

CHAPTER – II

IMPLEMENTATION OF SCHEMES

(Urban Administration and Development Department)

2.1 Audit findings on release and utilisation of Twelfth Finance Commission's grants of Urban Local Bodies

Introduction:

The Twelfth Finance Commission (TFC) was required to make recommendations on the measures needed to augment the Consolidated Funds of the state to supplement the resources of the Municipalities on the basis of the recommendations of the State Finance Commission. In this regard the TFC has recommended grants amounting to Rs.361.00 crore payable during the period 2005-10 to the Madhya Pradesh (M.P.) for urban Local Bodies. TFC has also stressed on the importance at public private partnership to enhance service delivery of solid waste management services in the urban areas. TFC has further felt it to be imperative that high priority need to be assigned to creation of database and maintenance of accounts at the grass root levels.

2.1.1 Delay in release of grant by GOI

Para 6.1 of guidelines for release and utilisation of grants recommended by TFC¹ grants provides that the Local Bodies' grants will be released by the centre in two equal instalments in July and January every year. Para 6.2 of guidelines lays that two sets of details, one on allocation of funds and another on release of funds will be reported by the State Government in the formats prescribed for the purpose prior to release of each instalment by the Government of India. State Finance Secretary was also required to furnish a certificate showing dates and amount of grant received and released by the state within 15 days of release of each instalment by GOI. Scrutiny of records of the Finance Department (FD) revealed (December 2008) that instead of releasing the instalments in July 2007 and January 2008 the first and second instalment for the year 2007-08 were released by GOI on 30 October 2007 and 24 October 2008 respectively as shown below:

Sl. No.	Particulars	Due date of release by GOI	Actual date of release by GOI	Period of delay	States of UCs submitted to GOI
1.	I st instalment	July - 2007	30 October 2007	90 days	20 March 2008
2.	II nd instalment	January - 2008	24 October 2008	266 days	20 August 2008

It would be seen from above that there were delays ranging from 90 to 266² days in release of Ist and IInd instalment of TFC grant. Reasons for delayed release of TFC grant were neither on record not stated to audit. However, audit

¹ Guidelines for release and utilisation of grant recommended by the Twelfth Finance Commission for Augmentation of Consolidated funds of the State for supplementing the resources the Rural and Urban Local Bodies (Local Bodies Grants) issued in June 2005.

² Ist Inst. 90 days (August 31, September 30, October 29)
IInd Inst. 266 days (February 29, March 31, April 30, May 31, June 30, July 31, August 31, September 30, October 23.)

observed that delayed release of grant was evidently due to late submission of utilisation certificates to GOI by FD.

2.1.2 Delay in release of grant by FD and non-payment of interest on delayed release

According to para 6.1 and 6.4 of GOI guidelines, States have to mandatorily transfer the grants released by the Centre to the ULBs within 15 days of its credit into the State Government's account. In case of delayed transfer of grant to ULBs beyond the specified period of 15 days, the State Government was required to pay interest to ULBs at the rate equal to the RBI rate along with such delayed transfer of grants.

Scrutiny of records of the FD revealed (September 2008) that the GOI released the first instalment of Rs. 36.10 crore for the year 2007-08 on 30 October 2007 and credited into State Government's accounts on the same date. But the FD transferred the grant to the Commissioner, Urban Administration and Development Department (UADD) on 14 January 2008. After delay of 61 days (excluding specified period of 15 days). As per GOI guidelines and also as per previous years practice, the FD was required to issue a financial sanction for interest payment of Rs. 30.17 lakh @ 5% for the delayed transfer of grant during 2007-08.

On being pointed out, FD replied (September 2008) that action would be taken for making payment of interest after receipt of information from the concerned department.

2.1.3 Advance drawal of grant

Second instalment of grant was required to be released in the month of January every year. Scrutiny of records of UADD revealed (September 2008) that such instalment was not released (September 2008) by the GOI, while FD issued (March 2008) order to draw an amount of Rs. 36.10 crore (second instalment) in advance in March 2008 without receipt of sanction from the GOI.

On being pointed out FD replied (September 2008) that the permission of drawal was obtained from the GOI, on telephone, before issue of order (March 2008) where as the IInd instalment of Rs. 36.10 crore was released by the GOI only in October 2008.

This resulted in advance drawal of second instalment amounting to Rs. 36.10 crore by 210 days³ before the issue of sanction by GOI.

2.1.4 Unspent balance of previous grants

Scrutiny of records of eight⁴ ULBs revealed that out of total TFC grants of Rs. 5.08 crore received, during the period 2005-08, an amount of Rs. 2.45 crore remained unspent as of September 2008, as shown in **Appendix-XIII**.

³ 210 days (March 04, April 30, May 31, June 30, July 31, August 31, September 30 and October 23.)

On being pointed out, the Heads of auditee units replied that due to late allotment, non-acquisition of land for landfill stations and non-demarcation of the land, grants remained unspent.

2.1.5 Utilisation Certificate (UCs) included unspent grant

As per para 6.3 of GOI guidelines the State Finance Secretary was required to furnish a certificate to GOI every year regarding percentage of grants spent by the ULBs on Solid Waste Management (SWM).

The FD reported to GOI (March 2008) that the ULBs utilised Rs. 18.05 crore being 50 percent of the 1st instalment of TFC grant of Rs. 36.10 crore, for 2007-08 on SWM. However, test check of records of Municipalities and Town councils revealed that the entire amount of grant of Rs. 1.21⁵ crore on account of SWM received in 23⁶ Municipalities and town councils as detailed in **Appendix - XIV** was lying unspent with them. Thus utilisation certificate submitted to GOI by FD did not reflect the actual position of utilisation of TFC grants. Reply of FD was awaited (February 2009).

2.1.6 No progress in Solid Waste Management (SWM)

As per para 3.1 (XIV) of GOI guidelines, at least 50 percent of the grants-in-aid provided to each State for the ULBs should be earmarked for the scheme of SWM. The Municipalities should concentrate on collection, segregation and transportation of solid waste.

Test check of records of five ULBs⁷ revealed that no work of SWM was started during 2005-06 to 2007-08 (upto December 2008) inspite of release of grant of Rs. 3.22 crore. In addition, information collected from DD, UADD Indore revealed that 16 ULBs also had not started any work relating to SWM as detailed in **Appendix-XV**.

2.1.7 Non-achievement of all Solid Waste Management (SWM) parameters

According to the Schedule II read with Rule 6 (i) and (iii), 7 (i) of GOI Urban Solid Waste Management (Management and Handling) Rules 2000 notified in gazette (25 September 2000), parameters were fixed along with its compliance criteria for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes.

Test check of records of five Municipal Corporations⁸ revealed that an expenditure of Rs. 5.54 crore was incurred for collection and transportation of Municipal Solid Waste under SWM. However other activities like: Segregation, Storage, Processing and Disposal of Municipal Solid Waste were not found taken-up. The reasons for not taking up all activities specified in the

⁴ Nagar Nigam Dewas, Nagar Palika Council Dabra (Gwalior), Sidhi and Nagar Panchayats Biloua (Gwalior), Baikunthapur, Govindgarh (Rewa), Churhat, Rampur Nekin (Sidhi)

⁵ Rs. 1.21 crore being 50 percent of TFC grant in 23 municipalities and town councils.

⁶ Bhopal, Biloua, Baikunthpur, Churhat, Govindgarh, Rampurnekin and Sidhi

⁷ Nigar Palika Sidhi, Nagar Panchayat Baikunthpur, Churhat, Govindgarh and Rampurnekin.

⁸ Nagar Nigam Bhopal, Dewas, Gwalior, Indore and Rewa

notification ibid were varying in Municipal Corporations as mentioned in the **Appendix-XVI**. This resulted in non-fulfillment of all the parameters.

2.1.8 Non recovery of Door to Door collection charges through Public Private Partnership

As per para 3.1 (XIV) of GOI TFC guidelines, at least 50 percent of grant in aid provided to each state for the ULBs should be earmarked for the scheme of SWM through Public Private Partnership (PPP).

MC Bhopal, Dewas, Gwalior, Indore and Rewa incurred on expenditure of Rs. 5.54 crore⁹ in carrying out the work of SWM through PPP but no Door-to-Door collection charges of waste collection were found to have been collected from Householders and other sources under the concept of PPP. MC Gwalior replied that provision has been made during 2008-09 through public private partnership and MC Bhopal, Dewas, Indore and Rewa stated that no action was taken by in this regard.

2.1.9 Non-monitoring of Expenditure by Divisional Deputy Directors

As per para 4 of the working plan issued by the Directorate UADD Bhopal for 2005-10 a close-contact watch was to be kept by the Divisional DDs on the expenditure incurred on the recommendation of TFC.

On being enquired, MC Bhopal, Dewas, Gwalior, Indore and Rewa stated that no monitoring was exercised by the concerned Divisional Deputy Directors. Accordingly the matter was taken up with the respective DDs but replies from DD Bhopal, Indore, Jabalpur and Rewa are still awaited (February 2009). DD, UADD Gwalior stated that no directions have been received from Government for monitoring.

2.1.10 Database on finances of ULBs

The second State Finance Commission (SFC) (Beyond the Fiscal Package) recommended (December 2003) the need for building up database in respect of municipal finances. This recommendation was accepted by the State Government (March 2005). The database need to be collected, compiled and maintained in standard formats as prescribed by the CAG. UADD agreed (June 2004) in principle to adopt the formats of database as prescribed by CAG but the final action for development of database was awaited (October 2008). Through as per UCs, the entire TFC grants amounting to Rs. 180.50 crore which included Rs. 3.61 crore (being 2 percent of total TFC grant) for maintenance of accounts and creation of database received from 2005-06 to 2007-08 (up to 1st instalments) were stated to have been utilised on the specified purpose the data base of finances in the formats prescribed by C&AG was not yet created in any of the Municipal Corporation.

⁹ Rs. 5.54 crore (Bhopal: Rs. 2.28, Dewas: Rs. 0.14, Gwalior: Rs. 1.40, Indore: Rs. 1.43 and Rewa Rs. 0.29)