ₹ 2.66 crore was incurred on 132 works in Jhalawar district during 2006-07, which were lying incomplete. These works were also not shown as spillover in the next financial year, resulting in wasteful expenditure on closed works. The State Government stated (March 2013) that DPC, Jhalawar has been instructed to submit factual position.
- GKN prescribes the time schedule for completion of works in maximum nine months. None of the district was in a position to provide year-wise breakup of expenditure incurred on incomplete works. Audit observed that an expenditure of ₹ 277.12 crore (**Appendix-VII**) was incurred on 6,369 works of tankas, jalkunds, anicuts, irrigation nalis, excavation of nadis/talabs and gravel roads in 36 Blocks of 17 districts which were lying incomplete since 2006-07 to 2011-12, due to land dispute or for want of material. The State Government stated (June and November 2012) that due to excess demand of employment during April to June months works had to be started and were left incomplete on arrival of monsoon in July. However, instructions for completion of works had been issued in December 2011. Reply was not acceptable as the labourers could have been engaged on priority to complete the incomplete works of previous years so that durable assets could be created. Due to non-completion of assets the intended benefits could not be extended. Moreover, due to passage of time and heavy rains, possibility of washout of earthen works can also not be ruled out. This indicates lack of monitoring of works and failure of creation of durable assets.
- Construction of Bharat Nirman Rajiv Gandhi Seva Kendras (RGSKs) was sanctioned (March 2010) under the Scheme and these were to be completed within three to six months. Scrutiny revealed that in eight test checked blocks, out of 80 RGSKs, 54 RGSKs were lying incomplete as of March 2012 after incurring an expenditure of ₹ 2.73 crore¹⁷ and in 78 RGSKs of 12 blocks¹⁸, solar systems were installed by incurring expenditure of ₹ 1.39

17. Blocks: Banera - ₹ 0.31 crore (seven), Chaksu - ₹ 0.25 crore (five), Nainwa - ₹ 0.67 crore (10), Rajakhera - ₹ 0.18 crore (three), Simalwara - ₹ 0.12 crore (three), Suwana - ₹ 0.25 crore (eight), Talera - ₹ 0.59 crore (nine) and Viratnagar - ₹ 0.36 crore (nine).

18. Blocks: Banera - seven, Chaksu - six, Phagi - nine, Raipur - 10, Rajakhera - three, Sagwara - nine, Sam and Sankra - 18, Simalwara - seven, Suwana - five, Talera - three and Viratnagar - one.

crore for power supply to computers but these were not in use in absence of computer machine, broad band facility and non-deployment of computer operators at GP level. Therefore, incomplete RGSKs and installation of solar system without ensuring the other components as above resulted in infructuous expenditure.

2.1.7.5 Specific audit findings on works

Shortcoming/irregularities noticed by audit on works are as under:

- As per the Act, the ratio of wage and material cost in execution of works should be in 60:40. Further, GoI extended (July 2009) this ratio to individual works. In four districts, the material cost was in excess of ₹ 61.96 crore of prescribed ratio as given in **Table 2.6** below:

Table 2.6: Excess expenditure on material beyond prescribed limit

District (Year)	(₹ in crore)		
	Actual	prescribed	Excess
Bikaner (2009-11)	196.99	149.31	47.68
Bundi (2011-12)	18.38	17.34	1.04
Dholpur (2011-12)	12.62	10.83	1.79
Jalore (2008-09 and 2011-12)	108.81	97.36	11.45
Total	336.80	274.84	61.96

The State Government stated (November 2012) that excess material consumption than prescribed limit was due to construction of RGSKs (material oriented work). The reply was not acceptable as the work plan of a GP should have been prepared keeping in view the mandatory material labour ratio.

- In Bikaner and Kolayat blocks the material cost in individual 734 Jal Kunds with plantation work was ₹ 2.72 crore in excess of the prescribed limit of 40 *per cent*. The State Government accepted (November 2012) the facts.

Thus, an expenditure of ₹ 64.68 crore incurred on material cost beyond the prescribed limit.

- Under the Act, no contractor/machine should be used in execution of works. In Hindaun and Karauli blocks, 290 works of Cement Concrete (CC) Boards were executed through contractors at a cost of ₹ 28.18 lakh. Four GPs incurred an expenditure of ₹ 13.70 lakh¹⁹ on machinery for cutting of ghat section and levelling of earth work and gravel road without GoR permission. Execution of works through contractor/machine was against basic principles of employment generation of MGNREGA. The State Government stated (June 2012) that action was being taken against defaulting officers. Further, the State Government stated (March 2013) that due to technical nature of works, services of contractor were taken/machines were hired. The reply was not acceptable as execution of works through contractor/machine was not only

19. GPs: Chada - ₹ 0.16 lakh, Ghatol - ₹ 12.05 lakh, Kundi Khera - ₹ 0.88 lakh and Pipalia - ₹ 0.61 lakh.

against the scheme guidelines but also against the basic principles of employment generation of MGNREGA.

- As per operational guidelines, PO should adjust the funds transferred to implementing agencies on receipt of utilisation certificates/completion certificates. In seven GPs, expenditure of ₹ 28.95 lakh²⁰ incurred on 12 works (tibba stabilisation, gravel roads, tankas, etc.) during 2007-12 which were not found in existence on physical verification by Audit. Similarly, in physical verification, length of ten works (gravel/CC/kharanja²¹ roads: seven works, facewalls: two works and irrigation water course: one work) completed at a cost of ₹ 15.80 lakh²² in eight GPs was found short as recorded in measurement book.

The State Government stated (March 2013) that the works were actually executed but filled up with sand by passage of time and hence not found in existence. In case of Anandpuri block, District, Banswara works were found in existence on physical inspection (March 2013) by departmental officers and in case of short length of road, it was stated that audit party measured the work through milometer of vehicle, which was not proper mode of measurement. Reply was not acceptable as audit observations were based on physical verification and measurement of works carried out at the time of conducting the Audit in the presence of departmental officers on the basis of which joint inspection reports were prepared.

- It was observed that 287 works of construction of tankas in schools, check dams, anicuts, excavation of talai (ponds) and gravel roads executed in 110 GPs of 23 blocks by incurring ₹ 9.54 crore²³ were either not put to use or lying incomplete. In Banera and Raipur blocks ₹ 0.68 crore was incurred on construction of canals of two stretches without connecting with sources of water. Thus, expenditure of ₹ 10.22 crore proved wasteful.



20. GPs: Bareth - ₹ 6.01 lakh on two works and Patia Galia - ₹ 7.68 lakh on two works (Block, Anandpuri), Kishorpura - ₹ 2.52 lakh on three works (Block, Phagi), Jodhpura - ₹ 0.09 lakh on one work (Block, Viratnagar), Bersiyala - ₹ 1.04 lakh on one work (Block, Sam), Arnay - ₹ 11.08 lakh on one work and Surawa - ₹ 0.53 lakh on two works (Block, Sanchore).
21. Pavement of small pieces of stone in cement mortar.
22. GPs: Kelu Khera - ₹ 1.75 lakh (Block, Dug), Jagpura - ₹ 1.04 lakh (Block, Ghatol), Mahu Khas - ₹ 2.81 lakh (Block, Hindaun), Ganjpur Naharpur - ₹ 1.03 lakh and Tigaria - ₹ 4.05 lakh (Block, Kathumar), Dundhari - ₹ 4.82 lakh and Gordha - ₹ 0.14 lakh (Block, Kekri) and Rajpura - ₹ 0.16 lakh on one work (Block, Talera).
23. Construction of Tankas: ₹ 0.29 crore (39 works), Damaged and closed works: ₹ 1.59 crore (29 works), Substandard and works without use: ₹ 0.40 crore (seven works) and roads finalised without material: ₹ 7.26 crore (212 works).

The State Government stated (June 2012, November 2012 and March 2013) that assets were created as per technical specifications of works, incomplete gravel roads and canals works are in progress and would be completed. Reply was not acceptable as the ponds were not constructed in the catchment area but in dunes where inflow of water was not ensured and ghat (bathing place of shore of nadi/talai) section were found damaged on physical inspection with departmental officers.

- The adjustment of fund was allowed upto expenditure incurred or valuation of work, whichever is less. It was observed that an excess expenditure of ₹ 2.27 crore (**Appendix-VIII**) over the valuation of works was allowed irregularly in 836 works in 18 blocks. The State Government stated (March 2013) that action for adjustment/recovery/regularisation had been initiated.

- In Bilara block, 22 works of excavation of talabs and stone pitching were carried out in 13 GPs but payment was made at the rate of kharanja works instead of actual works executed, which resulted excess payment of ₹ 16.48 lakh. The State Government stated (June 2012) that action would be taken as per actual execution of work at site.

- As per the guidelines, all weather roads providing rural connectivity should be taken up. Scrutiny revealed that an expenditure of ₹ 10.79 crore²⁴ was incurred on 117 rural gravel roads in 67 GPs of 25 Blocks, which neither provided rural connectivity nor could be covered under all weather roads. The State Government stated (June 2012 and March 2013) that roads were used for public of dhani/magara (small village) and are being completed to provide connectivity. Reply was not acceptable because all weather roads (durable assets) were not constructed.

- In 18 districts, an expenditure of ₹ 30.66 crore (**Appendix-VII**) was incurred on construction of 509 CC roads, guard walls, rest house and repair of office building which were inadmissible in the Scheme. The State Government stated (June and November 2012) that in the absence of clear directions CC roads were sanctioned in the Scheme. Reply was not acceptable as under the Scheme Guidelines only labour oriented works were to be taken and CC roads were prohibited.

- Expenditure of ₹ 22.96 lakh incurred in eight GPs²⁵ on digging of pits for plantation was wasteful as no plants were distributed or planted.

- As per the norms fixed (November 1990) by GoR, the survival rate of plantation below 40 *per cent* is treated as failure plantation. Survival rate of plantation in eight districts, one block and three GPs was below the prescribed

24. Non-connectivity: 82 works (₹ 7.96 crore), Not all weather roads: 22 works (₹ 1.80 crore) and neither connectivity nor all weather roads: 13 works (₹ 1.03 crore).

25. GPs: Jamura - ₹ 3.01 lakh, Kanchanpura - ₹ 1.12 lakh, Khedia - ₹ 1.37 lakh, Kota Chhapar - ₹ 0.64 lakh, Lohra - ₹ 2.06 lakh, Maholi - ₹ 0.75 lakh, Raghuvanshi - ₹ 4.88 lakh and Ratiapura - ₹ 9.13 lakh.

limit of 40 *per cent*, resulting in wasteful expenditure of 10.64 crore²⁶. The State Government attributed (November 2012) the low survival rate to geographical condition of the State, low rainfall and damage by termite and stray animals. Reply was not acceptable as the threshold limit of 40 *per cent* was fixed by GoR taking into account all these factors.

2.1.7.6 Empowerment of rural women and fostering social equity

As per operational guidelines, women participation in the employment must be at least one third of workers.

It was observed that women workers were 68 *per cent* in the State and 28 to 77 *per cent* in test checked districts. Scheduled Castes (SCs) were 26 *per cent* in the State and five to 36 *per cent* in test checked districts while Scheduled Tribes (STs) were 23 *per cent* in the State and one to 78 *per cent* in test checked districts. Jobs provided in tribal predominantly Dungarpur district comprised only five *per cent* (minimum) to SCs and 78 *per cent* (maximum) to STs according to their population in the district. In Churu district, job provided to STs was only one *per cent* (minimum) but in the survey conducted by audit with departmental officials there was no case of denial of job noticed.

2.1.8 Purchases

RPRRs, 1996 stipulate that the requirement of material was to be properly assessed for the year to avoid splitting of purchases and the specifications laid down in purchase orders were to be strictly adhered. Further, payment of more than ₹ one thousand was to be made through account payee cheques. During scrutiny of records following shortcomings were noticed:

2.1.8.1 Irregular purchases of construction material

- As per prescribed procedure, GPs were responsible for deductions of value added tax (VAT) from supplier bills on purchases prior to 22 October 2010 and thereafter Sales Tax Department was to be intimated about the VAT to be paid by the suppliers. It was noticed that 111 GPs purchased materials costing ₹ 10.72 crore from suppliers (cement: ₹ 2.59 crore, gravel: ₹ 4.38 crore, bricks: ₹ 0.22 crore and others: ₹ 3.53 crore) but GPs neither deducted VAT from suppliers bill nor intimated to Sales Tax Department which resulted in loss of tax revenue of ₹ 1.15 crore.

- Material costing ₹ 20.79 crore was procured without adherence to the prescribed procedure (rate contract, limited and open tenders, valid and proper invoices etc.) in the all test checked GPs of selected districts and PO, Chaksu. Further, in contravention of RPRRs, 1996 an amount of ₹ 4.06 crore was paid in cash. The material was purchased from unregistered firms and hence tax applicable on purchases was not paid in Government account.

26. Districts: Ajmer - ₹ 3.81 crore, Alwar - ₹ 0.72 crore, Bharatpur - ₹ 1.69 crore, Bhilwara - ₹ 0.31 crore, Bundi - ₹ 0.23 crore, Dholpur - ₹ 0.55 crore, Jaipur - ₹ 0.06 crore and Karauli - ₹ 3.15 crore, Block: Anandpuri - ₹ 0.08 crore and three GPs (Bhagauro ka Khera, Dug and Palana) - ₹ 0.04 crore.

- The purchase of material costing ₹ 37.37 lakh²⁷ was made from the firms which were not found in existence during joint physical verification conducted by audit with villagers and Gram Sevaks and by collecting information in eight GPs of four blocks. Hence, tax applicable on purchases was not levied and paid to Government account.

The State Government accepted (June and November 2012) that the material purchased from local firms without adherence to prescribed procedure upto 2009-10 was due to non-availability of registered firms and lack of directions from GoI. Reply was not correct as RPRRs are very clear and are in force since 1996.

2.1.8.2 Avoidable expenditure on excess purchases

In three test checked districts an expenditure of ₹ 78.22 lakh (District, Bhilwara: ₹ 70.01 lakh, Dholpur: ₹ 6.56 lakh and Jaipur: ₹ 1.65 lakh) was incurred on procurement of materials²⁸ during May 2008 to March 2011 which was lying unutilised in store for the period one to more than three years as of March 2012. The State Government stated (November 2012) that the material would be utilised in the future. The contention of the government was not acceptable as purchases made in excess of requirement. Moreover, these were lying unutilised and possibility of medical kits crossing expiry dates cannot be ruled out.

2.1.9 Social audit, transparency and grievance redressal

2.1.9.1 Social Audit

MGNREGA provides a central role to Social Audit (SA) through the Social Audit Forum, a public assembly where all details of the Scheme are to be scrutinised involving beneficiaries and all stakeholders.

Audit observed that:

- SA Forum was not constituted in six GPs²⁹, line departments did not participate in SA proceedings in 40 GPs out of 64 test checked GPs of Phase-I. The State Government while accepting the facts stated (June 2012) that instructions had been issued to comply with the deficiencies.
- In Phase-II Audit, line department did not participated in Social Audit proceedings in 120 GPs out of 180 GPs test checked.
- Though SA was required to be conducted twice a year but it was not conducted in Jodhpur upto March 2009 and in Dungarpur district, it was conducted only once during 2009-10.

27. Blocks: Bilara - ₹ 16.72 lakh, Dug - ₹ 0.70 lakh, Karauli - ₹ 12.80 lakh and Kolayat - ₹ 7.15 lakh.

28. Tent 332: (₹ 7.83 lakh), Medical kits 690: (₹ 2.50 lakh), Water tanks 810: (₹ 10.80 lakh), Jhulas 655: (₹ 4.70 lakh), Notice board 1,795: (₹ 37.53 lakh), Misc items: (₹ 14.86 lakh).

29. GPs: Dundhari, Khudasa, Hariyada, Olvi, Ramashani and Rawar.

During 2011-12, SA was conducted only once in the all test checked districts due to proposed change in SA pattern by GoI as decided in National workshop held in November 2011. SA on new pattern conducted in Block, Shiv (District, Barmer) on experimental basis was completed in June 2012 which was scheduled to be completed by March 2012. The State Government stated (March 2013) that SA in Jodhpur is being carried out and SA of Dungarpur for 2009-10 was conducted in 2010-11. The reply was not acceptable as no evidence in support of conduct of SA in respect of Jodhpur and in Dungarpur was made available to Audit.

- Only 20 Bharat Nirman volunteers were imparted training on SA in December 2011 conducted by Ministry of Rural Development (MoRD), GoI against the desired 100 volunteers. Besides this, training on SA was given to Gram Sabha members of selected GPs during March 2012 i.e. after four years of implementation of the Scheme in all districts.
- Vigilance and Monitoring Committees were not formed in 15 test checked GPs out of 64 GPs test checked in Phase-I Audit. Training was not provided to SA Forums in the all 12 test checked GPs of Kolayat, Srinagar and Umrain blocks. SA Forums did not physically inspect the works in 31 GPs.

2.1.9.2 Grievance redressal

- As per Section 36 of the Act, (amended in December 2008), complaints were to be disposed of within 15 days from the date of receipt. It was observed that 52 complaints (year 2010: 10, 2011: 17 and 2012: 25) were pending disposal as of January 2013 at State level. In selected districts, out of 10,228 complaints, 1,672 complaints (2007-08: 02, 2008-09: 127, 2009-10: 411, 2010-11: 730 and 2011-12: 402) were pending for disposal for more than three months to four years as of June 2012. This indicated that the system of timely and effective disposal of complaints was not effective. The State Government stated (November 2012) that investigating offices had been given directions.
- In pursuance of Section 27(1) of Act, GoI directed (September 2009) the State Government to set up the office of the ombudsman in each district within three months for effective redressal of grievances. GoR had not set up such offices in 13 districts³⁰ as of January 2013. State Government stated (March 2013) that out of 20 districts in which office had been set up, ombudsman in seven districts were working as on date and in three districts additional charge had been given and in the remaining, action was in process.

2.1.10 Non-maintenance of records and reports

Specified records and registers such as application registration register, job card register, employment register, MRs register, assets register and complaint register were required to be maintained at different levels. The position of

30. Districts: Alwar, Baran, Barmer, Bikaner, Chittorgarh, Churu, Dholpur, Dungarpur, Hanumangarh, Jaisalmer, Karauli, Rajsamand and Sirahi.

non-maintenance of records in the test checked GPs/Blocks noticed during the audit is given in **Table 2.7** below:

Table 2.7: Position of non-maintenance of records

Name of records	No. of units
Employment register	5 GPs ³¹ and 10 blocks
Assets register	31 GPs
Register of receipt and issue of Muster Roll	16 GPs
Works register	36 GPs
Material Stock register	24 GPs
Unemployment register	40 GPs
Complaint register	34 GPs

The State Government accepted (June and November 2012) that all records were not maintained due to lack of clear directions/non-deployment of staff and directions have been issued to all concerned offices for maintenance of records. Thus, the department failed to maintain basic records of the Scheme. Besides this, certification of accounts by CAs in absence of records/registers was also not proper.

2.1.11 Management Information System

The MoRD, GoI (May 2009) emphasised full operationalisation of Management Information System (MIS) from April 2009. State Nodal Officers directed (May 2009) all DPCs to fully computerise the activities with effect from 2009-10.

Audit observed that there was a difference in data of State Annual Report and the MGNREGA website for MIS in Job card issued to HHs, employment provided to HHs and persondays generated. In test checked districts details of technical, financial sanctions and measurements were not entered. The feeding of accounts of the Scheme workers, Below Poverty Line (BPL) status and photos of job cards holders were completed only in 0.34 *per cent* to 81 *per cent* cases. Illustration of differences in data of MPR and MIS for the month of March 2012 are detailed in **Appendix-IX**.

The State Government accepted (June and November 2012) the facts and stated that MIS feeding was done through outsourcing for the years 2008-09 to 2010-11 without any monitoring. At present the system is online from the year 2011-12 (October 2011). Integrity and reliability of data fed by outside persons could not be relied upon in absence of effective monitoring and verification by departmental officials.

2.1.12 IT Audit of NREGASoft

The operational guidelines of MGNREGA envisaged extensive use of Information Technology (IT) in planning, execution and monitoring of all the vital aspects of the Scheme. IT tools would be used for increasing efficiency and enhance transparency of operations in the following stages:

31. GPs: Hariyada (Bilara block), Dodi, Parapipli (Dug block); Jagpura (Ghatol block) and Garai (Karauli block).

- planning to execution of projects/works undertaken;
- enrollment to employment and payment to workers; and
- transfer of funds to accounting of expenditure.

2.1.12.1 Examination of data

Data generated in the implementation process of the scheme gets collected in National Informatics Centre servers. The data forwarded by National Informatics Centre and relevant tables were checked in audit to ascertain accuracy of information forming the basis of the decision making process and the following were observed:

- In order to ascertain accountability and fix responsibility in data entry/authorisation tasks, the operational guidelines of MGNREGA specifies that “there should be a system of authentication of data to clearly identify the person who prepares and scrutinises the data and the date on which such data is prepared and scrutinised”. However, during examination of data of work progress in respect of rural connectivity, water conservation, flood control and drought proofing, it was noticed that in 3,55,051 records these columns were either left blank or have been filled with ambiguous data such as “Guest”, “Test”, “Computer IP address”, numbers or single/double alphabets etc. In the given circumstances, it would not be possible to identify users who actually entered data in database and trace back transactions to originators and fix any responsibility for erroneous data entry.
- Missing/invalid names (containing either numbers or special characters) were noticed of 2,092 registered HHs. Thus, it would not be possible in these cases to cross verify names of registered persons with other databases such as Election Commission, Census, BPL Census etc.
- Missing/invalid house numbers of registered HHs were noticed in 91,27,735 records. In the absence of valid house numbers, it would not be possible to ensure physical availability of beneficiaries.
- Missing/duplicate financial sanction numbers in relation to the works sanctioned were noticed in 1,23,796 records. Absence of any check on availability of financial sanction or duplicate sanction number renders the data unsuitable for mapping financial sanctions *vis-à-vis* the works carried out.
- ‘Missing work name’ in sanctioned works were noticed in 2,22,314 records. In the absence of this physical progress of works would not be verified. Moreover, it renders data unsuitable for checking instances of same work being shown as different works.
- ‘Missing/invalid panchayat code’ and ‘block code’ in works sanctioned were noticed in 37,819 records. Absence of this information renders data unsuitable for checking physical progress of work and may lead to instances of same work being shown at more than one place.

2.1.12.2 Faulty programming logic

A computer based transaction recording system can contain programming elements to perform basic calculations and cross check various interrelated bits of information to maintain correct data. It can also generate alerts about summarily incorrect figures being entered/already entered in the data. During the analysis of data collected by NREGASoft it came to notice that this software contains no programming elements even to perform basic calculations conforming to accounting logic. Following instances came to notice during the examination of data:

- Wrong calculation of wages were depicted in 48,03,463 instances which could be worked out by applying the logic “Total wages = wage rate x work days”.
- Wrong carry forward of closing balance or wrong entry of closing balance in State, District, Block and Panchayat accounts tables were depicted in 4,83,040 instances which could be worked out by applying the logic “Closing balance = opening balance + all inflow – all outflow”.

The above instances clearly indicate weak controls in the system which resulted due to insufficient checks.

2.1.13 Beneficiary survey

Audit and Gram Sevaks of concerned GPs jointly conducted survey/interaction with 2,600 beneficiaries (800 in phase-I and 1,800 in phase-II) for assessment of awareness and impact of the Scheme. Findings of the beneficiary survey were as under:

- More than 70 *per cent* beneficiaries of Phase-II stated that their level of living and capacity of purchasing of food articles, household articles, livestock, care of children’s education has improved due to employment under the Scheme.
- All workers of society irrespective of their caste were engaged at one site of work, thus, social relationship among the community stated to have been improved.
- One thousand four hundred two beneficiaries of both Phases were paid their wages with delay ranging from 15 days to three months beyond prescribed time.
- In GP, Siloti (Karauli block) no payment was made to workers by Post Office while full payment was not made to 16 job card holders³² of four GPs by Post Office. The State Government stated (March 2013) that payment had now been made to all labourers.

32. Blocks: Hindaun (GP, Mandawara: four cases), Dug (GP, Kelu Khera: three cases) and Karauli (GP, Garai: four cases and GP, Jahagirpur: five cases).

- One thousand one hundred eighty six beneficiaries of Phase-II were not aware of individual works of land reform on private land of SC/ST/BPL/beneficiaries and Indira Awas Yojana.
- Seven hundred fifty nine beneficiaries of Phase-I were not aware about unemployment allowance.
- One thousand one hundred twelve beneficiaries did not participate in the meeting of Gram Sabhas. 783 beneficiaries did not respond to the question.
- Five hundred forty three beneficiaries of Phase-I were not aware about the procedure of getting job card. The State Government accepted (June and November 2012) that due to lack of awareness, the public did not participate in Gram Sabha which shows lack of sufficient Information, Education and Communication activity even after lapse of five years of implementation of the Scheme.

2.1.14 Monitoring

2.1.14.1 Monitoring at SEGC level

SEGC constituted in March 2006 was responsible for advising the State Government on implementation, monitoring and evaluation of the Scheme. Half yearly meetings of SEGC were to be held but only three half yearly meetings (May 2007, February 2008 and February 2011) were held against stipulated 10 meetings up to March 2012. Quarterly meeting of a sub-committee which was constituted (March 2006) by SEGC was required to be held but not a single quarterly meeting of sub-committee was held as of March 2012.

Although Annual Reports of SEGC on the MGNREGA for the years 2006-07 to 2010-11 were placed before State Legislature between March 2007 and March 2012, no information about discussion in State Legislature was made available to Audit.

The State Government while accepting the facts stated (June and November 2012) that the Scheme was being monitored through video conferencing with State level officers. However, no documentary evidence was produced to Audit in this regard. This indicated that implementation of the Scheme was not regularly monitored and evaluated at SEGC level.

2.1.14.2 Monitoring at other levels

- Operational guidelines stipulate that (i) two *per cent*, 10 *per cent* and 100 *per cent* of executed works were to be inspected by State, district and block level officials respectively and (ii) Financial audit of all districts was mandatory and District Internal Audit Cell was to be constituted to scrutinize the reports of the GPs.

It was observed in Audit that the State level inspection of works could not be verified by Audit due to non furnishing of records. District level monitor did

not inspect the works in all the test checked districts except Jhalawar district. There was shortfall in inspection carried out at DPC level ranging from 17 *per cent* to 97 *per cent* and at block level from six *per cent* to 89 *per cent* as per details given in **Appendix-X**. The inspection registers were not maintained in all test checked districts except Barmer district. This reflects that the works were not properly supervised. The State Government stated (June 2012) that instructions for maintenance of proper records and timely inspection of works have been issued. However, the facts remain that even after five years of coming in force of the scheme, the State Government did not developed appropriate system of checking of works.

- The State Government instructed (November 2009) that quarterly reports of inspected works were to be furnished to the Principal Secretary, RD&PRD by DPC and additional DPC but such reports were not furnished regularly in Ajmer, Bikaner, Jhalawar, Jodhpur and Karauli districts.
- Reports of CA on MGNREGA for the year ending March were to be finalised by 30 September of the following year and the second installment was to be released on the basis of CA reports. It was observed that CA reports for test checked districts were finalised with delays of 83 to 106 days for 2007-08 and 24 to 119 days except Churu and Dungarpur districts for 2008-09, 31 to 164 days for 2009-10 and six to 47 days except Churu and Jalore districts for 2010-11.
- The books of accounts and related documents at DPC level were found checked by CAs. But in respect of block level records, the CAs checked the consolidated statement of expenditure with reference to UCs and adjustment orders, but, no vouchers pertaining to block level were checked by CAs. Due to delayed finalisation of accounts, the timely release of second installment of fund could not be ascertained. The State Government accepted (November 2012) the facts and stated that instructions for timely submission of accounts had been issued.
- District Internal Audit Cell was not constituted in Ajmer, Banswara, Barmer, Bikaner, Dholpur, Jodhpur and Karauli districts.

2.1.15 Evaluation

Evaluation studies conducted during March 2008 in respect of six districts³³ for the period 2006-07 and 2007-08 by two private firms revealed that number and quality of human resources deployed so far were inadequate, definition of family needs to be clear and specific, there is need of creating awareness about the Scheme and procedure for demand of jobs by involving Civil Society Organizations, 100 days employment in a year was insufficient to sustain a family and once the work was completed the community did not take the responsibility of its maintenance etc.

The above deficiencies were still persisting, which indicates that suitable efforts have not been taken for redressal.

33. Districts: Banswara, Dungarpur, Jhalawar, Karauli, Sirohi and Udaipur.

2.1.16 Conclusion

There was lack of monitoring which resulted in misclassification of funds, excess expenditure on administrative head and items not related to the Scheme. The Scheme workers were not aware of their rights of compensation for delayed payment and for not providing employment. Slow progress of work, non-availability of year-wise details of incomplete works, non-inspection of executed works reflected lack of monitoring at block, district and State level.

2.1.17 Recommendations

Following recommendations are made:

Government should ensure:

- timely preparation of annual accounts by all the DPCs and their audit through CAs so that actual position of demand and utilisation of funds could be reflected. Data integrity and reliability of the MIS should be ensured;
- that technical sanctions and detailed estimates are available with the executing agencies to ensure proper execution of the works;
- a more vigorous awareness campaign about employment and unemployment allowances; and
- another round of the scheme evaluation.

2.2 Implementation of Backward Regions Grant Fund Programme

Executive Summary

Introduced in January 2007 the Backward Regions Grant Fund programme provides financial resources for supplementing and converging existing developmental inflows to identified backward districts of the Country. In Rajasthan, GoI identified 12 districts for implementation of the programme. Performance audit of the programme revealed that the State lost support of ₹ 188.99 crore from the Central Government due to tardy utilisation of grants and another ₹ 163.83 crore was lying unutilised in the developmental fund. Together they accounted for 35 per cent of the total outlay for the programme. In addition, instances of blocking of funds of ₹ 2.98 crore, diversion of funds of ₹ 13.73 crore, irregular expenditure of ₹ 5.85 crore and non-utilisation of funds for training programme were noticed.

2.2.1 Introduction

Government of India (GoI) introduced (January 2007) Backward Regions Grant Fund (BRGF) programme (henceforth referred to as the programme) for development of backward areas and to provide resources for supplementing and converging existing development inflows to selected backward districts. The objective was to reduce imbalances and speed up development, thereby contribute towards poverty alleviation. The programme was fully funded by GoI and was implemented during the 11th five year plan (2007-12) in 12 GoI identified backward districts³⁴ of Rajasthan.

2.2.2 Organisational set up

Rural Development and Panchayati Raj Department (RD&PRD) was designated as the Nodal Department to implement the programme in the State. A High Powered Committee (HPC) headed by the Chief Secretary of the State was constituted (March 2007) at the State level for approving, managing, monitoring and evaluating the works proposed by the District Planning Committees. In the field, the executive heads at district level (Zila Parishads (ZPs), block level (Panchayat Samitis (PSs)) and village level (Gram Panchayats (GPs)) were Chief Executive Officers (CEOs)/Additional Chief Executive Officer (ACEOs), Vikas Adhikaris and Secretary-cum-Gram Sevaks respectively and Urban Local Bodies (ULBs) were headed by Executive Officers/Commissioners.

2.2.3 Audit objective

The broad objective of the audit was to examine whether finances were managed effectively to bridge the critical gaps in local infrastructure and other development requirements.

34. Banswara, Barmer, Chittorgarh, Dungarpur, Jaisalmer, Jalore, Jhalawar, Karauli, Sawaimadhopur, Sirohi, Tonk and Udaipur.

2.2.4 Audit criteria

The Audit criteria for the performance audit were derived from:

- Guidelines of the programme and instructions issued by RD&PRD.
- District Annual Action Plans.
- Rajasthan Panchayati Raj Rules (RPRRs), 1996.
- General Financial and Accounting Rules (GF&AR).
- Gramin Karya Nirdeshika (GKN), 2004.

2.2.5 Audit coverage and methodology

The records of Panchayati Raj Department (PRD), seven ZPs³⁵, 16 PSs³⁶, 80 GPs (Five GPs in each block), two Municipal Councils³⁷ (MCs), eight Municipal Boards³⁸ (MBs) and Indira Gandhi Panchayati Raj Sansthan (IGPRS) were test checked along with physical verification wherever necessary, for the period 2006-07 to 2010-11 during October 2010 to April 2011 and June to August 2011 which were selected by Simple Random Sampling Method. Entry conference was held in September 2010 where audit methodology, audit scope and audit objectives were discussed. Exit conference was held in November 2012 wherein audit findings were discussed in detail.

Audit acknowledges the cooperation and assistance of the State Government officials in conducting this audit.

2.2.6 Financial management

BRGF consists of two funding windows namely Capability Building Fund (CBF) and Development Fund. CBF was to be utilised primarily for planning, implementation, monitoring and improving accountability of GPs. Development fund was to be used to fill up critical gaps in integrated development, identified through the participative planning processes in GPs and ULBs. The fund flow of the programme is given in **Chart 2.2** below:

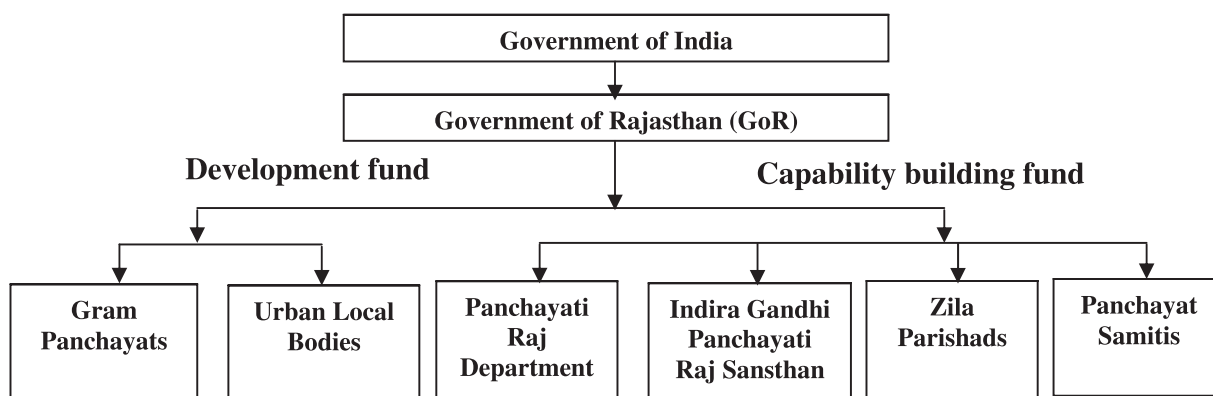
35. ZPs: Barmer, Chittorgarh, Jaisalmer, Jalore, Sawaimadhopur, Tonk and Udaipur.

36. PSs: Balotra, Baytu, Sindhari (District Barmer); Chittorgarh, Gangrar, Nimbahera (District Chittorgarh); Sankra (District Jaisalmer); Sanchoe, Sayla (District Jalore); Bonli, Gangapur City (District Sawaimadhopur); Deoli, Tonk (District Tonk) and Jhadol, Kotra, Sarada (District Udaipur).

37. MCs: Tonk and Udaipur.

38. MBs: Barmer, Chittorgarh, Nimbahera (District Chittorgarh), Jaisalmer, Jalore, Sawaimadhopur, Niwai (District Tonk) and Fatehnagar (District Udaipur).

Chart 2.2: Fund flow of the programme



2.2.6.1 Capability Building Fund

Under CBF, GoI released ₹ 48.40 crore for the plan years 2006-07 to 2010-11 out of which expenditure of ₹ 33.25 crore (68.70 per cent) was incurred (upto March 2011). The unspent balance of ₹ 15.15 crore was lying in the Personal Deposit (PD) account of PRD, ZPs, PSs and IGPRS.

As per the programme guidelines, under CBF, GoI was to release ₹ one crore per BRGF district per year but GoI released ₹ 32.08 crore (against ₹ 36 crore) for the plan years 2007-08 to 2009-10 in lump sum during October 2009 without mentioning any reasons for not releasing funds every year.

2.2.6.2 Development fund

Under the development fund, GoI released ₹ 889.97 crore for the plan years 2006-07 to 2010-11, against which an expenditure of ₹ 726.14 crore (81.59 per cent) was incurred on developmental activities (construction of buildings etc.). The position of development funds during 2007-11 is shown in **Table 2.8** below:

Table 2.8: Position of development fund

(₹ in crore)

Financial year	Plan year	Funds released by GoI	Total	Fund released by GoR to implementing agencies	Expenditure incurred	Balance amount
2007-08	2006-07 2007-08	75.00 225.90	300.90	238.37	74.03	
2008-09	2007-08 2008-09	22.54 160.96	183.50	65.15	193.33	
2009-10	2008-09 2009-10	1.80 107.54	109.34	290.22	220.94	
2010-11	2009-10 2010-11	45.24 250.99	296.23	266.71	237.84	
Total		889.97	889.97	860.45*	726.14	

(Source: Information furnished by RD&PRD)

* Balance amount ₹29.52 crore (₹889.97crore - ₹860.45 crore) was released by GoR to implementation agencies (GPs and ULBs) in 2011-12.

It may be seen that an amount of ₹ 163.83 crore was lying unutilised.

- As per the programme guidelines, for plan year 2007-08, first installment was to be released on submission of application and the second installment was to be released after deducting unspent balance in excess of 40 *per cent* of the funds available during the previous year. Further, for the plan year 2008-09 and onwards, first installment of 90 *per cent* of grant was to be released after deduction of balance amount of previous year and the second installment was to be released on receiving physical and financial progress reports of full funds of previous year and 75 *per cent* funds of current year.

It was noticed that GoI deducted ₹ 188.99 crore³⁹ during years 2007-08 to 2009-10 (*Appendix-XI*) due to short utilisation of funds. The State Government stated (July 2012) that GoI initially released the funds by delay of one year, changed the formula for releasing of funds repeatedly and new sanctions of works could not be released due to enforcement of the model code of conduct for elections held during 2008-09 and 2009-10. The reply was not acceptable as the formula was changed in October 2008 and November 2009, which did not affect receipts of 2008-09 and the State Government should have appropriately framed the policy from 2009-10 as per revised formula of GoI to avoid the deduction. Works could also have been sanctioned well in advance keeping in view the enforcement of the model code of conduct. This indicates slackness in achieving the financial targets and lack of proper planning in implementation of the programme by the Department resulting in avoidable deduction of ₹ 188.99 crore by GoI. Together the unspent balance (₹ 163.83 crore) and the amount deducted by GoI (₹ 188.99 crore) add to 35 *per cent* of financial resources not being applied to the programme with the corresponding loss of the opportunity in developing backward regions.

2.2.6.3 Delayed release of funds and non-transfer of interest

As per the programme guidelines, BRGF grants were required to be transferred by the State Government to the GPs and ULBs within 15 days of the same being released to the Consolidated Fund of the State by GoI, failing which as per instruction (June 2009) of GoI, the State Government was liable to transfer penal interest at the rate equal to RBI bank rate, to the GPs and ULBs.

The RD & PRD transferred funds to GPs and ULBs with the concurrence of Finance Department with delays ranging from three to 177 days during 2006-07 to 2010-11, beyond the specified period of 15 days, but the State Government did not transfer penal interest of ₹ 0.63 crore from June 2009 to March 2011 at the rate of six *per cent* (RBI bank rate) to the GPs and ULBs concerned. The State Government stated (June 2010 and July 2012) that funds were released with delays due to insufficient provisions in the State budget. Reply was not acceptable as the State Government had made sufficient

39. 2007-08: ₹ 2.55 crore (Jaisalmer and Jhalawar districts), 2008-09: ₹ 88.23 crore (all BRGF districts) and 2009-10: ₹ 98.21 crore (eight BRGF districts).

provision in the budget for the period of 2009-10 in which major portion of interest amounting to ₹ 0.31 crore became due.

2.2.6.4 Incorrect reporting of UCs

In test checked districts, it was noticed that the State Government released ₹ 250.16 crore to the ZPs for execution of works. Out of this, ZPs submitted utilisation certificates (UCs) of ₹ 241.96 crore to the State Government leaving balance of ₹ 8.20 crore but as per information provided by PSs and ULBs there were actual unspent balances of ₹ 28.18 crore lying with implementing agencies as given in **Table 2.9** below.

Table 2.9: Details of unspent balances

(₹ in crore)

Sl. No.	Plan Year	Fund released by GoR	UCs Submitted by ZPs to GoR	Unspent balance as per ZPs	Actual unspent balance as per PSs and ULBs	Difference of unspent balances
1	2	3	4	5	6	7(6-5)
1	2006-07	40.00	40.00	-	1.53	1.53
2	2007-08	80.28	78.37	1.91	5.41	3.50
3	2008-09	67.14	63.59	3.55	10.00	6.45
4	2009-10	62.74	60.00	2.74	11.24	8.50
	Total	250.16	241.96	8.20	28.18	19.98

(Source: Information furnished by test checked units)

Above table indicates that UCs had inflated figures of expenditure by ₹ 19.98 crore. The State Government stated (July 2012) that the correct position would be intimated on receipt of actual position of UCs from ZPs. However, no further information was rendered by the State Government till December 2012.

2.2.6.5 Blocking of funds

- With a view to improve performance and service delivery system of GPs, RD&PRD purchased (February 2010) 1,100 computers and accessories at a cost of ₹ 5.09 crore to be supplied to 1,100 GPs. It was noticed that 235 computers and accessories (cost ₹ 1.09 crore) were supplied (April 2010) to 11 PSs of five test checked ZPs for supply to 235 GPs. Out of these 136 computers⁴⁰ and accessories costing of ₹ 0.63 crore were lying idle with PSs as of July-August 2011. The State Government stated (July 2012) that in ZP, Chittorgarh, computers were not being used in some GPs due to vacant posts of Gram Sevaks and in some GPs due to untrained Gram Sevaks, in respect of other ZPs no reply was furnished. The State Government further stated (November 2012) that in every GP two post of clerical cadre have been created and utilisation of computers will be ensured. The reply was not acceptable as computers were not distributed to GPs.

40. ZPs: Barmer - 18 (PS, Balotra: six, Baytu: three, Sindhari: nine), Chittorgarh - 32 (PS, Chittorgarh - 13, Gangrar: 10, Nimbahera: nine), Jalore - 11 (PS, Sanchore: 11), Sawaimadhopur - 48 (PS, Bonli: 25, Gangapur City: 23) and Udaipur - 27 (PS, Kotra: three and Sarada: 24).

- MB, Jaisalmer retained ₹ two crore for construction of a town hall (approved by District Planning Committee) out of allotted funds of ₹ 5.75 crore (June 2007 to August 2009) which was lying unutilised as of November 2012 for more than three years. The State Government stated (November 2012) that due to lack of approval of Archaeological Department, the work of town hall could not be commenced and the approvals of other works (other than town hall) have been obtained and funds will be utilised in the current financial year.
- The District Planning Committee, Barmer approved (March 2008) a proposal for procurement and installation of dairy machines at Zila Dugdh Utpadak Cooperative Society (ZDUCS), Barmer at a cost of ₹ 85 lakh in the annual Plan 2008-09. ZP, Barmer transferred (September 2009) ₹ 59 lakh to ZDUCS against which an expenditure of ₹ 61.04 lakh (BRGF: ₹ 59 lakh and own fund: ₹ 2.04 lakh) was incurred on procurement and installation of the ghee production machine. Of this, an expenditure of ₹ 11.54 lakh incurred on civil work for Effluent Treatment Plant, ₹ 19.10 lakh on purchase of ghee production machines and ₹ 4.40 lakh on tube well could not be put to use (August 2011). Managing Director, ZDUCS replied (August 2011) that Effluent Treatment Plant and ghee production machines required installation of more machines for their use and tube well required more boring, which could not be purchased/executed because of paucity of funds. Further, ZDUCS demanded ₹ 50 lakh more for functioning of ghee production unit. The State Government stated (July 2012) that after getting factual position of works, efforts would be made to put the machines to use. Thus, ₹ 35.04 lakh was lying blocked as the work was taken up without ascertaining the funds requirement.

Retention of funds for a town hall, execution of works for installation of a dairy without ascertaining the availability of required funds and purchase of computers without assessing requirement, resulted in blocking of ₹ 2.98 crore. Moreover, deterioration of the assets so created cannot be ruled out.

2.2.6.6 Unfruitful expenditure due to non-utilisation of assets

As per GKN, 2004, sanctioning authority should ensure proper utilisation of assets before issuing sanction of the work.

In test checked ZPs, 18 assets (**Appendix-XII**) created between March 2008 and March 2010 by incurring an expenditure of ₹ 73.64 lakh were lying unutilised due to non-handing over, non-availability of water and electricity, etc. for more than two to four years as of July 2012, rendering entire expenditure unfruitful. Photograph of some assets lying unutilised are given below:



The State Government stated (July 2012) that clarification had been called from concerned ZPs. This indicates lack of control over sanctions, execution and utilisation of assets created.

2.2.6.7 *Diversion of funds*

As per the programme guidelines, CBF will be utilised primarily to build capacity in planning, implementation, monitoring, accounting, improving accountability and transparency. With the approval (February 2011) by the HPC, the RD&PRD diverted (March - April 2011) the unspent CBF grant of ₹ 13.73 crore available with IGPRS and ZPs to District Programme Coordinators, Employment Guarantee Scheme for establishing solar system in Rajiv Gandhi Seva Kendras (RGSKs) at 770 GPs of all the BRGF districts. The entire amount was utilised in RGSKs, however, these RGSKs were originally sanctioned in Mahatma Gandhi National Rural Employment Guarantee Scheme including provision of ₹ 1.70 lakh for solar system in each RGSK.

The State Government stated (July 2012) that the above decision was taken by HPC for effective operation of RGSKs. The reply was not acceptable as no sanction was obtained from GoI (July 2012) for diverting the funds to RGSKs. Thus, RD&PRD failed to build capacity in planning, implementation monitoring, accounting and improving accountability and transparency as CBF grant of ₹ 13.73 crore meant for imparting training and strengthening PRIs was diverted to provide solar system in 770 RGSKs.

2.2.7 Planning

2.2.7.1 *Non-inclusion of suggestions of survey report in District Plans*

As per the programme guidelines, integrated development plan in each district was to be prepared on the basis of a diagnostic study of its backwardness including a baseline survey.

It was noticed that RD&PRD awarded (October 2007) two contracts amounting to ₹ 0.75 crore for conducting study/survey on backwardness and development of baseline databank for all the 12 BRGF districts. The work was completed (June 2009) and ₹ 0.68 crore were paid to the two firms. It was noticed that in four districts⁴¹ suggestions given in survey report were not included in their annual plans prepared by the District Planning Committees and survey reports of three districts (Barmer, Jaisalmer and Jalore) were not provided to audit, in the absence of which preparation of annual plans as per survey reports could not be ascertained.

The State Government stated (July 2012) that survey reports were made available to ZPs and instructions for inclusion of suggestion were given but it was for the District Planning Committees/GPs to include the suggestions in

41. Districts: Chittorgarh (Agriculture, Irrigation and Industry), Sawaimadhopur (Agriculture), Tonk (Agriculture and Irrigation) and Udaipur (Agriculture, Irrigation and Industry).

annual plans. Replies were not acceptable because annual plans were not based on the survey/study report as envisaged in the guidelines and the purpose of conducting survey/study was not fully achieved which rendered expenditure of ₹ 0.68 crore wasteful.

2.2.7.2 Expenditure on unapproved works

As per the programme guidelines, plan prepared by each GP or ULB was to be consolidated into the District Plan by District Planning Committee and to be further approved by the HPC at the State level.

It was noticed that MC, Udaipur and MB, Barmer incurred an expenditure of ₹ 1.55 crore⁴² irregularly from the programme fund on 19 road works which were not included in the Annual Plan approved by District Planning Committee. MC, Udaipur stated (October 2010) that executed works were according to their plan. The reply was not acceptable as executed works were not included in the approved plan of District Planning Committee. The State Government stated (July 2012) that clarification from concerned ZPs had been called for.

2.2.7.3 Unjustified construction of houses without assessing critical gap

As per the programme guidelines, BRGF funds can be utilised for augmenting the funds of Indira Awas Yojana (IAY) to meet a portion of the backlog in the provision of new housing, if District Planning Committee aims at making the district free from housing problems and the local PRIs see this as a priority.

The ZP, Jaisalmer sanctioned (2008-09 and 2009-10) construction of 1,124 houses costing ₹ 3.93 crore for weaker sections without passing any resolution by the District Planning Committee in this regard and without conducting any survey for identification of critical gap of housing sector. Of this, 196 houses at the cost of ₹ 0.70 crore were completed (August 2011) in 27 GPs and remaining 928 houses were under construction. CEO, ZP, Jaisalmer stated (February 2011) that though District Planning Committee did not prepare any plan for making the district completely free from housing problem, the intention was to construct the houses under various schemes to make the district free from the housing problem. The reply was not acceptable as per information furnished by CEO, ZP, Jaisalmer the targets set for IAY during 2008-09 to 2011-12 were fully realised and there was no gap. The State Government stated (November 2012) that with effect from 25 June 2012 sanctions of IAY houses under BRGF was discontinued. Thus, construction of houses without assessing of requirement and following the procedure laid down in the guidelines was irregular.

42. MC: Udaipur - 17 road works (2006-07) (expenditure incurred ₹ 1.17 crore) and MB: Barmer - two road works (2009-10) (expenditure incurred ₹ 0.38 crore).

2.2.8 Execution of works

Basic objective of the programme was to execute the development works in backward areas, which were either not got executed under the other developmental activities or were essential to bridge the gap in critical areas.

At State level 32,968 works of human development, 19,292 works of infrastructure sector and 35 works of production sector were sanctioned under the programme, out of which 12,713, 9,054 and 24 works respectively completed by the implementing agencies. Out of 1,524 completed works in test checked GPs and ULBs of districts selected for Performance Audit, 718 works amounting to ₹ 24.45 crore (human development: 288 works of ₹ 8.12 crore and infrastructure development: 430 works of ₹ 16.33 crore) were scrutinised in the audit.

The irregularities noticed in execution of works are given in succeeding sub paragraphs.

2.2.8.1 Incomplete works

As per GKN, 2004 the time limit for completion of works should generally not exceed nine months. In test checked ZPs, as of August 2011 out of total 25,606 sanctioned works, 17,277 works were completed, 5,588 were incomplete and 2,741 works were not started. The percentage of works remaining incomplete ranged from 2.39 per cent in 2007-08 to 45.28 per cent in 2010-11 as per details given in **Table 2.10** below:

Table 2.10: Details of works executed under BRGF

Plan year	Works sanctioned during the year	Status of works			Percentage of incomplete works
		Not started	Completed	Incomplete	
2006-07	2,201	-	2,201	-	-
2007-08	6,453	57	6,242	154	2.39
2008-09	7,161	719	4,700	1,742	24.33
2009-10	4,080	368	2,606	1,106	27.11
2010-11	5,711	1,597	1,528	2,586	45.28
Total	25,606	2,741	17,277	5,588	21.82

(Source: Information furnished by test checked ZPs)

Audit observed that reasons for works lying incomplete/not started were neither mentioned in the Monthly Progress Reports of ZPs nor in the various reports of executing agencies submitted to ZPs. The State Government stated (July 2012) that incomplete works would be completed in next financial years. Incomplete/not started works, not only deprived the intended benefit of the programme to people of backward areas but also the possibilities of deterioration of assets could not be ruled out.

2.2.8.2 Irregular charging of administrative charges

It was noticed that IGPRS irregularly charged ₹ 37.06 lakh (up to March 2011) as administrative charges on training programmes without any provisions either in the programme guidelines or in GKN, 2004. The State

Government stated (July 2012) that factual position had been called from the IGPRS.

2.2.9 Procurement of construction material from unregistered suppliers/firms

RPRRs, 1996 stipulate that construction material should be procured from manufacturers or whole sellers at the minimum possible rate by inviting tenders.

In 31 GPs of seven PSs of five test checked districts, construction material worth ₹ 1.31 crore was procured (November 2007 to March 2011) from unregistered suppliers/firms without inviting tenders for execution of 146 works⁴³ of construction of building and roads. The State Government stated (July 2012) that after receiving the factual position necessary direction would be given to the concerned units.

2.2.10 Misuse of assets

GF&AR stipulates that assets created from the specific grants must be utilised for the purpose for which these were sanctioned. On joint inspection of 73 buildings conducted (February to April 2011) with executing agencies, it was observed that five buildings constructed under the programme at the cost of ₹ 21.48 lakh were being used unauthorisedly by local residents for purpose other than intended as shown in **Table 2.11** below:

Table 2.11: Details of misuse of assets

(₹ in lakh)

Sl. No.	Name of constructed building	Expenditure incurred	Date of completion	Building being used by
1.	Day care home for old age persons in MB, Sawaimadhopur	13.36	16.06.2009	MB, Sawaimadhopur for office purpose
2.	Work Shop for SC/ST, Avadi Bhimji in GP, Kamthai, PS-Sindari, Barmer	2.12	15.10.2009	A local resident
3.	Public Sabha Bhawan, (Daimani Meghwali Basti), GP-Kawas, PS-Baytu, Barmer	1.50	30.10.2009	A local resident
4.	Public Sabha Bhawan, Sammeloni Meghwali ki Basti in GP, Kawas, PS-Baytu, Barmer	1.50	15.07.2008	Deputy Sarpanch of the GP
5.	Public Sabha Bhawan, Bakani Meghwali ki Basti in GP, Kawas, PS-Baytu, Barmer	3.00	30.12.2009	Ex-Sarpanch of the GP
	Total	21.48		

The State Government stated (July 2012) that comments had been called for from the concerned ZPs. Thus, misuse of assets frustrated the very purposes of the programme.

43. ZPs: Barmer (four GPs of one PS) - 16 works, cost ₹ 22.10 lakh; Jalore (nine GPs of two PSs) - 44 works, cost ₹ 54.66 lakh; Sawaimadhopur (10 GPs of two PSs) - 51 works, cost ₹ 35.33 lakh; Tonk (five GPs of one PS) - 27 works, cost ₹ 16.12 lakh and Udaipur (three GPs of one PS) - eight works, cost ₹ 2.87 lakh.

2.2.11 Training

2.2.11.1 Shortfall in employment oriented training

As per the Annual Plans 2007-08 to 2010-11 of test checked districts, 55,522 candidates were to be given employment oriented training. It was noticed that after incurring expenditure of ₹ 16.43 lakh, only 576 candidates were trained in bare foot engineering during October 2007 to June 2008, in all the BRGF districts. Besides this, out of ₹ 10.11 crore (June-August 2009) provided to all the BRGF districts for conducting training, only ₹ 0.84 crore was utilised by Tonk district for training (details not furnished), ₹ 6.40 crore⁴⁴ were utilised for construction of hostels in eight districts as per instruction of the State Government and the remaining amount ₹ 2.87 crore⁴⁵ was lying idle (July 2012).

The State Government accepted the facts and stated (July 2012) that due to non-availability of qualified training institutes, training targets could not be achieved. Thus, purpose of capability building could not be achieved.

2.2.11.2 Non-creation of helpline centres and diversion of capacity building funds

As per the programme guidelines, 12 telephone help line centres at BRGF districts and one at the State Headquarter were to be set up to provide a speedy channel of clarification and information to trained persons and to link help seekers. It was observed that none of the BRGF district and State Headquarters had set up these centres even after providing funds of ₹ 1.15 crore⁴⁶ (November 2009) from CBF. Of this ₹ one crore was diverted (March 2011) for installation of solar system in RGSKs.

The State Government stated (July 2012) that help line centres were not created in view of available limited resources with ZPs. Reply was not acceptable as the available fund of ₹ one crore was not used and diverted.

2.2.12 Monitoring and controls

2.2.12.1 Non-formation of review committee at district level

As per programme guidelines, a review committee shall be constituted at district level consisting of Chairperson of district panchayat (ZP), intermediate panchayats (PSs) and ULBs in the district on rotation basis in such a way that

44. Districts: Banswara - ₹ 0.73 crore, Barmer - ₹ 0.86 crore, Chittorgarh - ₹ 0.60 crore, Dungarpur - ₹ 0.87 crore, Jaisalmer - ₹ 0.90 crore, Sirohi - ₹ 0.72 crore, Sawaimadhopur - ₹ 0.77 crore and Udaipur - ₹ 0.95 crore.

45. ZPs: Chittorgarh - ₹ 0.39 crore, Jalore - ₹ 0.85 crore, Jhalawar - ₹ 0.80 crore and Karauli - ₹ 0.83 crore.

46. State Headquarter: ₹ 15 lakh; ZPs: Banswara - ₹ 10.35 lakh, Barmer - ₹ 9.20 lakh, Chittorgarh - ₹ 16.10 lakh, Dungarpur - ₹ 5.75 lakh, Jaisalmer - ₹ 3.45 lakh, Jalore - ₹ 9.20 lakh, Jhalawar - ₹ 6.90 lakh, Karauli - ₹ 5.75 lakh, Sawaimadhopur - ₹ 5.75 lakh, Sirohi - ₹ 5.75 lakh, Tonk - ₹ 6.90 lakh and Udaipur - ₹ 14.90 lakh.

the committee does not consist of more than eight to 10 members. The committee would peer review reports prepared by GPs.

In seven test checked ZPs (except Sawaimadhopur) no such review committees at district level were constituted.

The State Government stated (July 2012) that monitoring of the programme was done by District Planning Committee only. The reply was not acceptable as constitution of separate review committee at district level in the Programme for monitoring was mandatory, which was not followed.

2.2.13 Evaluation

For conducting midterm evaluation of the programme, PRD transferred ₹ 60 lakh (November 2009) to own accounts from CBF which was further transferred (July 2010) to IGPRS but IGPRS did not conduct any evaluation and the amount was further transferred (July 2012) by PRD to National Institute of Rural Development, Hyderabad. Thus, evaluation was not conducted even lapse of more than two years as of July 2012 in spite of funds available since November 2009 to PRD, due to which the impact of implementation of the programme could not be studied. The State Government accepted (July 2012) the facts.

2.2.14 Conclusion

Planning, execution and monitoring of the funds were not adequate resulting in almost 35 *per cent* of the financial resources not being used. There were also instances of diversion of resources, incomplete works and assets not put to use. Only one per cent of targeted personnel were provided training in employment oriented trades. In the absence of specified monitoring and evaluation the State did not get assurance on the success of the programme.

2.2.15 Recommendations

- The State Government should take appropriate action for timely utilisation of funds to avoid deductions and unspent balances.
- ZPs and executive agencies should ensure that assets created are put to use for the intended purpose.
- Capacity building component should be fully utilised to derive envisaged benefits.

AUDIT OF TRANSACTIONS

Rural Development Department

2.3 Irregular utilisation of funds

Sanction of funds of ₹ 1.75 crore by Zila Parishads (Rural Development Cell) from Swarnjayanti Gram Swarojgar Yojana infrastructure funds to line department and cooperative societies instead of utilising the same towards filling critical gaps to enable Swarojgaris to utilise their assets, was in contravention of the guidelines.

Paras 2.1 to 2.7 of Chapter II of Swarnjayanti Gram Swarojgar Yojana (SGSY) guidelines, provide that the infrastructure funds (20 *per cent* of total SGSY funds) were required to be used to bridge small/critical gaps in investments which enable SGSY Swarojgaris full utilisation of the assets and in no case be used to augment resources of the line department for development of their general infrastructure, which is essentially the responsibility of the line department. Assistance for development of infrastructure to cooperative societies can be given with the condition that at least 50 *per cent* of members of the cooperative societies should be Swarojgaris on the date of sanction of funds from SGSY.

Test check (March 2008 to April 2009) of records of six Zila Parishads⁴⁷ (Rural Development Cell) (ZP RDC) for the year 2007-08 and 2008-09 revealed that ZPs (RDC) issued sanctions (November 2005 to February 2009) for ₹ 1.93 crore⁴⁸ from SGSY infrastructure fund to Animal Husbandry Department (AHD), Hanumangarh, 16 Gram Panchayats⁴⁹ (GPs) and five Dugdh Utpadak Sahkari Sangh Limited⁵⁰ (being cooperative societies), towards purchase of various items⁵¹ which were not admissible under the scheme, without ascertaining the required percentage of Swarojgaris in the cooperative societies and an expenditure of ₹ 1.75 crore⁵² was incurred (September 2006 to December 2009).

The State Government stated (December 2010 and July 2012) that (i) in Hanumangarh mobile laboratory was purchased for providing medical facilities to animals of Swarojgaris and bulls/buffaloes were purchased by GPs for the benefit of Below Poverty Line (BPL) families, (ii) in Chittorgarh,

47. ZPs (RDC): Bikaner, Chittorgarh, Churu, Hanumangarh, Karauli and Sirohi.

48. ZPs (RDC): Bikaner - ₹ 35.73 lakh, Chittorgarh - ₹ 13.47 lakh, Churu - ₹ 80.75 lakh, Hanumangarh - ₹ 36.03 lakh, Karauli - ₹ 16 lakh and Sirohi - ₹ 11.25 lakh.

49. ZP (RDC): Hanumangarh - 16 GPs.

50. Bhilwara-Chittorgarh Dugdh Utpadak Sangh, Chittorgarh; Churu Zila Dugdh Utpadak Sahakari Sangh Limited, Sardarshahar; Jalore-Sirohi Zila Dugdh Utpadak Sangh Limited, Sirohi; Sawaimadhopur-Tonk Zila Dugdh Utpadak Sahakari Sangh Limited, Hindaun and Uttari Rajasthan Cooperative Milk Union Limited, Bikaner.

51. Tanker, turbo truck, mobile laboratory, bulls, buffaloes, dairy equipments and packing machine, etc.

52. ZPs (RDC): Bikaner - ₹ 23.78 lakh, Chittorgarh - ₹ 13.34 lakh, Churu - ₹ 76.36 lakh, Hanumangarh - ₹ 34 lakh, Karauli - ₹ 16 lakh and Sirohi - ₹ 11.43 lakh.

Churu, Karauli and Sirohi districts, dairy and livestock are main occupations of rural area and more than 50 *per cent* families belonging to BPL benefited from these cooperative societies and (iii) Bikaner is desert area and looking at its climate and geographical conditions funds were sanctioned. The replies of the State Government were not acceptable as (i) purchase of mobile laboratory and bulls/buffalos were the responsibility of AHD, Hanumangarh, (ii) verification (August 2012) from ZPs revealed that 50 *per cent* of members of cooperative societies at time of sanction of funds from SGSY were not Swarojgaris and (iii) in Bikaner, funds from SGSY should have been sanctioned by taking into account numbers of Swarojgaris amongst the members of the cooperative society instead of considering its geographical conditions.

Thus, sanction of funds of ₹ 1.75 crore by six ZPs (RDC) from SGSY infrastructure funds to AHD and cooperative societies instead of towards filling critical gaps to enable Swarojgaris to utilise their assets, was in contravention of the SGSY guidelines.

2.4 Unfruitful expenditure on school buildings

Improper planning in construction of residential school buildings without the consent and coordination of Education Department by ZP (RDC), Bharatpur rendered the expenditure of ₹ 1.59 crore unfruitful.

Gramin Karya Nirdeshika (GKN), 2004 stipulates that authority issuing administrative and financial sanctions for a particular work should ensure that sanctions are not issued for work on which expenditure is likely to prove unfruitful.

Scrutiny (February-March 2011) of records of the Zila Parishad (Rural Development Cell) (ZP RDC), Bharatpur revealed that Mewat Region Development Board (MRDB)⁵³ decided (September 2006) to construct upper primary school buildings for girls with hostel facility for 30 girls at five villages of three Panchayat Samitis⁵⁴ (PSs) in Bharatpur district under Mewat Region Development Programme, a State sponsored scheme under Rural Development Department. As per decision of MRDB, these residential schools were to be run by either Education Department or Social Welfare Department.

The ZP (RDC), Bharatpur accorded (May-June 2007) administrative and financial sanction of ₹ 1.25 crore (subsequently revised to ₹ 1.88 crore in July 2008) for construction of these school buildings. Executive Engineer, Public Works Department, Division Kumher being executing agency, completed these buildings between March 2009 and January 2010 by incurring

53. Constituted by State Government in February 1987 for approving plan, supervising and reviewing progress of schemes of socio-economic development of Mewat Region (Alwar and Bharatpur) under Mewat Region Development Programme through Zila Parishad.

54. PSs: Deeg (Tora village), Kama (Sahsan and Jotruhallu villages) and Nagar (Gulpara and Kaithwara villages).

an expenditure of ₹ 1.59 crore⁵⁵. The Minister, Rural Development and Panchayati Raj Department (RD&PRD) in a meeting directed (February 2010) that these schools buildings should be handed over to Sarva Shiksha Abhiyan (SSA), Education Department to run as residential schools on the lines of Kasturba Gandhi Residential Schools⁵⁶.

However, Divisional Commissioner (DC), Bharatpur found during his inspection conducted (September 2010) with public representatives that these buildings were unsuitable for residence of girls owing to social restrictions and unsafe atmosphere. He suggested shifting of the already running upper primary girls school at Sahsan to newly constructed building as existing building was not sufficient and to open new upper primary girls schools at remaining four villages⁵⁷ as there were no separate primary girls schools. Principal Secretary, Education Department and Commissioner, SSA did not accept this proposal (October 2010) because new upper primary school cannot be opened within the radius of one kilometer of existing upper primary school.

Further, Principal Secretary, RD&PRD decided (March and May 2011) to shift the already running upper primary girls school at Sahsan village and classes of 6th to 9th of existing upper primary schools at Jotruhall, Tora villages to these residential school buildings, to transfer Gulpara building to Education Department for opening new upper primary girls school and to hand over building at Kaithwara to Minority Affairs Department, PS, Nagar. However, these proposals did not fructify and these buildings were not handed over to Education Department and PS, Nagar as of May 2012 and were lying unused for more than two to three years due to lack of coordination between Education, Social Welfare and Rural Development Departments defeating the objective of providing residential schools to girls.

Chief Executive Officer, ZP (RDC), Bharatpur intimated (March 2011) that sanctions were issued on approval of MRDB meeting held in September 2006 and opening of school was to be decided by Education Department. The fact remains that sanctioning authorities did not assess the requirement and suitability of the sites before sanction and construction of these buildings. Thus, improper planning of construction of residential school buildings without the consent and coordination of Education Department led to unfruitful expenditure of ₹ 1.59 crore on construction of these buildings lying unutilised.

The matter was referred to the State Government in February 2012; reply was awaited (February 2013).

55. Residential school building at Gulpara village: ₹ 0.39 crore; Jotruhall: ₹ 0.32 crore; Kaithwara: ₹ 0.28 crore; Sahsan: ₹ 0.31 crore and Tora: ₹ 0.29 crore.

56. Scheme launched by GoI in July 2004 (merged with SSA from April 2007) for setting up residential schools at upper primary level for girls belonging to Scheduled Castes, Scheduled Tribes, Other Backward Class and minor communities in educationally backward areas of the country.

57. Gulpara, Jotruhall, Kaithwara and Tora villages.

Panchayati Raj Department

2.5 Irregular diversion of grants

Panchayati Raj Department irregularly diverted Third State Finance Commission grants of ₹ 13.68 crore in 13 Zila Parishads for Indira Awas Yojana which was not in accordance with its recommendations.

Third State Finance Commission (SFC) recommended (February 2008) that funds should be transferred to Zila Parishads (ZP), Panchayat Samitis (PS) and Gram Panchayats (GP) in the ratio of 3, 12 and 85 respectively as untied grants for creation, up-gradation, maintenance of basic civic services, repair and maintenance of buildings, promotion of elementary education, better supervision and monitoring of various rural development schemes in their respective jurisdiction. The State Government accepted these recommendations in March 2008.

Scrutiny (December 2011 to February 2012) of records of ZPs (Panchayat Cell) (PC), Dausa and Jaisalmer and information collected (August 2012) from other 11 ZP⁵⁸ (PC) revealed that Principal Secretary-cum-Commissioner, Panchayati Raj Department (PRD) sanctioned (March 2010) second installment of Third SFC grants of ₹ 119.64 crore for the year 2009-10 against share of GPs of 13 ZPs (PC) with the condition that an amount of ₹ 15.98 crore⁵⁹ would be utilised for individual beneficiaries of Indira Awas Yojana (IAY) as additional State share of IAY for the year 2009-10. Finance Department of the State Government transferred (March 2010) the same amount in Personal Deposit accounts of ZPs (PC) concerned. Out of ₹ 15.98 crore, all 13 ZPs (PC) transferred ₹ 13.68 crore⁶⁰ to ZPs (Rural Development Cell) of concerned districts being implementing agency of IAY, as additional State share (₹ 15,000 per beneficiary) of IAY and nine ZPs had utilised ₹ 8.95 crore⁶¹ on IAY beneficiaries. The objectives of IAY being to help construction/up-gradation of dwelling units of Schedule Castes/Schedule Tribes, etc. was not covered in the scope of grants recommended by Third SFC.

The Secretary-cum-Commissioner, PRD stated (February 2013) that Third SFC recommended transfer of State share to Panchayati Raj Institutions as untied grants and these grants were to be utilised as per the guidelines issued

58. ZPs (PC): Bhilwara, Bundi, Chittorgarh, Churu, Dholpur, Jalore, Jhunjhunu, Karauli, Sawaimadhopur, Sirohi and Udaipur.

59. ZPs (PC): Bhilwara - ₹ 1.34 crore, Bundi - ₹ 0.53 crore, Chittorgarh - ₹ 0.61 crore, Churu - ₹ 2.54 crore, Dausa - ₹ 1.45 crore, Dholpur - ₹ 0.92 crore, Jaisalmer - ₹ 0.98 crore, Jalore - ₹ 2.26 crore, Jhunjhunu - ₹ 1.56 crore, Karauli - ₹ 1.20 crore, Sawaimadhopur - ₹ 0.63 crore, Sirohi - ₹ 0.27 crore and Udaipur - ₹ 1.69 crore.

60. ZPs (PC): Bhilwara - ₹ 1.01 crore, Bundi - ₹ 0.26 crore, Chittorgarh - ₹ 0.61 crore, Churu - ₹ 2.54 crore, Dausa - ₹ 1.45 crore, Dholpur - ₹ 1.16 crore, Jaisalmer - ₹ 0.43 crore, Jalore - ₹ 0.87 crore, Jhunjhunu - ₹ 1.56 crore, Karauli - ₹ 1.20 crore, Sawaimadhopur - ₹ 0.63 crore, Sirohi - ₹ 0.27 crore and Udaipur - ₹ 1.69 crore.

61. ZPs (Rural Development Cell): Bundi - ₹ 0.14 crore, Chittorgarh - ₹ 0.37 crore, Churu - ₹ 1.40 crore, Dausa - ₹ 1.45 crore, Jalore - ₹ 0.87 crore, Jhunjhunu - ₹ 1.56 crore, Karauli - ₹ 1.20 crore, Sirohi - ₹ 0.27 crore and Udaipur - ₹ 1.69 crore.

by the department concerned. The reply was not acceptable as Third SFC recommended untied grants for creation, up-gradation and maintenance of basic civic services, promotion of elementary education etc. and not for construction of houses under IAY.

Thus, the diversion of Third SFC grants of ₹ 13.68 crore for individual beneficiaries of IAY was not in accordance with the recommendations of Third SFC.

2.6 Unfruitful expenditure on incomplete works

Panchayat Samiti, Bengu failure to raise funds by auctioning the shops resulted in unfruitful expenditure of ₹ 12.34 lakh provided under Member of Parliament Local Area Development Scheme, Member of Legislature Assembly Local Area Development Scheme and Third State Finance Commission. Besides, the villagers were deprived of envisaged bus stand and shopping complex.

Gramin Karya Nirdeshika (GKN), 2004 stipulates that works of all Central sponsored/State sponsored scheme running through Rural Development and Panchayati Raj Department (PRD) would be executed as per norms prescribed under GKN and the sanctioning authority should ensure not to issue any sanction for work on which expenditure is likely to be proved unfruitful.

Scrutiny (October 2008) of the records of Panchayat Samiti (PS), Bengu, Chittorgarh revealed that the General Body of PS approved (August 2004) the proposals for construction of a bus stand and a shopping complex of 42 shops on its land with the objective of raising its revenue and to solve the problem of bus stand. The work was to be constructed in two phases at an estimated cost of ₹ 79.54 lakh⁶². The construction cost was to be met by taking advance of ₹ 1.50 lakh per shop at the time of its allotment and drinking water and other facilities were to be met from the funds of Member of Parliament Local Area Development Scheme (MPLADS) and Member of Legislature Assembly Local Area Development Scheme (MLALADS). The buses from the bus stand were to be run by the Rajasthan State Road Transport Corporation (RSRTC) on monthly rental basis.

Commissioner, Panchayati Raj Department (PRD) sanctioned (November 2004) the project with the condition that consent of RSRTC to run the bus stand and to take administrative room on rent would be obtained first and construction work of first phase would be started only after collection of advance amount by auctioning 21 shops. PS, Bengu postponed auction of shops in January and August 2005 due to unavoidable reasons and thereafter no further action was taken. RSRTC issued (June 2005) no objection certificate with the condition that PS would construct by-pass road from main road to bus stand and also provide rooms for booking, shed, water hut and other facilities. However, PS neither executed any memorandum of

62. Construction of shops: ₹ 31.64 lakh, drinking water facility: ₹ five lakh, administrative room: ₹ 20.52 lakh, road and drainage: ₹ 22.38 lakh.

understanding with RSRTC for running of buses from bus stand nor collected advance amount by auctioning the shops. It incurred ₹ 12.34 lakh⁶³ upto March 2007 on construction of halls, toilets, cement concrete road and divider in the bus stand premises which were lying unutilised as of May 2012 for last five years. The PS, Bengu decided (November 2007) to transfer the incomplete bus stand to Municipal Board (MB), Bengu for completion and a proposal to this context was sent (January 2008) to PRD which was yet to be finalised (June 2012).

Vikas Adhikari, PS, Bengu stated (October 2008) that construction work was executed in compliance with orders of PRD (November 2004) and that the matter was pending with PRD for transfer of bus stand to MB. The reply was not acceptable as the PRD's instructions that the work was to be commenced only after collection of advance amount from 21 shops which was not adhered to resulting in incomplete works and unfruitful expenditure of ₹ 12.34 lakh. Besides, the villagers were deprived of envisaged bus stand and shopping complex.

The matter was referred to the State Government in February 2010; reply was awaited (February 2013).

63. Construction of hall from MLALAD funds: ₹ 4.99 lakh, cement concrete road from MPLAD funds: ₹ 4.98 lakh, gravel road, divider at bus stand and electricity fitting from Third State Finance Commission grant: ₹ 2.37 lakh.

CHAPTER-IV

PERFORMANCE AUDIT AND AUDIT OF TRANSACTIONS OF URBAN LOCAL BODIES

This chapter contains Performance Audit of 'Integrated Housing and Slum Development Programme' and four paragraphs related to transactions audit of Urban Local Bodies.

Local Self Government Department

PERFORMANCE AUDIT

4.1 Integrated Housing and Slum Development Programme

Executive summary

Integrated Housing and Slum Development Programme, a sub-mission under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), was launched on 3 December 2005 by the Government of India for ameliorating the conditions of slum dwellers who do not possess adequate shelter and reside in dilapidated conditions. The programme is applicable to all cities and towns as per Census of 2001, except the cities and towns covered under JNNURM. The mission period of the programme was fixed from December 2005 to March 2012, which has now been extended (April 2012) up to March 2014.

Performance audit of the programme revealed that out of total sanction of ₹ 1,059.77 crore for 69 projects, only ₹ 236.44 crore (22 per cent) was utilised resulting in construction of only 13 per cent of the houses targeted. Audit also observed that execution of works worth ₹ 123.43 crore were in areas which did not qualify as slums. Instances of extending assistance to households not covered within the scope of the programme (₹ 37.55 crore), expenditure on infrastructure development works (₹ 13.54 crore) which were not envisaged, diversion of funds (₹ 3.84 crore), and houses remaining un-occupied (₹ 23.75 crore) or encroached upon (₹ 1.13 crore) were also noticed.

4.1.1 Introduction

Integrated Housing and Slum Development Programme (IHSDP), a sub-mission under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), was launched on 3 December 2005 by the Government of India (GoI). It aims at an integrated approach in ameliorating the conditions of slum dwellers who do not possess adequate shelter and reside in dilapidated conditions by combining of the existing Valmiki Ambedkar Awas Yojana

(VAMBAY) and National Slum Development Programme. The Programme is applicable to slum dwellers of all cities and towns as per Census 2001, except the cities and towns covered under JNNURM. The mission period of the programme, fixed from December 2005 to March 2012, has now been extended (April 2012) up to March 2014.

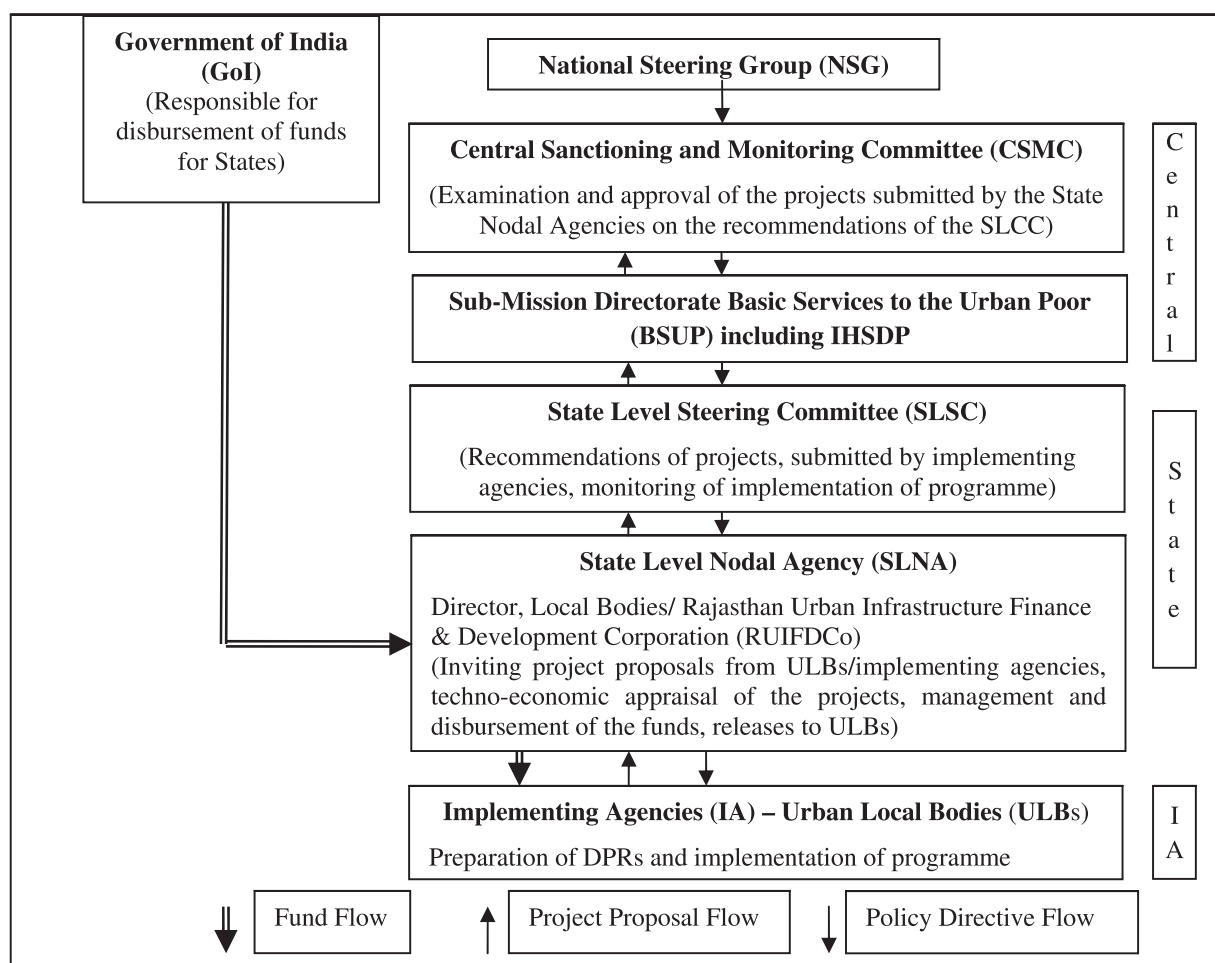
4.1.2 Programme objective

The basic objective of the programme is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter such as construction and up-gradation of houses and basic infrastructure facilities to the slum dwellers of the identified urban areas. The major components of the programme are providing shelter including up-gradation and construction of new houses, slum relocation and community infrastructure development.

4.1.3 Organisational set up

The organisational set up and fund flow of the programme is given in **Chart 4.1** below:

Chart 4.1: Organisational set up and fund flow



The Government of Rajasthan (GoR) designated (April 2010) RUIFDCo as SLNA for monitoring the programme in the State.

4.1.4 Audit objectives

The objectives of the performance audit were to assess:

- planning process including identification of slum areas and beneficiaries;
- financial management and physical performance of the programme;
- execution of housing as well as infrastructure developmental works;
- utilisation of assets created under the programme; and
- the achievement of reform agenda.

4.1.5 Audit criteria

The audit criteria for the performance audit were derived from the following:

- Guidelines issued by GoI for projects of IHSDP.
- Minutes of meetings of the CSMC and State Level Coordination Committee (SLCC).
- Detailed Project Reports (DPRs) of selected projects.
- Directions and instructions issued by the Finance Department, GoR.

4.1.6 Audit coverage

Out of the sanctioned 69 projects, 23 projects¹ (33 *per cent*) of Housing and Infrastructure Developments i.e. roads, drainage, community centres in the slum were selected for field study through Simple Random Sampling Method. Entry conference was held on 12 June 2012 with Principal Secretary, Local Self Government Department (LSGD), wherein objectives of the performance audit were discussed. The field study for the period 2005-06 to 2011-12 was conducted from May to July 2012. Exit Conference was held on 11 February 2013 with the Additional Chief Secretary, LSGD wherein the audit findings were discussed. Reply had been received from the State Government and same incorporated suitably.

Audit acknowledges the cooperation and assistance of the State Government officials in conducting this audit.

1. Bali, Baran, Barmer, Bhilwara, Bikaner, Chhabra, Hanumangarh, Jaisalmer, Jalore, Jodhpur-I, Kota-I, Kota-II, Pali, Pilibanga, Pokran, Pratapgarh, Rawatbhata, Rawatsar, Sawaimadhopur, Sumerpur, Suratgarh, Takhatgarh and Tonk-I.

4.1.7 Physical and financial progress

4.1.7.1 Short achievement of physical targets

The year wise position of projects sanctioned, targeted date of completion and houses completed up to 31 March 2012 is given in **Table 4.1** below:

Table 4.1: Year-wise position of projects sanctioned and houses completed

Year	Number of projects sanctioned	Number of houses planned	Targeted date of completion	Houses completed (as on 31 March 2012)
2005-06	03	136	30 March 2008	136
2006-07	16*	9,041	28 February 2010	3,667
2007-08	9*	9,070	26 February 2010	1,575
2008-09	04	3,186	29 September 2010	67
2009-10	05	3,215	27 July 2011	182
2010-11	18	12,647	31 March 2012	73
2011-12	12	7,447	31 March 2014	-
Total	67	44,742		5,700

* Two projects namely Alwar (2,456 houses) and Jhalawar (245 houses) had been abandoned.
(Source: Information obtained from SLNA)

The above table indicates that during 2005-12, SLNA fixed physical targets of 44,742 houses, against which only 5,700 houses (13 *per cent*) were completed till March 2012 with the exception of Bhilwara, Barmer and Sikar districts where it was 55 *per cent*, 49 *per cent* and 46 *per cent* respectively (**Appendix-XV**). In 23 test checked projects it was observed that out of 19,979 houses, only 4,355 houses (22 *per cent*) were constructed as on 31 March 2012 showing poor performance.

The State Government while accepting the facts stated (February 2013) that 7,080 houses had since been completed out of 45,309 houses as on 31 December 2012 and efforts were being made to achieve the physical targets. However, the fact remained that there was no significant improvement on achievement of targets as it was only 16 *per cent*.

4.1.7.2 Poor absorption of financial allocations

The sharing of the programme funds between GoI and State Government is in the ratio of 80:20. The share of State Government also includes 10 *per cent* share of targeted beneficiaries² and 12 *per cent* for others in housing components. According to guidelines, after approval of the project, the GoI releases 50 *per cent* of central share to SLNA in a separate bank account on verification of deposit of the State share. Release of second installment is based on the progress of the projects and submission of utilisation certificates (UCs). On the basis of progress of the works SLNA released the funds to IAs.

2. Schedule Caste, Schedule Tribe, Other Backward Class, Physical Handicapped and other weaker section.

- The position of funds allocated, received and utilised by SLNA during 2005-12 is given in **Table 4.2** below:

Table 4.2: Funds allocated, received and utilized by SLNA

(₹ in crore)

Year	Funds			
	Allocated	Released	Utilised	Percentage of utilisation
2005-06	9.03	10.25	9.90	97
2006-07	124.35	106.95	83.62	78
2007-08	166.66	88.76	62.52	70
2008-09	83.37	29.44	17.80	60
2009-10	81.85	25.61	17.21	67
2010-11	304.28	73.40	45.39	62
2011-12	265.95	-	-	-
Total	1,035.49	334.41	236.44	71

(Source: Information obtained from SLNA)

The above table indicates that between 2005-06 and 2011-12, IAs could utilise only 23 per cent of the funds allocated for the projects and 71 per cent of the funds released. The State Government stated (February 2013) that out of ₹ 409.88 crore a sum of ₹ 316.17 crore (77 per cent) had been utilised as on 31 December 2012.

- Audit observed that funds were released by GoI to GoR (Finance Department) instead of directly to SLNA. For 39 projects, GoI sanctioned ₹ 642.72 crore, out of which Central share was ₹ 408.49 crore and GoI released its' share ₹ 210.51 crore to GoR as first installment during 2006-07 to 2010-11. UCs of first installments were not sent by SLNA to GoI in time, due to which ₹ 197.98 crore were not released to GoR by GoI as of March 2012. The State Government while accepting the facts stated (February 2013) that every possible effort is being made to improve the progress of works.
- During December 2006 to February 2011, though SLNA received ₹ 209.98 crore for 23 test checked projects, it released only ₹ 153.85 crore to ULBs retaining ₹ 56.13 crore (**Appendix-XVI**). The State Government while accepting the facts stated (February 2013) that funds were released to the ULBs as and when required. Reply was not acceptable as funds were required to be released by SLNA to ULBs within three days of receipt from GoI.
- CSMC decided and instructed (January 2008) State Government to release GoI funds to ULBs within two to three days of receipt of funds from GoI to avoid delay in completion of projects failing which interest at bank rate would be payable by GoR to GoI. It was, however, observed that the GoI released ₹ 29.18 crore³ to GoR for nine ULBs (five ULBs: ₹ 19.39 crore on 28 June 2007 and four ULBs: ₹ 9.79 crore on 9 February 2010) but the same along with State share was released by GoR to the these ULBs on 29 April

3. Baran: ₹ 3.68 crore (interest liability ₹ 0.17 crore), Bhilwara: ₹ 4.14 crore (₹ 0.46 crore), Chhabra: ₹ 1.79 crore (₹ 0.08 crore), Chittorgarh: ₹ 2.56 crore (₹ 0.12 crore), Falna: ₹ 1.76 crore (₹ 0.08 crore), Hanumangarh: ₹ 4.80 crore (₹ 0.53 crore), Jhalawar: ₹ 0.95 crore (₹ 0.15 crore), Kota: ₹ 4.67 crore (₹ 0.75 crore) and Pali: ₹ 4.83 crore (₹ 0.53 crore).

2009 (₹ 13.77 crore), 5 March 2010 (₹ 5.62 crore) and 9 November 2010 (₹ 9.79 crore) with delay of nine to 32 months resulting in creation of liability of interest of ₹ 2.87 crore at the rate of six *per cent* (Reserve bank rate). The State Government while accepting the facts stated (February 2013) that reasons for late transfer of funds would be obtained from DLB and corrective measure for obtaining approval from GoI for waiver of interest would be taken.

- As per order (May 2007) of LSGD, interest bearing separate bank account of the programme fund was to be opened. In four tests checked ULBs, funds received from GoI and GoR were kept in non-interest bearing Personal Deposit (PD) accounts/current bank accounts for 45 to 806 days resulted in loss of interest of ₹ 0.45 crore⁴ (at the rate of 3.5 *per cent* up to 2 May 2011 and four *per cent* with effect from 3 May 2011). The State Government while accepting the facts stated (February 2013) that at present every ULB has a separate bank account for IHSDP and reasons for keeping GoI and GoR share in PD Account will be investigated.

4.1.8 Planning and Execution

The programme envisages preparation of DPRs keeping in view the numbers of slums of the towns selected for IHSDP, identification of slum dwellers to be benefited and the other infrastructure development required as prepared by the IAs. On the basis of recommendations of SLCC, DPRs were approved by GoI. CSMC also decided (December 2007) that DPRs should be prepared on the basis of socio-economic surveys.

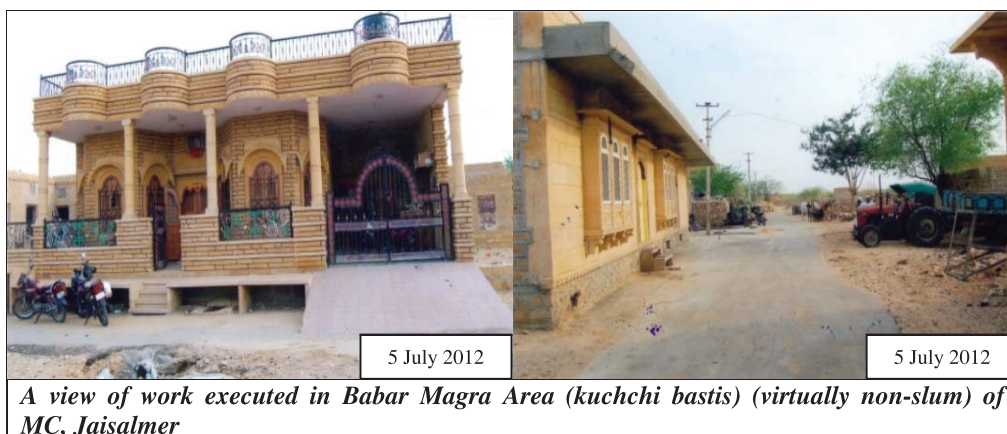
It was observed that DPRs of projects were not prepared on the basis of proper surveys, in the absence of which accuracy and reliability of DPRs could not be ensured. This led to lapses in selection and execution of project as illuminated in the succeeding paragraphs.

4.1.8.1 Selection of ineligible areas

IHSDP is applicable in slums of urban areas. The GoR did not formally notify slum areas under any Act. Slum was also not defined in the programme guidelines 2005 and 2009. As per VAMBAY Scheme a slum is defined as "a compact area of at least 300 or more population or about 60-70 households of poorly built congested tenements, in an unhygienic environment usually with inadequate infrastructure and lacking in proper sanitation and drinking water facilities". As per the Census 2001, GoI, Ministry of Home Affairs, identified 26 slum areas in 26 cities of Rajasthan. However, GoR adopted on adhoc basis kuchchi bastis as slums and executed the programme. Audit scrutiny revealed that out of sanctioned 69 IHSDP projects, 48 projects (sanction amount ₹ 653.55 crore) in 45 cities were executed by incurring an expenditure of ₹ 123.43 crore (*Appendix-XVII*) where no slum areas were identified in the Census of 2001. Moreover, population in these kuchchi bastis were scattered

4. MCs: Pali (26 May 2009 to 10 July 2009) - ₹ 0.02 crore, MBs: Jalore (24 March 2009 to 03 October 2009) - ₹ 0.05 crore, Sumerpur (07 March 2011 to 31 March 2012) - ₹ 0.06 crore and Takhatgarh (15 January 2010 to 31 March 2012) - ₹ 0.32 crore.

and thinly populated in contrast to compacted cluster of poorest of poor slum dwellers. Therefore, the works were actually undertaken in areas not falling under the definition of slum. Moreover, a joint inspection conducted (May-July 2012) by audit along with Junior Engineers of the concerned 16 Municipal Bodies (out of 23 test checked) revealed, that the beneficiaries were scattered thinly over large areas ranging from 0.43 to 117.35 hectares contrary to CSMC's directions of not covering thinly spread areas. These included areas where people of eminence had large size plots with good infrastructure facilities like roads, electricity.



Audit scrutiny also revealed that no project was proposed in 10 such cities⁵ where slum population was identified in the Census 2001. Thus, expenditure of ₹ 123.43 crore was not only contrary to the scope of the programme but also had no impact in realising the objectives of the programme.

The State Government contended (February 2013) that since slums were neither defined in guidelines approved by GoI nor notified by the State Government, kuchchi bastis were treated as slums in DPRs and IHSDP projects were executed in these bastis. Reply was not acceptable as kuchchi bastis with scattered population of beneficiaries cannot be assumed as slum because National Sample Survey Organisation has defined 'undeclared slums' as "if 20 households live in a compact area with a collection of poorly built tenements, mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic condition".

4.1.8.2 Selection of ineligible beneficiaries

CSMC decided (September 2007) that houses built under IHSDP should preferably have two rooms with attached bath latrine and kitchen and the covered area should range between 25 to 30 square meters (sqm) whether it is a relocation house, in situ house or up gradation of houses. Contrary to this, the SLCC in its meeting decided (November 2010), without any approval from GoI, that all the ULBs may issue lease deeds up to an area of 110 square yards (sqys) (93 sqm), irrespective of the fact that more land is under possession of

5. Beawar (Ajmer), Bharatpur, Fatehpur (Sikar), Kishangarh (Ajmer), Makrana (Nagaur), Navalgarh (Jhunjhunu), Nagaur, Ratangarh (Churu), Sriganganagar and Sujangarh (Churu).

the beneficiaries and land in excess of 110 sqys may be left in their possession.

It was observed that in 18 IHSDP projects of in situ and up gradation of houses in kuchchi bastis, constructed and preferred by beneficiaries themselves, 17 ULBs regularised plots by giving lease deed of actual land or 110 sqys whichever is more or beneficiaries were residing scattered in the areas. Thus, the benefit (construction of houses) of the programme was extended to the beneficiaries having plots ranging from 41.69 sqys to 6,000 sqys, which resulted in extending benefit of ₹ 37.55 crore on construction of houses to 7,719 ineligible beneficiaries in 18 IHSDP projects (*Appendix-XVIII*).

The State Government stated (February 2013) that lease deeds (pattas) in slum area were issued up to 110 sqys as per State Government's order and if slum dweller is in possession of more land the efforts are being made to take possession of the remaining land in excess of 110 sqys by ULBs. State Government further stated that as per IHSDP guideline, the required covered area is 25 to 30 sqm and not the land area which can be upto 110 sqys. Reply was not acceptable as the construction of houses in 110 sqys cannot be termed as slums. Excess area in possession of beneficiaries has also not been acquired by the State Government (February 2013).

- As per circular issued (January 2010) by GoR, the assistance for in situ houses shall be released to the beneficiaries identified in the DPRs approved by CSMC. Scrutiny of records of three ULBs revealed that the benefit of the programme was extended to 488 beneficiaries who were neither included in the DPRs nor got approval from CSMC. This resulted in extending benefit of ₹ 2.20 crore⁶ to ineligible beneficiaries. The State Government stated (February 2013) that ULBs had been directed from time to time to identify other beneficiaries in place of beneficiaries mentioned in the DPRs who were not eligible for IHSDP benefits due to having no interest in the programme, having bigger plot areas, holding constructed plots etc. from the list of kuchchi bastis survey with cut of date 15 August 2009. The State Government further stated that new beneficiaries had been identified as per the guidelines and therefore category wise number of beneficiaries were not more than the number sanctioned in DPRs. Reply was not acceptable because State Government instructed (March 2008) all ULBs not to change the works included in approved DPRs without approval by GoI. The facts remained that even ex-post facto approval for execution of works other than approved in DPRs was not obtained from GoI.

4.1.8.3 Selection of improper sites

Scrutiny of records of ULBs and SLNA revealed that in 20 IHSDP projects, construction of 5,216 houses (*Appendix-XIX*) costing ₹ 64.23 crore and 14 projects for infrastructure developmental works costing ₹ 17.75 crore (*Appendix-XX*) could not be started due to non availability of dispute free

6. MBs: Barmer (beneficiaries 260: ₹ 1.29 crore), Rawatsar (beneficiaries 30: ₹ 0.17 crore) and Suratgarh (beneficiaries 198: ₹ 0.74 crore).

sites, court cases, encroachments, increase in cost of construction etc. Beneficiaries too were not interested in leaving their original places of residence. This indicated improper site selection and planning of works, which resulted in short achievement of targets. The State Government while accepting the facts stated (February 2013) that action had been taken to black list a DPR consultant on this account. The State Government further stated that progress of construction of houses had improved.

4.1.9 Execution of work

4.1.9.1 Unjustified expenditure on infrastructure

As per the minutes of 18th meeting (September 2007) of CSMC, poorest among the poor should be covered under housing scheme who were not in position to build houses on their own, rather than spending money only for infrastructure facilities for already built houses. The State Government should give preference for integrated development of slums but may consider providing only infrastructure facilities by its own funds.

- Scrutiny of the records of Municipal Corporation (M Corp), Bikaner, revealed that out of selected 44 slums, there was no beneficiary in Phase-I and only 241 beneficiaries in 24 slums were approved (September 2008) in Phase-II. These beneficiaries were residing in thinly populated slums wherein infrastructure works of ₹ 7.11 crore (Phase-I: ₹ 3.11 crore and Phase-II: ₹ four crore) were undertaken in contravention of CSMC instructions and only two houses were constructed/upgraded in these slums as on 31 March 2012.



- In Municipal Council (MC), Tonk, an expenditure of ₹ 2.90 crore⁷ was incurred on various infrastructure development works in three approved projects of kuchchi bastis. During joint inspection (26 June 2012) with Departmental Junior Engineers, it was noticed that in Chhawani kuchchi basti there was no eligible beneficiary and all the houses were well built pucca houses, hence, not fulfilled the conditions of the programme. In other bastis,

7. Construction of cement concrete (CC) road with drain in Mehgaon Basti: ₹ 0.25 crore, Construction of CC road with drain in Chhawani Basti: ₹ 1.25 crore, Community centre in Chhawani: ₹ 0.16 crore; Three community toilets: ₹ 0.19 crore, Construction of CC road with drain in Bahir Basti: ₹ 0.74 crore and Construction of approach PMC work: ₹ 0.31 crore.

also there were no eligible beneficiaries in approved DPRs. Thus, expenditure of ₹ 2.90 crore was unjustified.



- In IHSDP Barmer, work of construction of bituminous (BT) road and drain was executed at cost of ₹ 2.04 crore in whole municipal area, instead of slum areas as observed in joint inspection (19 July 2012) with Junior Engineer, MB, Barmer which was against the IHSDP guidelines.

The State Government stated (February 2013) that all the works were executed as per sanctioned DPRs and there was no deviation in these towns. These DPRs were properly appraised by the appraisal agency i.e. Housing and Urban Development Corporation. Location of slums was approved in the respective CSMC meetings. In Bikaner-I and Tonk projects all the infrastructure works were executed as per sanctioned DPRs. These works were useful to slum dwellers who were scattered in the towns. In Barmer, the executed works were beneficial to the slum dwellers who were scattered in the area. Linking roads were constructed to connect slum areas. Similarly, construction of linking drains and nallahs were in overall interest of slum dwellers. Reply was not acceptable as these works were undertaken in contravention of the instructions issued in the 18th CSMC meeting.

- As per DLB's letter (March 2008), no change would be made in DPRs approved by GoI and works would be executed accordingly. Against this MB, Chhabra, executed works of covering of nallah, precast drain and approach road, by incurring expenditure of ₹ 1.35 crore without getting these works sanctioned/approved.

- It was observed that Municipal Board (MB), Chhabra constructed three Public Health Centres (PHCs) by incurring an expenditure of ₹ 0.14 crore which were neither covered by the programme nor approved by CSMC. Moreover, these were not included in DPR. Necessary, ex-post facto sanction of GoI was not obtained. As per guidelines these could have been constructed through convergence with funds from Member of Parliament Local Area Development and Member of Legislature Assembly Local Area Development. The State Government stated (February 2013) that constructions of three PHCs at Chhabra was done by Rajasthan Awas Vikas Limited (AVL). AVL and MB, Chhabra had been asked to explain the reasons for getting these non sanctioned works executed. The fact remained that the execution of works was

against programme guidelines. Moreover, no ex-post facto approval of GoI was obtained for its regularisation.

4.1.10 Diversion/wastage of funds

4.1.10.1 Improper appropriation of IHSDP funds

As per the programme guidelines, expenditure on DPRs and administrative matters was admissible up to five *per cent* of the total programme expenditure. Guidelines prescribed five specific posts⁸ each for Project Monitoring Unit (PMU) and Project Implementing Unit (PIU) on contract/remuneration basis. The contractual staff was to be engaged only for three years and the remuneration of such staff was to be borne from administrative head on the decreasing trend i.e. 100 *per cent* in first year, 75 *per cent* in the second year and 50 *per cent* in the third year for PIUs. Full expenditure of PMUs was chargeable to administrative funds thus created. An expenditure of ₹ 3.84 crore was incurred on pay and allowances (from 2009-10 to 2011-12) of the regular staff of DLB and various project offices other than the PMU and PIU from withheld amount of ₹ 4.42 crore under administrative head. The State Government while accepting the facts stated (February 2013) that Director of Local Bodies has been directed to take corrective measures. The fact remained that programme funds were diverted irregularly.

4.1.10.2 Wasteful expenditure

- M Corp, Kota got approved (March 2007) from Ministry of Housing and Urban Poverty Alleviation the phase-I work for 1,478 dwelling units in 34 kuchchi bastis along with infrastructure development work. Subsequently in November 2011 it was decided in SLCC to relocate eight kuchchi bastis (out of above 34 bastis) having 752 beneficiaries in phase-III work (DPR approved in January 2012 for ₹ 33.91 crore), as they were located either under high tension electric line, or in a submergence area or in fort wall area. Meanwhile the Municipal Corporation, Kota incurred (March 2007 to January 2012) an expenditure of ₹ 1.01 crore⁹ on infrastructure development alone without any integrated developmental works, in these six out of eight bastis which were ultimately to be relocated under phase-III. This resulted in wasteful expenditure of ₹ 1.01 crore in six bastis to be relocated due to erroneous planning. The State Government stated (February 2013) that out of 1,478 houses sanctioned for Kota phase-I, construction of 1,128 houses was not possible and infrastructure works were clubbed with the infrastructure works of phase-III. Thus, there was no wasteful expenditure as pointed out by audit. Reply was not acceptable as wasteful expenditure was incurred in the kuchchi

8. PMU: Project specialists (Housing and Slum Development), Specialists (Social Development), Specialist (Community Mobilisation and MIS), Urban Poverty Management Specialist, Research and Training Coordinator.

PIU: Project Coordinator (Housing and Slum Development), Social Development Officer, Livelihood Development specialists, Research Officer, Research and Training Coordinator.

9. Road side drain: ₹ 0.08 crore, BT road: ₹ 0.25 crore, CC road: ₹ 0.20 crore, community centre: ₹ 0.25 crore, sulabh complex and park: ₹ 0.23 crore.

bastis situated under high tension electric line and in submergence area instead of relocating them.

- MB, Chittorgarh decided (January 2008) to carry out construction of three tube wells, one Over Head Water Supply Reservoir (OHSR), one Clear Water Reservoir (CWR) and laying of 2.56 km pipeline at Ramdevji ka Chanderiya costing ₹ 0.42 crore before obtaining prospects of availability of sustainable water resources from Ground Water Department (GWD). The GWD, opined (January 2008) that sustainable ground water would not be available, even then the Assistant Engineer, MB decided (February 2008) to carry out the work of one tube well on trial basis. Simultaneously, works of OHSR, CWR and laying of pipeline was executed and after incurring expenditure of ₹ 0.21 crore as of September 2008 the remaining work was stopped because no water was found in the tube well. Thus, in spite of a negative report of GWD, the MB carried out the work and incurred wasteful expenditure of ₹ 0.21 crore. The State Government while accepting the facts stated (February 2013) that request was being made to Public Health Engineering Department (PHED) for providing water and as such there would be no wasteful expenditure. Reply was not acceptable as even after lapse of more than four years constructed OHSR, CWR and pipelines could not be used due to lack of water resources and their condition may deteriorate with passage of time.

4.1.11 Lack of proper utilisation of constructed houses

4.1.11.1 Completed houses remained vacant

In nine ULBs, out of 2,285 houses completed up to March 2012, 1,868 relocation houses costing ₹ 23.75 crore¹⁰ were not allotted to the beneficiaries upto July 2012 due to non-completion of other related infrastructure works like roads, sewerage, lights, water supply, allottees were not interested in taking possession of them and encroachments. Non-allotment and non-occupation of houses, resulted in blocking of funds ₹ 23.75 crore. Further, deterioration in conditions of these houses also could not be ruled out. It was observed that formal consent/willingness of beneficiaries was not taken before commencing the work. The State Government while accepting the facts stated (February 2013) that the houses were lying vacant because at some places beneficiaries are not coming forward to pay beneficiary share and at some places infrastructure works are yet not completed. Further, ULBs had been directed to allot relocation houses to beneficiaries. It was further stated that out of 2,594 houses constructed upto December 2012, 714 houses had been occupied.

10. Balotra: ₹ 3.21 crore (192 houses), Bhawani Mandi: ₹ 0.66 crore (60 houses), Chittorgarh-I: ₹ 1.91 crore (124 houses), Falna: ₹ 1.61 crore (147 houses), Hanumangarh: ₹ 3.08 crore (300 houses), Pali: ₹ 5.31 crore (450 houses), Sawaimadhopur: ₹ 4.83 crore (350 houses), Sikar: ₹ 1.19 crore (109 houses) and Tonk: ₹ 1.95 crore (136 houses).

4.1.11.2 Encroachment of constructed houses

Under the programme, MBs, Bhawani Mandi and Chhabra constructed 97 and 48 houses by incurring an expenditure of ₹ 1.06 crore and ₹ 0.66 crore respectively. Out of these houses, 76 houses (Bhawani Mandi) costing ₹ 0.83 crore and 22 houses (Chhabra) costing ₹ 0.30 crore were illegally encroached/occupied by unauthorised persons. This indicated weak monitoring of allocation of houses and control over up-keeping of assets created under the programme.

The State Government while accepting the facts stated (February 2013) that First Information Reports against these non eligible persons had been lodged in Police Station, Bhawani Mandi but 32 illegal occupants had obtained “Court stay orders”. MB, Bhawani Mandi was trying to get the stay vacated. Similarly, MB, Chhabra had also served notices to all 22 illegal occupants for vacating the houses. Reply was not acceptable because these MBs failed to ensure proper security of constructed houses to avoid illegal occupation by unauthorised persons.

4.1.12 Miscellaneous

4.1.12.1 Unjustified utilisation

As per programme guidelines and directions issued (November 2009) by GoR, premium on tendered cost, if any, on execution of works was to be borne by ULBs. Scrutiny of records of 13 projects of 12 ULBs revealed that tenders premium of ₹ 17.36 crore¹¹ was charged to IHSDP funds which was not justified. The State Government while accepting the facts stated (February 2013) that total expenditure includes tenders premium. Reply was not acceptable as the same should have been borne by ULBs as per programme guidelines.

4.1.12.2 Funds not received back

- MB, Jaisalmer transferred (December 2008) ₹ 0.15 crore to Executive Engineer, PHED Division, Jaisalmer for execution of works. The entire amount was lying unadjusted with PHED. MB, Jaisalmer stated (July 2012) that efforts were made to get the work completed. Reply was not acceptable as neither the works were completed nor amount was refunded (January 2013) to MB, Jaisalmer even after lapse of four years.
- DLB transferred (June 2007) ₹ 2.66 crore (Jhalawar: ₹ 0.88 crore and Jhalrapatan: ₹ 1.78 crore) to Rajasthan Housing Board (RHB), Jaipur for construction of houses under the programme. RHB did not execute the works and returned ₹ 2.56 crore (August 2008) after lapse of 14 months and retained

11. Baran: ₹ 0.64 crore, Bhilwara: ₹ 3.91 crore, Chhabra: ₹ 0.04 crore, Hanumangarh: ₹ 0.80 crore, Jalore: ₹ 0.41 crore, Kota-I: ₹ 0.73 crore, Kota-II: ₹ 2.53 crore, Pali: ₹ 5.46 crore, Pratapgarh: ₹ 1.03 crore, Sumerpur: ₹ 0.01 crore, Suratgarh: ₹ 0.75 crore, Takhatgarh: ₹ 0.58 crore and Tonk: ₹ 0.47 crore.

₹ 0.10 crore (January 2013). Thus, non-utilisation of funds by RHB deprived beneficiaries of the intended benefit of programme. The State Government while accepting the facts stated (February 2013) that the matter was referred to the DLB for reply.

4.1.12.3 Abandonment of the projects

Two projects costing ₹ 24.28 crore at Alwar (₹ 19.70 crore) and Jhalawar (₹ 4.58 crore) were sanctioned (October 2007 and March 2007) for construction of 2,701 houses. After incurring an expenditure of ₹ 0.23 crore in MC, Alwar on infrastructure in kuchchi bastis, the projects were dropped due to non-availability of land, rendering expenditure infructuous. The State Government while accepting the facts stated (February 2013) that Alwar and Jhalawar projects were dropped due to defective DPRs and consultant had been black listed. The State Government, further, stated that amount released by GoI for these projects shall be adjusted against newly sanctioned projects.

4.1.13 Training and capacity building

As per the programme guidelines, the Central and State Governments were to organise suitable training for capacity building programmes through reputed institutions in the field, but except MB, Sumerpur no training was organised in any test checked ULBs. Also no provisions were made in the programme for this purpose.

The State Government stated (February 2013) that personnel responsible for the projects had been imparted proper training in different seminars and workshops organised for this purpose. All the personnel were well acquainted with IHSDP guidelines for execution of these projects. Reply was not acceptable as details of seminars and workshop organised and expenditure incurred thereon were not furnished to the audit.

4.1.14 Monitoring and internal control

As per the programme guidelines, SLNA and SLCC were required to periodically monitor the progress of sanctioned projects including funds mobilisation from financial institutions and review the implementation of the programme considering its broad objectives and to ensure that the projects taken up were in accordance with the guidelines and also review the progress of urban reforms being undertaken by ULBs. Though the SLCC issued instructions/directions from time to time to various executing agencies but follow up action on these instructions were not monitored. All the ULBs were required to furnish monthly and quarterly reports to SLNA by first week of next month but progress reports were not sent to SLNA. SLCC also failed in ensuring timely completion of projects as executing agencies did not adhere the time schedule laid down (February 2009) by SLCC.

4.1.15 Non-implementation of Agenda of Reforms

As per para 12 of the modified guidelines of IHSDP, the main thrust of the revised strategy of urban renewal including providing basic services to the urban poor, the State Government, ULBs and parastatal agencies were required to accept the agenda of reforms and implement reforms within mission period. The proposed reforms fall broadly into two categories:

- (i) Mandatory reforms
- (ii) Optional reforms

The State/ULBs needed to choose at least two optional reforms each year for implementation. Audit observed that one optional reform regarding 'introduction of property title certification system' in ULBs and one mandatory reform of 'property tax' with 85 *per cent* collection efficiency were still not implemented which deprived the ULBs of own revenue. Besides this two State level mandatory reforms i.e. urban planning including town planning (Town Planning Department) and water supply for domestic, industrial and commercial purposes (performed by PHED) were not implemented by the State Government (February 2013). Details of reforms implemented are given in *Appendix- XXI*.

The State Government stated (February 2013) that all mandatory and optional reforms have been implemented. Reply was not acceptable as no details of route map of implementation was provided to audit.

4.1.16 Conclusion

The impact of the programme in Rajasthan State was rather limited since only 13 *per cent* and 16 *per cent* of targeted houses could be completed as of March 2012 and December 2012 respectively, representing insignificant progress. The SLNA utilised only ₹ 236.44 crore out of ₹ 334.41 crore released during the project period representing 71 *per cent* and a substantial amount of ₹ 123.43 crore (52 *per cent*) was spent on areas which were not slums. The State Government not only failed to cover 10 cities having identified slum areas under the programme but extended benefits to ineligible beneficiaries in contravention of the guidelines. There were several instances of selection of ineligible beneficiaries, selection of improper sites, unjustified expenditure on infrastructure and diversion/wastage of funds.

4.1.17 Recommendations

- In order to realise the objectives of the programme the State Government should enhance the absorptive capacity of its agencies and target the expenditure to the areas and beneficiaries for whom the programme is intended.

- There should be proper planning in site selection, execution of works, coordination of all auxiliary works and allotment process.
- The State Government may monitor the delays closely for timely completion of projects.
- The optional reform and mandatory reforms referred to should be expeditiously implemented.
- The programme should be evaluated by an independent agency to assess its impact and identify the reasons for failure.

AUDIT OF TRANSACTIONS

4.2 Non-levy of registration and annual charges

Even after Government order, municipal bodies did not levy registration (one time) and annual charges of ₹ 1.81 crore on mobile towers.

State Government, in accordance with the powers available under Rajasthan Municipalities Act (RMA), 2009 framed model bye-laws and forwarded (March 2010) them to all municipalities for adoption by boards of municipalities concerned and publication in official gazette for registration and levy of license fee on mobile towers from the mobile companies. In the model bye-laws State Government laid down registration fee of ₹ 50,000 for new mobile towers and ₹ 25,000 for existing mobile towers leviable from the concerned mobile companies. Besides this, monthly license fee of ₹ 10 per square feet or ₹ 5,000 whichever is more, was also chargeable. The registration charges (renamed as one time charges) were revised (March 2011/January 2012) to ₹ 25,000 per tower in Municipal Corporations (M Corps) and Municipal Councils (MCs) areas and to ₹ 15,000 per tower in Municipal Boards (MBs) areas for 2010-11 and 2011-12. In place of monthly license fee, annual charges were fixed to ₹ 5,000 per year per tower for all municipalities for 2010-12.

During (May 2011 to June 2012) test check of 22 municipal bodies, audit observed that except M Corp, Jodhpur, MC, Udaipur and MB, Mertacity (District Nagaur), 19 Municipal Bodies¹² have not adopted the bye-laws prescribed by the Government. Out of 22 municipal bodies only four MBs have recovered ₹ 2.89 lakh¹³ against total recoverable ₹ 1.84 crore (one time charges ₹ 1.48 crore and annual charges ₹ 0.36 crore) (*Appendix-XXII*) of all the 22 municipal bodies on account of registration (one time) and annual charges for 2010-12 on 681 towers.

Thus, slackness on part of these municipal bodies led to non-recovery of due ₹ 1.81 crore (₹ 1.84 crore – ₹ 0.03 crore).

Twelve municipal bodies¹⁴ stated (June 2011 to May 2012) that notices for registration and depositing registration and annual charges were issued to the concerned mobile companies.

12. M Corp: Kota, MBs: Anoopgarh (Sriganganagar), Badi Sadri (Chittorgarh), Bayana (Bharatpur), Behror (Alwar), Chirawa (Jhunjhunu), Dausa, Deogarh (Rajsamand), Deoli (Tonk), Kanod (Udaipur), Nadbai (Bharatpur), Nagaur, Nawalgarh (Jhunjhunu), Nimbahera (Chittorgarh), Pilani (Jhunjhunu), Rajgarh (Churu), Sawaimadhopur, Shahpura (Bhilwara) and Shahpura (Jaipur).

13. MBs: Dausa - ₹ 0.84 lakh, Anoopgarh (Sriganganagar) - ₹ One lakh, Nadbai (Bharatpur) - ₹ 0.80 lakh and Chirawa (Jhunjhunu) - ₹ 0.25 lakh.

14. MC: Udaipur, MBs: Anoopgarh (Sriganganagar), Bayana (Bharatpur), Behror (Alwar), Chirawa (Jhunjhunu), Dausa, Deoli (Tonk), Kanod (Udaipur), Mertacity (Nagaur), Nimbahera (Chittorgarh), Sawaimadhopur and Shahpura (Jaipur).

The matter was referred to the State Government in August 2012; reply was awaited (February 2013).

4.3 Loss of revenue

Loss of revenue of ₹ 93.49 lakh due to non-realisation of external development charges.

As per instructions issued (April 2008 and May 2009) by the State Government (Urban Development Department), external development charges (EDCs) at ₹ 50 per square yard/Square meter were *inter alia* recoverable in the cases of regularisation/conversion of agricultural land in a city having population more than one lakh.

Test check (December 2010) of the records of Municipal Council (MC), Beawar (District, Ajmer) for the year 2009-10 revealed that MC was not aware of Government order, hence it did not levy and realise the EDCs in respect of 838 cases¹⁵ in which lease deeds of regularised/converted agricultural land were issued between 9 April 2008 and 5 February 2010 resulting in loss of revenue of ₹ 93.49 lakh.

The State Government stated (September 2012) that notices for recovery were being issued and recovery intimated in due time.

Thus, due to lack of updated knowledge of rules/instructions of the State Government resulted in loss of revenue ₹ 93.49 lakh.

4.4 Short-realisation of lease money

Municipal Councils, Beawar, Jhunjhunu, Sikar and Municipal Boards, Banswara and Suratgarh levied and realised one time lease money on reserve price of land, instead of four times of regularisation charges, which resulted in short realisation of lease money ₹ 63.71 lakh.

Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 envisage that land in municipal areas should be sold on lease hold basis for 99 years on realisation of premium and annual urban assessment (lease money) from the lease holder. Further, as per Rule 7 (1) *ibid*, lease money was recoverable annually on the basis of prevalent reserve price at 2.5 *per cent* in case of residential plots and five *per cent* in case of commercial and other purposes. As per Local Self Government Department order (November 1999), if ten times lease money was paid in lump sum by the lease holder for issuing lease deed, he could be exempted from further payment of lease money. Further, the Urban Development Department, Government of Rajasthan issued (November 2007) orders for levy of lease money on reserve price calculated at four times of regularisation charges and the lease money be recovered at the rate of 2.5 *per cent* (residential) or five *per cent* (commercial), as the case may be, of the

15. 610 cases regularised during 9 April 2008 to 31 March 2009: ₹ 69.56 lakh and 228 cases regularised during 20 May 2009 to 5 February 2010: ₹ 23.93 lakh.

reserve price thus calculated. Such relaxation would be allowed if the lease money is deposited by the applicant in lump-sum for eight years.

Test check (September-November 2010, September 2011 and March 2012) of records of three Municipal Councils (MCs), Beawar, Jhunjhunu, Sikar and two Municipal Boards (MBs), Banswara and Suratgarh revealed that lease money¹⁶ was recovered at the rate of 2.5 per cent or 5 per cent of the prevalent reserve price fixed for the residential and commercial land of the area respectively, instead of the four times of the prescribed rates of the regularisation charges on change of land use from agriculture to non-agriculture in the areas of municipal bodies, which resulted in short realisation of lease money of ₹ 63.71 lakh as under:

(₹ in lakh)

Name of municipal bodies	Period	Area of land (Square yards)	Recoverable lease money	Amount of lease money recovered from lease holders	Short realised lease money
MC, Beawar	October 2008 to July 2009	27,670.88	13.38	4.16	9.22
MC, Jhunjhunu	December 2007 to March 2010	28,747.41	15.04	4.71	10.33
MC, Sikar	June 2008 to March 2010	18,501.72	9.02	3.22	5.80
MB, Banswara	May 2010 to January 2011	1,17,796.57	37.69	9.20	28.49
MB, Suratgarh	April 2008 to March 2010	26,670.19	12.80	2.93	9.87
Total		2,19,386.77	87.93	24.22	63.71

The State Government stated (October 2012) that November 2007 order was not applicable on municipal bodies and was applicable only to Urban Improvement Trusts/Development Authorities. The reply was not acceptable as the order was issued in accordance with the provisions of Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 and made applicable to all Local Bodies, Urban Improvement Trusts, Jaipur Development Authority and Housing Board.

Thus, non-observance of Government order by MCs, Beawar, Jhunjhunu, Sikar and MBs, Banswara and Suratgarh resulted in short realisation of lease money of ₹ 63.71 lakh.

4.5 Blocking of funds

Blocking of funds of ₹ 2.22 crore due to non-monitoring of scheme by the State Government, commencement of work without identification of beneficiaries and non-recovery of their initial contribution.

Under Valmiki Ambedkar Awas Yojana (VAMBAY), a centrally sponsored scheme, the Government of India (GoI) approved (March 2005) a project for construction of 335 Dwelling Units (DUs) in Kharda Kuchchi Basti,

16. To increase revenue of the Local Bodies.

Bhankrota, Jaipur for ₹ 1.68 crore to provide low cost housing to slum dwellers and weaker sections of the society. The cost of each DU was estimated to ₹ 50,000 and 50 *per cent* cost was to be received from the GoI as subsidy and balance by the beneficiaries (₹ 5,000 on start of scheme and ₹ 20,000 as loan from Municipal Corporation, Jaipur to each beneficiary, recoverable at ₹ six or ₹ seven per day as per the paying capacity of beneficiary).

Test check (January 2010 and May 2012) of records of the Municipal Corporation (M Corp), Jaipur revealed that the State Government issued (May 2005) financial sanction (FS) and administrative sanction (AS) of ₹ 1.68 crore for construction of 335 DUs for the beneficiaries of Kharda Kuchchi Basti, Jaipur.

Construction of 335 DUs was completed between November 2006 and December 2007 by incurring expenditure of ₹ 2.22 crore¹⁷ without getting revision of FS and AS. It was further observed that out of GoI share of ₹ 83.75 lakh, an amount of ₹ 16.87 lakh was yet to be received as of August 2012. Balance expenditure ₹ 1.56 crore was incurred by the M Corp, Jaipur from its own fund. None of the DUs was allotted to beneficiary. On joint inspection of constructed DUs on 18 May 2012 by Audit with departmental officials, revealed that all DUs have been occupied by unauthorised persons.



It was also observed that the M Corp, Jaipur did not identify the beneficiaries and also not recovered the initial contribution of ₹ 5,000 from each beneficiary. Had the M Corp identified beneficiaries and recovered initial contribution, unauthorized occupation of DUs could have been avoided. Further, the State Government did not constitute the committee for monitoring the construction and allotment as required under scheme guidelines.

The Executive Engineer-II, M Corp, Jaipur intimated (January 2013) that matter of evacuating the unauthorised occupied houses and allotment to rightful beneficiaries was in process among various offices of M Corp. The reply was not acceptable as M Corp, Jaipur had neither identified nor allotted

17. Block 'A' (86 DUs): ₹ 0.63 crore (July 2007), Block 'B' (66 DUs): ₹ 0.27 crore (November 2006), Block 'C' (89 DUs): ₹ 0.65 crore (December 2007) and Block 'D' (94 DUs): ₹ 0.67 crore (July 2007).

(January 2013) DUs to intended beneficiaries since completion of constructions over five years ago. Non-allotment of DUs resulted in blocking of Government funds of ₹ 2.22 crore and in illegal occupation by unauthorised persons.

The matter was referred to the State Government in June 2012; reply was awaited (February 2013).

JAIPUR,
The



(SUNIL BAHRI)
Principal Accountant General
(General and Social Sector Audit), Rajasthan

Countersigned

NEW DELHI,
The



(VINOD RAI)
Comptroller and Auditor General of India

APPENDIX – I

Statement showing status of devolution of functions to Panchayati Raj Institutions

(Reference : Paragraph 1.4; Page 3)

Sr. No.	Functions as per 11 th Schedule of the Constitution	Status
1.	Agriculture, including Agriculture Extension	Fully devolved
2.	Minor Irrigation	Fully devolved
3.	Animal husbandry	Fully devolved
4.	Rural Housing	Fully devolved
5.	Drinking water – water distribution	Fully devolved
6.	Roads, culverts, bridges, ferries, waterways	Fully devolved
7.	Fuel (Energy) and fodder	Fully devolved
8.	Minor forest projects	Fully devolved
9.	Poverty alleviation programmes	Fully devolved
10.	Fair and markets	Fully devolved
11.	Health and sanitation, including PHCs dispensaries	Fully devolved
12.	Family welfare	Fully devolved
13.	Women and child development	Fully devolved
14.	Welfare of weaker sections particularly of the SCs and STs	Fully devolved
15.	Primary and Secondary Education	Partially devolved
16.	Adult and non-formal education	Partially devolved
17.	Cultural activities	Partially devolved
18.	Social welfare, including welfare of handicapped and mentally retarded	Partially devolved
19.	Maintenance of community assets	Partially devolved
20.	Land improvement, implementation of land reforms	Yet to be devolved
21.	Fisheries	Yet to be devolved
22.	Social forestry and farm forestry	Yet to be devolved
23.	Small scale industry	Yet to be devolved
24.	Khadi, village and cottage industries	Yet to be devolved
25.	Rural electrification including distribution of electricity	Yet to be devolved
26.	Non-conventional source of energy	Yet to be devolved
27.	Technical training and vocational education	Yet to be devolved
28.	Libraries	Yet to be devolved
29.	Public distribution system	Yet to be devolved

APPENDIX – II

Status of accepted recommendation of Second Finance Commission as on December 2012

(Reference: Paragraph 1.7.1; Page 6)

Sr. No.	Para No.	Recommendations	Present Status
Panchayati Raj Institutions (PRIs)			
1	11.6	Gamtal and Gochar Land	
		As per the Gujarat Panchayat Act, 1993 Village Panchayats are empowered to remove encroachments. However, because of political reasons and vested interests, VPs are not keen to remove encroachments. Strict action should be taken by the TDOs and DDOs against the erring VPs and Sarpanchs.	Not implemented.
2	11.8	Village ponds	
		VPs should be allowed for the commercial use of village ponds for the purpose of fisheries and use of clay for brick manufacturing when the ponds remain empty. These activities may yield good financial returns to the VPs for their self reliance. The brick manufacturing activities would help in resolving the problem of silting of the village ponds also.	Not implemented.
3	11.9	Octroi	
		Due to abolition of Octroi, grant to PRIs should be increased from ₹5.00 to ₹10.00 <i>per head</i> .	Not implemented.
4	11.10	Taxes and duties	
	(i)	The 12th FC has recommended that at least 50 <i>per cent</i> of the expenditure incurred on the facilities provided by the VPs should be recovered from the village community.	Not implemented.
	(ii)	As per the legal provision, assessment of houses and property taxes has to be made every four years. Punitive actions should be taken against defaulting VPs.	Not implemented.
	(iii)	Recovery rate of taxes imposed by VPs is very low. TDOs and DDOs should make a periodic review to achieve at least 80 <i>per cent</i> recovery. VPs having <i>cent per cent</i> tax recovery should be motivated financially from Samkari Fund.	Not implemented.
5	11.13	Education cess	
		Under section 206 of Gujarat Panchayat Act, 1993, Government provided grant from income of Education Cess to DPs and they disburse the amount of grant to VPs. This takes three to six months. The commission recommends for speedy disposal of the proposals at the district level itself to ensure quick receipt of the grant at the VP level.	Implemented.

Sr. No.	Para No.	Recommendations	Present Status
6	11.14	Salaries to DDO, staff and Accounts Officers	
		50 <i>per cent</i> expenditure is incurred from own income of DPs for salaries of DDO, Staff and Accounts Officers and the rest 50 <i>per cent</i> comes from the Government. Instead, 100 <i>per cent</i> expenditure on salary of the staff and these officers should be borne by the Government.	Not implemented.
7	11.15	Stationary and Printing Grant	
	(1)	Since 1988, there is no increase in the grant of stationery and printing though the cost escalated significantly during the last 18 years. With the introduction of many new schemes, the workload of DPs and TPs has increased. The Commission recommended that TPs should be given at least rupees one lakh and DPs should be given ₹5.00 lakh every year.	Not implemented.
	(2)	Since there is no provision for contingency expenditure in the assigned development works, minimum five <i>per cent</i> administrative charges should be provided to PRIs to meet the administrative expenses of developmental activities.	Not implemented.
8	11.16	Repairs and Maintenance	
		The commission recommended to give grant for following purposes :	
	(1)	For Building constructed before 1950 – 10 <i>per cent</i> of the value	Implemented
		For building constructed between 1950 and 1970 – seven <i>per cent</i> of the value.	
		For building constructed after 1970 – five <i>per cent</i> of the value.	
9	11.20	Procedural delay	
		Allotment of following grants to the PRIs should be given in time : 1. Building Repair Grant 2. Compensatory Octroi grant 3. Local cess grant 4. Education cess grant	Implemented.
10	11.21	Donations	
		The Commission suggested for more concerted efforts to attract donations from individuals for village development activities and also to inform Sarpanchs about the tax benefits available to donors under Income Tax Act.	Not implemented.

Sr. No.	Para No.	Recommendations	Present Status
11	11.24	Delay in grant of disposal of gamtal plots	
		The amount accrued out of disposal of Gamtal plots is deposited with the Government. Grants against the disposal are disbursed to respective VPs after two to three years. The commission recommended that the grant should be disbursed at the level of DDO or TDO to avoid this delay.	Not implemented.
12	11.27	Equilisation and Development Funds	
		The Commission recommended that Government should merge (1) State Equalisation Fund, (2) District Equalisation Fund, (3) District Village Encouragement Fund and (4) District Development Fund into one scheme and provisions and norms of the assistance should be revised.	Not implemented.
13	11.29	Gujarat Panchayat Finance Board	
		The Board is almost dormant. The Commission recommended that this board should be activated so that PRIs would be able to receive more grant.	Not implemented.
14	11.31	Gram Sabhas	
		The Commission recommended for active participation by the Gram Sabha members in the social audit of the development work. The audited report should be presented and discussed in Gram Sabhas in presence of senior officer deputed for the purpose.	Implemented.
15	11.32	Financial Irregularities	
		The Commission suggested that the cheques should be issued with the signature of Sarpanch and Talati of the VP instead of Sarpanch and one member of VP to curb financial irregularities.	Implemented
16	11.34	National festivals	
		The Commission suggested to enhance the expense from ₹50/- to ₹500/- on the celebration of national events.	Not implemented.
17	11.36	Vacancies	
		There are many vacancies in the PRIs administration. The Commission suggested that there is an utmost requirement to fill up these posts to carry out development activities.	Implemented.
18	11.37	Technical Sanction	
		The Commission suggested that the power of technical sanction of the development work by the Deputy Engineer of Taluka Panchayat should be enhanced upto ₹2.50 lakh.	Implemented

Sr. No.	Para No.	Recommendations	Present Status
19	11.38	Delay of grants	
		To avoid inconvenience for carrying out the village level development activities, the grants should be released in time and the review of the progress in consultation with TDOs and DDOs should be taken regularly.	Not implemented.
20	11.40	Works Orders	
		The Commission recommended that during the regular meetings held at TP level, Sarpanchs should be briefed about the development work and the orders thereof. They should be involved in the review of ongoing and completed works.	Not implemented.
21	11.41	Gujarati Language	
		The Commission recommended that the estimates of the development works to be undertaken in the VP areas should be prepared in Gujarati instead of English for the convenience of the Sarpanch and the members of the Panchayat, if possible.	Not implemented.
URBAN LOCAL BODIES			
1	11.52	Electricity Charges	
		ULBs are heavily burdened with huge electricity bills due to their classification as commercial organisations. The Commission recommended that the ULBs should be classified as “domestic use” and should be billed accordingly.	Implemented.
2	11.59	Ad hoc Grants	
		The ad hoc grant of ₹35 <i>per</i> head be given to Municipal Corporations and Municipalities on the basis of 1991 census. The Commission suggested that the ad hoc grant should be revised as per cost escalation during the years.	Implemented.
3	11.65-66-67	Function of Directorate of Municipalities	
		To open one regional office in South or Central Gujarat	Not implemented.
4	11.68	Common Cadres	
		Government has created a common cadre of Chief Officers for Municipalities. The Commission suggested to create common cadre also for Municipal Engineers, Accounts Officers, Accountants and Sanitary Inspectors <i>etc.</i>	Implemented.

Sr. No.	Para No.	Recommendations	Present Status
5	11.76	User Charges	
		The liabilities of ULBs are rising by leaps and bounds to cater to civic amenities. The Commission recommended for increasing user charges for civic amenities provided by ULBs to a reasonable level. For cost efficiency, public-private partnership approach should be encouraged by ULBs in the area wherever it is possible.	Implemented.
6	11.77	Waste Management	
		The Government has formulated a waste management policy for the civic authorities. The Commission recommended that the ULBs should take over the project of waste management on scientific method of collection and segregation and also suggest to establish wormy compost plant of biological waste to earn additional income.	Implemented.
7	11.78	Tax Disputes	
		Disputes also arise between tax payers and ULBs regarding the tax assessment. The Commission recommended that a separate Appellate Authority should be constituted with legal powers for settlement of disputes.	Implemented.
8	11.79	Power of Signature on Cheques	
		The Commission suggested that the Chief Officer should be authorised to sign on the usage of the grants received from State Government in place of Mamlatdar.	Implemented.
9	11.85	State Finance Commission	
		It is desirable that the Commission should be functioning directly under the Finance Department.	Not implemented.
10	11.86	E-Governance	
		At present, computer hardware has been provided, however, due to lack of trained manpower they are lying idle. Therefore the need is felt for expending training to manpower. Simultaneously, a trained technical person is required at Taluka and District level for repair and maintenance and updating the technology.	Not implemented.

APPENDIX - III

Statement showing labour budget projections, achievements and shortfall

(Reference: Paragraph 2.1.8.3; Page 19)

(₹ in crore)

Name of District	2009-10				2010-11				2011-12			
	Projected	Achieved	Shortfall	Per cent Shortfall	Projected	Achieved	Shortfall	Per cent Shortfall	Projected	Achieved	Shortfall	Per cent Shortfall
Banaskantha	58.58	39.00	19.58	33.43	70.24	52.11	18.13	25.82	69.38	68.50	0.88	1.26
Dahod	158.04	95.65	62.39	39.48	236.17	81.05	155.12	65.68	85.52	56.83	28.69	33.55
Panchmahal	78.52	70.04	8.48	10.80	83.96	59.86	24.10	28.70	58.31	61.56	0.00	0.00
Valsad	7.57	12.28	0.00	0.00	41.14	15.28	25.86	62.86	22.27	10.99	11.28	50.65
Ahmedabad	13.22	12.63	0.59	4.46	29.97	12.41	17.56	58.59	21.11	12.23	8.88	42.05
Patan	15.41	25.58	0.00	0.00	40.56	25.12	15.44	38.07	21.39	21.87	0.00	0.00
Surendranagar	6.32	22.61	0.00	0.00	42.82	39.15	3.67	8.57	21.21	34.25	0.00	0.00
Vadodara	18.84	47.85	0.00	0.00	64.39	61.90	2.49	3.86	37.91	39.62	0.00	0.00
State	656.00	738.85	0.00	0.00	1,468.21	785.44	682.77	46.50	800.85	653.46	147.39	18.40

APPENDIX – IV

Statement showing poor percentage of employment generation

(Reference : Paragraph 2.1.10.2; Page 22)

Sl. No.	Year	District	No. of HH registered	No. of HH provided employment	Percentage of employment provided	Average percentage of employment provided	No. of HH completed 100 days employment	Percentage 100 days employment
1	2007-08	Banaskantha	1,48,405	17,071	11.50	36.03	974	5.71
		Dahod	1,20,891	75,756	62.66		3,280	4.33
		Panchmahal	1,32,081	55,252	41.83		1,527	2.76
		Valsad	40,030	11,265	28.14		0	0.00
2	2008-09	Banaskantha	1,75,925	82,270	46.76	29.73	3,199	3.89
		Dahod	1,94,076	1,33,029	68.54		14,527	10.92
		Panchmahal	1,88,839	71,730	37.98		6,609	9.21
		Valsad	1,01,330	6,030	5.95		24	0.40
		Ahmedabad	1,53,235	42,865	27.97		1,274	2.97
		Patan	1,08,584	21,516	19.82		657	3.05
		Surendranagar	58,925	7,433	12.61		63	0.85
		Vadodara	2,34,801	42,720	18.19		0	0.00
3	2009-10	Banaskantha	2,38,394	1,50,919	63.31	49.43	6,443	4.27
		Dahod	2,22,186	1,42,761	64.25		9,830	6.89
		Panchmahal	2,22,675	1,31,902	59.24		10,064	7.63
		Valsad	1,66,224	28,061	16.88		609	2.17
		Ahmedabad	1,57,101	51,262	32.63		1,055	2.06
		Patan	1,87,924	60,813	32.36		2,999	4.93
		Surendranagar	1,20,319	53,362	44.35		1,895	3.55
		Vadodara	2,52,004	2,07,740	82.44		2,790	1.34
4	2010-11	Banaskantha	2,73,436	94,214	34.46	27.69	5,166	5.48
		Dahod	2,66,922	1,15,677	43.34		7,437	6.43
		Panchmahal	3,03,657	96,696	31.84		5,320	5.50
		Valsad	1,82,500	22,116	12.12		1,132	5.12
		Ahmedabad	1,40,542	19,616	13.96		884	4.51
		Patan	1,93,996	46,716	24.08		1,612	3.45
		Surendranagar	1,57,845	64,450	40.83		3,546	5.50
		Vadodara	2,63,020	54,928	20.88		4,757	8.66
5	2011-12	Banaskantha	2,95,681	76,512	25.88	18.73	6,692	8.75
		Dahod	3,24,460	86,000	26.51		2,304	2.68
		Panchmahal	3,55,422	69,065	19.43		4,528	6.56
		Valsad	1,85,523	19,891	10.72		598	3.01
		Ahmedabad	1,42,983	13,188	9.22		848	6.43
		Patan	1,96,255	31,394	16.00		1,012	3.22
		Surendranagar	1,71,342	48,287	28.18		957	1.98
		Vadodara	2,54,605	35,363	13.89		1,593	4.50

APPENDIX - V

Statement showing payment into same account number for more than one job card

(Reference: Paragraph 2.1.11.14; Page 29)

Sr. No.	Muster Roll & Period of Work	Job Card No.	Bank A/C No.	Amount
1	1274795 (19-12-11 to 24-12-11)	164711 & 2798885	15698	1,488
2	1274765 (12-12-11 to 17-12-11)	29837 & 29891	15259	1,440
		29892 & 29845	15260	1,440
		29895 & 29884	15261	1,440
		29887 & 168221	15262	1,440
3	1274973 (19-12-11 to 24-12-11)	29892 & 29845	15260	1,440
		29837 & 29891	15259	1,464
		29859 & 29884	15261	1,464
		29887 & 168221	15262	1,464
4	1274794 (26-12-11 to 31-12-11)	29837 & 29891	15259	1,488
		29892 & 29845	15260	1,488
		29859 & 29884	15261	1,488
		19887 & 168221	15262	1,488
5	1275032 (10-01-12 to 14-01-12)	29837 & 29891	15259	1,220
		29892 & 29845	15260	1,220
		29859 & 29884	15261	1,220
		29887 & 168221	15262	1,220
6	1275112 (16-01-12 to 21-01-12)	29837 & 29891	15259	1,440
		29892 & 29845	15260	1,440
		29859 & 29884	15261	1,440
		29887 & 168221	15262	1,440
7	1275446 (13-02-12 to 18-02-12)	167042 & 167079	106510001697	2,976
Total				32,648

APPENDIX - VI
Statement showing shortage of manpower
(Reference: Paragraph 2.1.20; Page 41)

District	Gram Rozgar Sewaks				Technical Assistants			
	Sanctioned	In position	Shortage	Percentage of shortage	Sanctioned	In position	Shortage	Percentage of shortage
Ahmedabad	516	151	365	71	77	23	54	70
Banaskantha	783	513	270	34	84	67	17	20
Dahod	473	342	131	28	49	41	8	16
Panchamahals	660	355	305	46	77	61	16	21
Patan	464	156	308	66	49	24	25	51
Surendranagar	615	365	250	41	70	35	35	50
Vadodara	863	270	593	69	84	34	50	60
Valsad	342	111	231	68	35	20	15	43
State	13,715	5,371	8,344	61	1,568	720	848	54

APPENDIX - VII

Statement showing details of variation between budgeted receipts and expenditure and actual receipts and expenditure during 2007-12

(Reference: Paragraph 2.2.3; Page 44)

(₹in crore)

Year	Receipt			Expenditure		
	Budgeted	Actual	Variation (percentage)	Budgeted	Actual	Variation (percentage)
District Panchayat, Bhavnagar						
2007-08	266.41	323.53	-21.44	199.73	232.37	-16.34
2008-09	327.24	371.48	-13.52	269.90	258.27	4.31
2009-10	402.82	437.85	-8.70	320.61	328.74	-2.54
2010-11	516.73	563.59	-9.07	456.53	414.92	9.11
2011-12	577.29	669.13	-15.91	456.33	463.65	-1.60
District Panchayat, Surendranagar						
2007-08	265.73	131.63	50.46	210.31	72.41	65.57
2008-09	206.73	161.59	21.84	148.12	86.35	41.70
2009-10	405.12	147.23	63.66	320.19	80.31	74.92
2010-11	496.12	171.44	65.44	428.92	84.27	80.35
2011-12	520.71	269.82	48.18	433.38	109.35	74.77

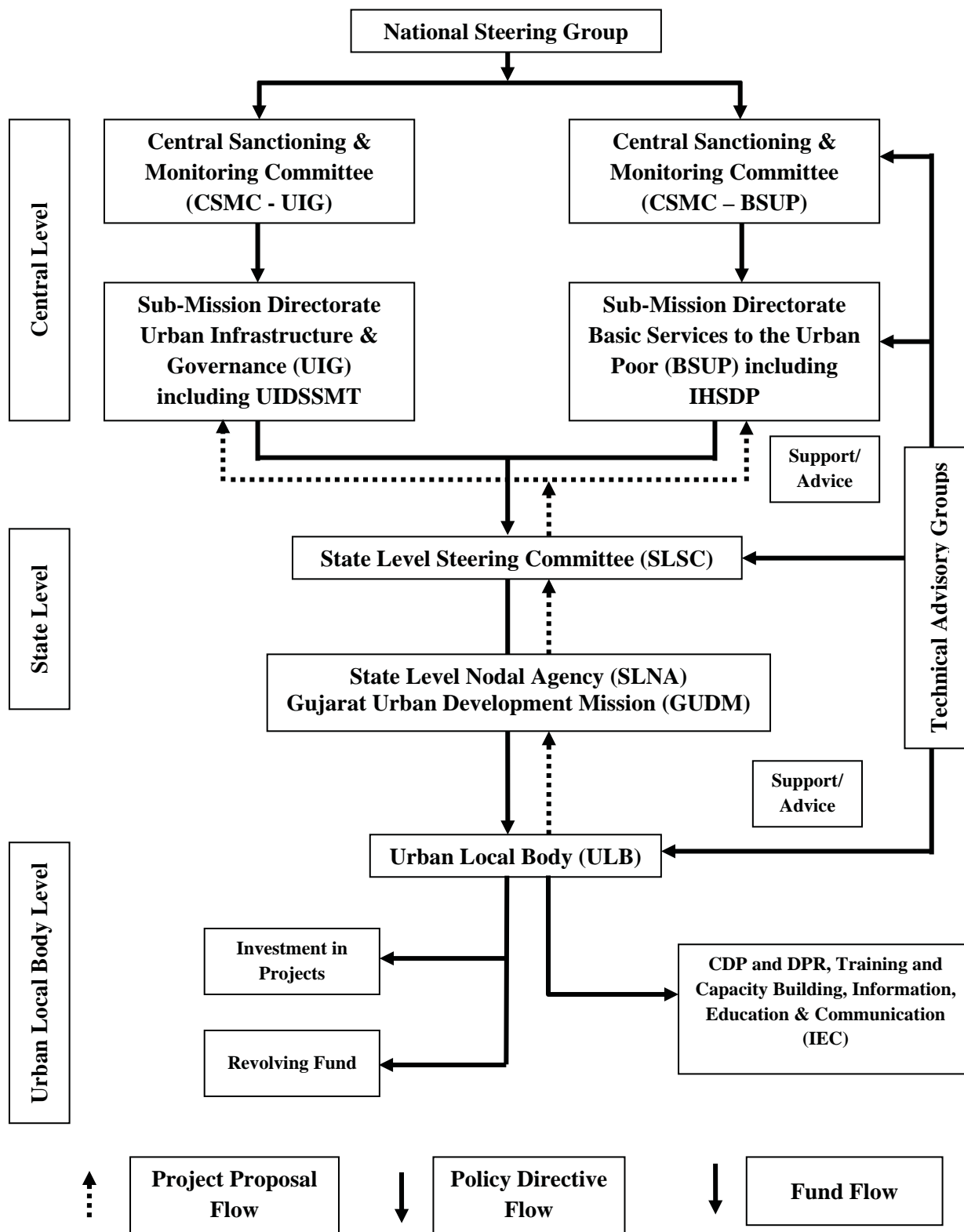
APPENDIX - VIII**Statement showing minus balances****(Reference: Paragraph 2.2.3.2; Page 45)****(Amount in ₹)**

Sr. No.	Major Head of Account	Minus balance as on	
		31 March 2008	31 March 2012
District Panchayat, Bhavnagar			
1	2020 Income & Expenditure	-2,19,187	-2,19,187
2	2053 District Administration.	-83,18,508	-60,36,216
3	2059 Public Works	-2,58,82,903	-4,50,00,169
4	2070 Police	-9,187	-9,187
5	2210 Medical Road and Building	-71,63,852	-63,65,565
6	2211 Family welfare (Family Planning)	-24,88,042	-23,78,042
7	2505 Rural Labour Employment Guarantee Programme	-61,54,410	-61,46,978
8	2225 Social Welfare (Economic Development)	-1,01,06,136	-1,24,21,461
9	2225 Social Welfare (Landless)	-14,69,607	-14,69,607
10	2225 Social Welfare (Education)	-1,19,02,559	-1,19,02,559
11	2245 Relief (R&B)	-4,27,65,605	-20,09,463
12	2245 Relief (Irrigation)	-1,05,07,404	-1,08,97,559
13	2245 Relief (Agriculture)	1,58,89,827	-25,81,115
14	3454 Statistics	-15,32,325	-8,70,485
15	2501 Special Rural Programme (5 <i>per cent</i> & 15 <i>per cent</i>)	-1,73,96,586	-1,72,87,586
16	4210 Medical and Public Health (Sim well)	-39,781	-39,781
17	2346 State Water Supply	-8,63,78,984	-8,63,78,984
18	2515 CDP-8 SC Other Rural Development Programme (drinking water)	-30,49,450	-30,49,450
19	2515 Other Rural Development Programme (Gram mitra)	-6,87,000	-6,87,000
20	2515 CDP-2 Other Rural Development Programme (Mojani)	3,058	-2,66,046
21	2515 CDP-18 Other Rural Development Programme (Seed money)	0	-1,16,873
22	2225 Social Welfare (Integrated Child Development Scheme)	24,100	-7,92,013
	Total	-22,01,54,541	-21,69,25,326
District Panchayat, Surendranagar			
23	2029 Land revenue	-44,11,003	-64,35,249
24	2053 District Administration (TP)	-28,57,566	-11,43,337
25	2053 District Administration	-15,34,855	-32,01,119
26	2210 Prevention and Control of Diseases (HLT-26)	-3,88,409	-10,97,640
	Total	-91,91,833	-1,18,77,345
	Grand Total	-22,93,46,374	-22,88,02,671

APPENDIX – IX

Flow chart with clear role demarcation of project proposal and policy directive

(Reference: Paragraph 4.1.2; Page 63)



APPENDIX - X
Statement showing the status of the projects selected for detailed Performance Audit
(Reference: Paragraphs 4.1.5 and 4.1.6.2; Page 64 and 65)

Sr. No.	Name of the Project	City	Date of approval of CSMC	Approved cost	GOI Share		State Share	Expenditure up to 31.3.2012
					ACA committed	ACA released		
1	Renovation of existing Sewage Treatment Plant (STP) at Pirana	Ahmedabad	June 2006	69.22	24.23	24.23	10.38	86.23
2	Renovation of STP at Vasna	Ahmedabad	June 2006	11.35	3.97	3.97	1.70	15.07
3	Terminal Sewage Pumping Station, Pumping Main and STP near Vinzol for East AUDA area	Ahmedabad	February 2007	36.81	12.88	11.60	6.81	32.98
4	West AUDA area Sewage Pumping Station, Pumping Main and STP near Vasna	Ahmedabad	February 2007	106.92	37.42	33.68	19.78	110.79
5	Sewerage network of West AUDA area of Ahmedabad UA	Ahmedabad	November 2008	235.41	82.39	53.54	35.31	150.50
6	Sewerage network of East AUDA area of Ahmedabad UA	Ahmedabad	November 2008	77.65	27.18	24.35	14.31	64.26
7	Construction of Housing for the Urban Poor (EWS) at various locations in Ahmedabad Municipal Corporation (Phase-I)	Ahmedabad	February 2007	338.76	169.38	164.45	65.78	337.59
8	Houses for Urban Poor (EWS) at Ahmedabad Phase-I	Ahmedabad	September 2006	98.13	49.06	47.64	19.05	105.84
9	Bus Rapid Transit System Phase-I (Development of Blue Corridor Part-I)	Rajkot	July 2007	110.00	55.00	49.50	22.00	154.50
10	Water Supply	Jamnagar	December 2006	19.37	15.50	15.50	1.94	20.94
11	Housing for Slum Development	Jamnagar	February 2007	10.05	7.32	5.50	0.68	8.23
12	Augmentation of Bhesan Sewage Treatment Plant	Surat	March 2006	15.09	7.55	7.55	3.02	27.77
13	Secondary Sewerage Treatment Plant at Bamroli	Surat	May 2006	13.22	6.61	6.61	2.64	18.57
14	Sewerage Disposal Network and STP for Vesu area	Surat	June 2006	34.37	17.19	17.19	6.88	50.58
15	Water supply project for Vesu Settlement area	Surat	May 2006	19.19	9.60	9.60	3.83	17.52
16	Water supply project for Pal-Palanpur area	Surat	May 2006	9.95	4.97	4.97	1.99	10.84
17	Augmentation of Sarthana, Katargam and Rander water work of SMC	Surat	March 2007	140.69	70.34	70.34	28.14	145.25
18	DPR-III:- at Kosad	Surat	November 2006	72.03	36.01	34.29	13.72	80.82
19	DPR-II at Bhestan	Surat	September 2006	56.45	28.22	28.00	11.30	56.66
20	DPR-V:- At Kosad	Surat	December 2006	98.87	49.43	47.06	18.82	94.46
21	DPR-VI:- at 11 various locations	Surat	September 2007	61.66	32.28	29.93	11.96	38.48
22	DPR-VIII-at Bhimmagar	Surat	January 2009	29.48	12.84	3.21	1.28	0
23	DPR-IX at Kamrunagar	Surat	January 2009	23.76	10.18	2.54	1.01	0
24	Sewerage System Phase-I	Vadodara	January 2007	105.15	52.57	52.57	21.02	123.46
25	Water Supply - Source Augmentation-Phase I	Vadodara	June 2006	41.05	20.53	20.53	8.21	57.24
26	Water Supply - Source Augmentation-Phase II	Vadodara	February 2009	36.88	18.44	18.51	7.38	27.47
27	Basic services to urban poor-Housing Development and Upgradation of Slums Phase - I: 2006-08	Vadodara	December 2006 June 2011 (Revised)	88.61 73.50 (Revised)	33.96	33.96	13.59	84.82
28	Basic services to urban poor-Housing Development and Upgradation of Slums Phase -III: 2009-11	Vadodara	August 2010	155.24	74.83	18.71	7.59	3.86