

## OVERVIEW

This Report contains five chapters. The first and third chapters contain an overview of the functioning, accountability mechanism and financial reporting issues of the *Panchayati Raj* Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second chapter contains Compliance Audit observations on 'Construction Activities by PRIs in the State of Jharkhand' while the fifth chapter contains Compliance Audit observations on 'Utilisation of Thirteenth Finance Commission Grants by ULBs in the State of Jharkhand' and three Audit Paragraphs on ULBs. The fourth chapter contains Performance Audit on 'Management of Water Supply, Sanitation and Solid Waste Management Services by ULBs'. The audit findings included in the Performance Audit and Compliance Audit paragraphs in this report have total money value of ₹ 325.47 crore.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn on statistical sampling as well as risk based judgemental sampling. The specific audit methodology adopted has been mentioned in the Performance Audit. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the Government. A summary of main audit findings is presented in this overview.

### **1. An Overview of the functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions**

There are 4689 units of PRIs in Jharkhand which includes 24 *Zila Parishads* (ZPs), 263 *Panchayat Samitis* (PSs) and 4402 *Gram Panchayats* (GPs). During 2015-16, 13 ZPs, 36 PSs and 70 GPs were audited. There was an increasing trend of outstanding audit paragraphs. The department has not taken adequate steps for settlement of audit observations. As on March 2016, 3,723 paragraphs for the period 2011-16 having money value of ₹ 288.86 crore were outstanding for settlement.

The Report of the Comptroller and Auditor General of India on Local Bodies for the year ended 31 March 2015 was placed before State Legislature in July 2016 but the State Government has not formed any committee for discussion of the Audit Report.

Social Audit Unit for conducting social audit of schemes was established in Jharkhand in May 2016. However, 49 social audits in GPs were conducted in the State during 2015-16 under Mahatma Gandhi National Rural Employment Guarantee Scheme.

Though the State Government appointed (November 2014) Director, Local Fund Audit (DLFA) to perform the duties of the primary Auditor as envisaged under the Technical Guidance and Supervision arrangement, DLFA has not commenced the audit of PRIs (September 2016).

Basic records such as Grant/Loan Register, Asset Register and Stock Register were not maintained by test checked ZPs. Failure to maintain important registers weakened local self-government control over finances/assets of *panchayats*. PRIs were largely dependent on Grants and Loans from Government as their own resources were not sufficient to meet their

expenditure needs. State Government has not framed any rule for imposition of taxes by *Panchayats* due to which PRIs abstain from imposing and collecting taxes.

(Paragraphs 1.1 to 1.11.9)

## 2. Compliance Audit - PRIs

### 2.1 Audit on Construction Activities by the Panchayati Raj Institutions in the State of Jharkhand

Audit on 'Construction Activities by PRIs in the State of Jharkhand' covering the period 2011-16 was conducted between May 2016 and August 2016 through test check of records of six ZPs, 22 PSs and 104 GPs. Major audit findings are:

PRIs executed functions such as construction of roads, culverts and bridges valued ₹ 130.55 crore during 2011-16 although these functions were not devolved to them by the departments concerned of the State Government.

The PRIs were deprived of Central grants worth ₹ 1129.10 crore due to failure of the State to hold District Planning Committee (DPC) meetings in time, submit Annual Action Plan and comply mandatory conditions for release of fund.

The construction activities were not efficiently managed by the PRIs as there was wasteful expenditure of ₹ 74.04 lakh on 14 abandoned works, unfruitful expenditure of ₹ 37.46 crore on 398 incomplete works, cost escalation of ₹ 4.65 crore on 68 works, excess payment of ₹ 5.63 crore for failing to impose penalty in 124 works besides failure to recover unutilised funds, interest money and advances worth ₹ 30.43 crore from the implementing agencies.

Leasing of assets created from construction activities was not ensured as 125 buildings constructed at a cost of ₹ 24.30 crore for income generation remained idle since its completion while two *Vivah Bhawans* valued ₹ 34.96 lakh in Godda could not be leased for want of electricity and water.

Internal control mechanism was weak in absence of maintenance of prescribed records, constitution of standing committees by DPC and holding of prescribed number of meetings by DPCs.

(Paragraph 2.1)

## 3. An Overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies

There are 44 ULBs in Jharkhand which includes six Municipal Corporations (M. Corps), 19 Municipal Councils (MCs), 16 *Nagar Panchayats* (NPs), one *Nagarpalika* and two Notified Area Committees (NACs). During 2015-16, four M. Corps, 12 MCs, four NPs and one NAC were audited. There was an increasing trend of outstanding audit paragraphs. The department has not taken adequate steps for settlement of audit observations. As on March 2016, 1,137 paragraphs for the period 2011-16 having money value of ₹ 1371.49 crore were outstanding for settlement.

Basic records such as Grant/Loan Register, Asset Register and Stock Register were not maintained by the test-checked ULBs. Failure to maintain important

registers weakened local self-government control over finances/assets of municipal bodies. The ULBs were financially dependent on Grants and Loans from the Government as their own resources were not sufficient to meet their expenditure needs. Further, realisation of revenue by the ULBs was far behind the target set to the extent of 87 *per cent*.

Utilisation Certificates worth ₹ 491.55 crore were pending with the ULBs as on February 2017. Besides, as on November 2016, Detailed Contingencies bills in respect of 55 Abstract Contingencies bills valued ₹ 31.21 crore was pending against the Department. Social Audit setup was not established for programmes/schemes implemented by the ULBs.

(Paragraphs 3.1 to 3.14.10)

#### 4. Performance Audit - ULBs

##### 4.1 Performance Audit on Management of Water Supply, Sanitation and Solid Waste Management Services by ULBs

Performance Audit on ‘Management of Water Supply, Sanitation and Solid Waste Management Services by ULBs’ covering the period 2011-16 was conducted between April 2016 and August 2016 in 10 test-checked ULBs. Major audit findings are discussed below:

Service Level Benchmarks framed by Ministry of Urban Development, Government of India for Water Supply, Solid Waste Management (SWM) and Sewage could not be achieved by the test checked ULBs during 2011-16. Four water supply projects in four test checked ULBs targeted to create 306 million litres per day (MLD) capacity could not be completed despite spending ₹ 583.47 crore while SWM projects worth ₹ 146.29 crore were stopped midway after incurring an expenditure of ₹ 28.47 crore. Further, none of the test checked ULBs constructed sewage network while 60 *per cent* drains in nine of the 10 test checked ULBs were uncovered and beset with garbage.

Incomplete water supply projects affected water supply to at least 22.67 lakh inhabitants of municipal area. In test checked ULBs, only 29 *per cent* of the total households (HHs) had access to piped water while shortages in supply of water ranged between nine and 99 *per cent* of requirement. Further, per capita supply of water in seven out of 10 test checked ULBs ranged between 10 and 110 litres per capita daily (lpcd) against standard of 135 lpcd while seven out of 10 test checked ULBs did not install meters for residential water connections.

Four test checked ULBs failed to recover outstanding water user charges of ₹ 37.22 crore while the State Government lost ₹ 10.50 crore per year on Non-revenue water beyond the benchmark limit of 20 *per cent*.

Toilet facility was limited to 23 *per cent* to 72 *per cent* HHs in test checked ULBs against 100 *per cent* of the benchmarking while HHs in eight out of 10 test checked ULBs were not covered under solid waste management services. The coverage of waste collection in six sampled ULBs ranged between 39 and 90 *per cent*. No landfill sites (except Ranchi) were available in any of the test checked ULBs and as result, waste was dumped in close proximity to residential areas as well as river side.

Shortage of manpower to the extent of 90 *per cent* in supervisory/sweeper cadre and inadequate garbage disposal vehicles in the test checked ULBs affected the cleanliness of cities and posed a threat to environment and health of residents.

In audit survey conducted with 741 households living within the service network of 10 test checked ULBs, 91 *per cent* HHs responded that water supply facilities provided by the test checked ULBs were not satisfactory and 85 *per cent* residents told that during summer season, sufficient water was not supplied. In respect of sanitation facilities, 75 *per cent* residents were not satisfied by the services provided by the test checked ULBs. Likewise, under SWM service, 71 *per cent* residents said that door to door waste collection was not done while 78 *per cent* residents reported that they were not happy with the conditions of vehicles used for transporting garbage.

(Paragraph 4.1)

## 5 Compliance Audit - ULBs

### 5.1 Audit on Utilisation of Thirteenth Finance Commission Grants by Urban Local Bodies in the State of Jharkhand

Audit on 'Utilisation of Thirteenth Finance Commission (13 FC) grants by the Urban Local Bodies (ULBs) in the State of Jharkhand' covering the period 2011-16 was conducted between April 2016 and August 2016 in nine test-checked ULBs. Major audit findings are:

State Government was deprived of 13 FC grant of ₹ 202.04 crore on account of failure to submit Utilisation Certificates on time and comply with the mandatory conditions for release of performance grants. Further, the State government distributed special area grant of ₹ 9.47 crore among three ineligible ULBs beyond the domain of special area which deprived three entitled ULBs to get the grant.

High Level Monitoring Committee sanctioned 299 works worth ₹ 457.55 crore against the availability of 13 FC grant worth ₹ 349.70 crore resulting from deficient planning. As a result, State Government failed to complete construction of 60 sanctioned works estimated at ₹ 256.66 crore during the 13 FC period (2010-15) as fund worth ₹ 148.81 crore only was available for these works. During the same period, there was under utilisation of 13 FC grant between 49 *per cent* and more than 97 *per cent* in the sampled ULBs. Thus, paucity of fund coexisted with under utilisation of fund but the State Government neither resolved the financial imbalance nor took up convergence measures with other scheme funds to complete these works within the 13 FC period.

In the sampled ULBs, 42 works estimated at ₹ 113.41 crore were not taken up for construction after according sanction while 53 works estimated at ₹ 126.36 crore were lying incomplete despite expenditure of ₹ 64.50 crore having been made.

(Paragraph 5.1)

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**Audit Paragraphs****(i) Failure to collect /short collection of service tax**

Municipal Corporations Ranchi, Dhanbad and Deoghar have failed to levy and collect service tax of ₹ 2.29 crore from the renters of municipal assets.

**(Paragraph 5.2)**

**(ii) Loss of Government money**

Failure to levy and collect Labour Welfare Cess by Urban Local Bodies deprived the 'Building and other Construction Workers Welfare Board' of ₹ 1.40 crore under Urban Development and Housing Department.

**(Paragraph 5.3)**

**(iii) Loss of interest**

Unauthorised deposit of government money in current account of a private bank led to loss of interest of ₹ 40.33 lakh to Municipal Corporation, Dhanbad.

**(Paragraph 5.4)**

