

CHAPTER – II
PERFORMANCE AUDIT

Performance Audit of Swarna Jayanti Shahari Rozgar Yojana (SJSRY)

Highlights

Government of India launched Swarna Jayanti Shahari Rozgar Yojana in December, 1997 with the key objective of providing gainful employment to the urban unemployed or underemployed through setting up self-employment ventures or provision of wage employment. Five major components of the schemes are Urban Self Employment Programme, Urban Women Self-help Programme, Skill Training for Employment Promotion amongst Urban Poor, Urban Wage Employment Programme and Urban Community Development Network. For implementation of the scheme, the Commissioner, Urban Administration and Development Department, Madhya Pradesh was designated as the state nodal officer who would perform his duty through state Urban Development Agency. At the district level, District Urban Development Agency works as district level nodal agency.

Audit scrutinised records of District Urban Development Agency, District level Municipal Corporation/ Municipal Council and two Nagar Panchyats in each district of the selected eight Districts to examine the performance of the implementing agencies. Some of the important observations are as follows:

Scrutiny of the records of DUDAs of five districts and five test checked ULBs revealed that the survey of eligible beneficiaries was not conducted.

Para- 2.6.1

Scrutiny of the records of DUDAs of six test checked districts and three ULBs revealed that no action plan for the implementation of the scheme was prepared.

Para- 2.6.2

In PO, DUDA of four districts and four ULBs it was noticed that no register of beneficiaries of SJSRY was maintained.

Para- 2.8.2

In six test checked districts it was noticed that the training programmes for beneficiaries were organised through NGOs and other institutions which were not recommended in the SJSRY guidelines.

Para- 2.10.1

2.1 Introduction

The SJSRY was launched on 01.12.1997 after subsuming the earlier three schemes for urban poverty alleviation, namely Nehru Rozgar Yojna (NRY), Urban Basic Services for the poor (UBSP), and Prime Minister's Integrated Urban Poverty Eradication Programme (PMIUPEP). The key objective of the Scheme was to provide gainful employment to the urban unemployed or underemployed through the setting up of self-employment ventures or provision of wage employment.

To overcome the difficulties faced by the States/UTs and address certain drawbacks in the implementation of SJSRY, the guidelines of the scheme were revised with effect from 1.4.2009.

The revised SJSRY had five major components, namely:

- (i) Urban Self Employment Programme (USEP)
- (ii) Urban Women self-help Programme (UWSP)
- (iii) Skill Training for Employment Promotion amongst Urban Poor (STEP-UP)
- (iv) Urban Wage Employment Programme (UWEP)
- (v) Urban Community Development Network (UCDN)

2.2 Administrative arrangement for implementation of SJSRY

For the implementation of SJSRY, a proper administrative set-up had been conceptualised. The overall planning, coordination, implementation, financial control, monitoring and evaluation of the SJSRY is done by the Commissioner, UADD (State Nodal Officer) through State Urban Development Agency (SUDA).

At the district level, District Urban Development Agency (DUDA) works as district level nodal agency for implementation of various schemes financed by State Government, Central Government and external assistance.

At the Urban Local Bodies (ULBs) level, Town Urban Poverty Alleviation Cell (UPA cell) was to be constituted. The UPA cell was required to forward an Action Plan prepared by Community Development Societies (CDSs) working under it to DUDA for administrative approval.

2.3 Audit Objectives

The performance audit was conducted with a view to ascertain whether:

- Proper survey for the identification of beneficiaries was done.

- The scheme was implemented through Community Development Societies by “Down to Top” administrative mechanism as envisaged in the SJSRY guidelines.
- Gainful employment was provided to the urban unemployed or underemployed through setting up of self employment ventures or wage employment or skill training.
- An effective monitoring mechanism as well as proper internal control system was in place.

2.4 Audit Criteria

The audit criteria were drawn from the following sources:

- The SJSRY scheme guidelines and instructions issued by the Government of India
- The guidelines of Reserve Bank of India for the administration of subsidy.
- Instructions/circulars issued by the State Government and Nodal agencies at State and District level.
- General Financial Rules of the State Government.

2.5 Audit Scope and Methodology

The Performance Audit of the scheme for the period 2006-07 to 2010-11 was conducted during 23 May to 1 July 2011. For conducting the performance audit, 11 districts⁶ out of 50 districts were selected as sample size on the basis of Probability Proportional to Size without Replacement (PPSWOR) sampling method and two districts (Betul and Hoshangabad) were selected for pilot study of the scheme.

The Performance Audit was conducted by covering eight districts⁷ including two districts taken up for pilot study.

An Entry Conference was held on 19 May 2011 with the Commissioner/Secretary, UADD, M.P., Bhopal wherein audit objectives, criteria, audit coverage and methodology of the performance Audit were discussed.

The exit conference was held on 25 May, 2012 with the Principal Secretary, Government of Madhya Pradesh, UADD, Bhopal.

Audit Findings

2.6 Planning

2.6.1 Survey for the identification of beneficiaries

As per Para 4.2.5 of the guidelines of SJSRY, a house to house survey for the identification of genuine beneficiaries with focus on slums and low income

⁶ Chhatarpur, Indore, Khandwa, Mandla, Ratlam, Sehore, Shahdol, Shajapur, Sheopur, Shivpuri, Vidisha
⁷ Betul, Chhatarpur, Mandla, Ratlam, Shahdol, Shajapur, Shivpuri and Hoshangabad

settlements, was to be conducted. In addition to the economic criteria of the Urban Poverty Line, non-economic parameters were also to be applied to identify the urban poor by involving community structures like Neighbourhood Groups (NHGs), Neighbourhood Committees (NHCs) and Community Development Societies (CDSs) under the guidance of Town Urban Poverty Alleviation (UPA) Cell.

Scrutiny of the records of DUDAs of five districts⁸ and five test checked ULBs⁹ revealed that the survey of eligible beneficiaries of the scheme was not conducted.

During the exit conference, the Government replied that survey for identification of beneficiaries was conducted in each ULB in 2003-04 as per instruction of the GOI. However, no document in support of conducting survey of eligible beneficiaries was produced to audit.

2.6.2 Non-preparation of action plan

As per Para 9.3 of the guidelines, the UPA cell shall prepare a ULBs poverty Sub-Plan and Budget for Urban Poor (P-Budget), conducting slum, household and livelihood surveys, identifying beneficiaries for various schemes.

Scrutiny of the records of DUDAs of six test checked districts¹⁰ and three ULBs¹¹ revealed that no such action plan for the implementation of the scheme was prepared.

During the exit conference, the Government replied that annual targets are fixed for all the districts and instructions for the preparation of action plan has been issued to the districts.

2.7 Funding Pattern and Financial Procedures

As per para 3 of the SJSRY guidelines, funding under SJSRY will be shared between the Centre and the States in the ratio of 75:25. The Central share will be tentatively allocated to the State in relation to the incidence of urban poverty (number of urban poor) estimated by the Planning Commission from time to time and on the basis of submission of Utilisation Certificates (UCs) as well as release of matching State share for the past releases. The Central share will be released in instalments to the States as soon as they became eligible in terms of the prescribed criteria.

2.7.1 Funds flow statement

The details of funds received and expenditure incurred by SUDA is depicted in the following table:

⁸ Betul, Mandla, Shahdol, Shajapur, Shivpuri
⁹ Municipal Corporation Ratlam, , Municipal Council Amla and Shahdol, Nagar Panchayat Badawada and Bhainsdehi
¹⁰ Chhatarpur, Mandla, Ratlam, Shahdol, Shajapur and Shivpuri.
¹¹ Municipal Corporation Ratlam, Municipal Council Shahdol and Nagar Panchayat Badawada

(₹ In crore)

Year	Opening Balance	Received during the year		Total	Expenditure	Closing Balance
		Central Share	State Share			
2006-07	13.94	23.88	7.96	45.78	24.64 (54%)	21.14
2007-08	21.14	31.20	10.40	62.74	40.68 (65%)	22.06
2008-09	22.06	47.23	15.74	85.03	37.96 (45%)	47.07
2009-10	47.07	44.08	14.70	105.85	50.56 (48%)	55.29
2010-11	55.29	45.70	15.23	116.22	49.12 (42%)	67.10

(Source: Figures furnished by the Commissioner UADD)

It may be seen from the above table that during 2006-07 to 2010-11, the expenditure ranged between 42 per cent and 65 per cent of the total funds available in the state.

Optimum utilisation of the funds was not ensured as the unspent balance showed an increasing trend during 2006-07 to 2010-11.

During the exit conference, the Government replied that the second instalment from the GOI is received between January and March due to which the DUDAs and ULBs were unable to utilise the grant during the financial year.

2.7.2 Funds lying idle in the Bank Accounts of DUDA

Scrutiny of the records of DUDAs of seven test checked districts revealed that proper utilisation of funds was not ensured which resulted in parking of the SJSRY funds ranging between ₹2.07 crore and ₹7.98 crore during 2006-07 to 2010-11 in the Bank Accounts of DUDAs of the test checked districts as detailed in **Appendix-VI**.

It was also found that the P.O., DUDA, Ratlam, irregularly kept an amount of ₹25 lakh in term deposit of one year (January 2011 to January 2012).

During the exit conference, the Government stated that the unspent balances would be utilised by June, 2012. The status was again sought from Commissioner, UADD in November 2012 but reply is awaited.

Implementation of the scheme

2.8 Urban Self Employment Programme (USEP)

As per para 4 of the SJSRY guidelines, the USEP component focuses on providing assistance (Loan and Subsidy) to individual urban poor beneficiaries for setting up gainful self-employment ventures-micro enterprises and providing other support like technology, marketing, infrastructure, knowledge etc.

2.8.1 Irregular adjustment of subsidy by the Banks

As per para 3 of the instructions of Reserve Bank of India (17.11.1997) for the administration of the subsidy of SJSRY, the amount of subsidy was required to be kept in borrower-wise reserve fund account with initial lock in period of two years and was to be adjusted at the time of closure of the loan account.

Scrutiny of records of bank loans of 51 cases in different banks of the five test checked districts revealed that in 22 cases, the subsidy was adjusted in the account prior to lock in period of two years as shown in **Appendix -VII**. It was also noticed that none of the above loan cases were closed even after the adjustment of the subsidy amount by the banks.

On being pointed out, the Bank Managers of five banks¹² replied that almost all the loanees were defaulters. They also stated that no official of DUDA/ULB assisted the banks in the recovery and repayment of the loan from the beneficiaries.

During the exit conference, the Government replied that the subsidy amount is adjusted by banks as per banking rules. If required, the banks can seek the assistance of ULBs for the recovery of loans.

The reply of the Government is not in consonance with the guidelines of the RBIs for SJSRY.

2.8.2 Non maintenance of permanent record of beneficiaries

As per Para 4.2.8 of the guidelines, in order to avoid duplication with the ongoing Prime Minister's Employment Generation Programme (PMEGP), USEP component of the scheme was to be confined to the BPL beneficiaries with emphasis on those given a higher priority on the basis of non-economic criteria. The list of the beneficiaries was to be shared with PMEGP to rule out duplication of coverage.

The UADD, Madhya Pradesh also issued instructions in February 2001 that a register of trained beneficiaries should be maintained in each ULB.

During scrutiny of records of PO, DUDAs of four districts¹³ and four ULBs¹⁴ it was noticed that no register of beneficiaries of SJSRY was maintained.

During the exit conference, the Government replied that necessary instructions for the maintenance of permanent record of the beneficiaries have been issued to the ULBs.

¹² PNB Chhatarpur, Allahabad Bank Chhatarpur, Bank of Baroda Shivpuri, Bank of India, Shivpuri and State Bank of Bikaner and Jaipur, Ratlam

¹³ Hoshangabad, Mandla, Shahdol and Shivpuri

¹⁴ Municipal Corporation Ratlam, Municipal Council Shahdol and Nagar Panchayats of Badawada and Bhainsdehi.

2.9 Urban Women Self-Help Programme (UWSP)

This component has two sub-components:

- (i) Assistance to groups of urban poor women for setting up gainful self-employment ventures - UWSP (Loan & Subsidy)
- (ii) Revolving Funds for Self-Help Groups (SHGs)/Thrift & Credit Societies (T&CSs) formed by the urban poor women – UWSP (Revolving Fund).

2.9.1 Poor implementation of UWSP

As per para 5.2.1 of the guidelines, the scheme is distinguished by the special incentives extended to urban poor women who decide to set up self-employment ventures in a group. To attain this objective, effective implementation of the UWSP component was essential.

Scrutiny of the records of PO, DUDAs of districts Mandla and Shivpuri revealed that during 2006-07 to 2010-11, only 1.40 lakh and ₹0.82 lakh was utilised by Shivpuri and Mandla districts for assistance to women groups and the unspent balance was ₹13.52 lakh and ₹ 32.49 lakh in these districts respectively.

On being pointed out, the PO, DUDA Mandla replied that the amount would be utilised after proper instructions were received from the Government and PO, Shivpuri replied that the amount would be utilised according to the guidelines.

During the exit conference, the Government replied that due to lack of coordination among the women's groups and not getting proper cooperation from the banks, Groups could not be formed.

2.9.2 Improper functioning of Thrift and Credit Societies

As per para 5.3.1 of the guidelines, Thrift and Credit Societies (T&CS) of self help groups of urban poor women were to be created. The subsidy of ₹25000/- was to be released for a revolving fund meant for the use of purchase of raw material and marketing, infrastructure support for income generation and other group activities etc. In this regard All India Institute of Local Self Government, Bhopal issued detailed instructions in September 2003 for setting up of T&CS.

Scrutiny of records of PO, DUDA of districts Shajapur and Ratlam revealed that the T&CS were not involved in loan distribution for production and marketing activities as envisaged in the guidelines.

During the exit conference, the Government instead of giving a proper reply only reproduced the procedure of sanctioning of subsidy amount for the revolving fund.

2.10 Skill Training for Employment Promotion amongst Urban Poor (STEP-Up)

As per para 6 of the guidelines, this component of SJSRY focuses on providing assistance for skill formation/upgradation of the urban poor to enhance their capacity to undertake self-employment as well as access better salaried employment.

2.10.1 Imparting training through unrecognised NGOs

As per Para 6.4 of the guidelines, skill trainings may be linked to accreditation, certification and preferably be taken on public private partnership (PPP) mode with involvement of reputed institutions like IITs, NITs, polytechnics, engineering colleges and management institutions etc. The UADD, Madhya Pradesh also issued an instruction in December 2000 for conducting the training through Government/Semi-Government institutions.

During scrutiny of records of test checked districts¹⁵, it was noticed that the training programmes were organised by involving NGOs and other institutions in general trades which were not recommended in the guidelines.

During the exit conference the Government stated that in absence of trained master trainers and insufficient seats in the Government institutions, the training programmes were organised through NGOs.

The reply of the Government was not in accordance with the guidelines as the training programmes were to be organised through reputed institutions.

2.11 Urban Community Development Network (UCDN)

As per para 8.1 of SJSRY guidelines, the scheme shall rest on the foundation of community development and empowerment. Rather than relying on the traditional method of top-down implementation, the scheme relies on establishing and nurturing community organisations such as CDS, NHGs and NHCs¹⁶ structures that facilitate sustained urban poverty alleviation.

2.11.1 Diversion of funds

As per para 8.5 of the guidelines, the funds may be released separately under UCDN component, for the strengthening of Community Structures and Community Development Networks. The UADD, Madhya Pradesh also issued instructions regarding the utilisation of funds under this component for public awareness camps, workshops, social awareness and activities related to health and education.

¹⁵ Betul, Chhatarpur, Hoshangabad, Mandla, Ratlam, Shivpuri.

¹⁶ CDS- Community Development Societies,
NHGs- Neighbourhood Groups,
NHCs- Neighbourhood Committees.

During test check of records of six districts, it was found that the funds received under UCDN were diverted towards the construction of public toilets, drains and sanitation works which was against the guidelines. The details of funds diverted for unauthorised construction works during the audit period is shown below:

(₹ in lakh)

Sl. No.	Name of district	Nature of construction work	No. of works	Expenditure incurred by ULBs
1	Chhatarpur	Community Halls	06	23.00
2	Hoshangabad	Public toilets	01	22.46
3	Mandla	Public toilets and public bathrooms	09	11.74
4	Ratlam	Public toilets, public bathrooms and Community Hall	15	65.37
5	Shajapur	Public toilets and Community Hall	13	31.71
6	Shivpuri	Public toilets	05	7.35
Total			49	161.63

(Source: Information furnished by DUDAs in reply of audit half margins)

During the exit conference, the Government replied that all types of works of public utility may be taken under UCDN component at the CDS level.

The reply was not in accordance with the scheme guidelines as the funds under this component should be utilised for strengthening of social community structure and not for construction works of public utility.

2.11.2 Non-engagement of Community Organisers (COs) for implementation of the scheme

As per Para 8.3 of the scheme guidelines, at the community level a CO may be engaged for about two thousand identified families. The CO will be the main link between the urban poor community (represented through the CDS) and the implementation machinery i.e. Urban Poverty Alleviation Cell at the ULB level. The success of the Scheme relies upon the performance of the COs.

During scrutiny of the records of five test checked districts, it was found that out of 45 sanctioned posts of COs, only 17 COs were engaged. The details are given below:

Sl. No.	Name of the district	sanctioned posts of COs in the district	COs engaged
1	Betul	06	01
2	Chhatarpur	15	03
3	Ratlam	11	07
4	Shahdol	06	03
5	Shivpuri	07	03
Total		45	17

(Source: Information furnished by DUDAs)

It is evident from the above table that required number of COs were not engaged which resulted in ineffective implementation of the scheme.

2.12 Conclusion:

Proper survey for the identification of the beneficiaries was not conducted. Comprehensive Action Plan for poverty alleviation was not prepared at the DUDA and ULB level. Optimum utilisation of funds was not ensured at the State and District level. Proper monitoring and follow up of the loan cases was not being carried out. The amount of subsidy was adjusted in the accounts prior to lock in period of two years. Permanent record of beneficiaries was not maintained. The details of employment provided to trained beneficiaries were not maintained. The training programmes were conducted through NGOs. The funds under UCDN component meant for strengthening community structures was diverted towards construction works. Only 38 *per cent* of the sanctioned posts of community organisers were occupied which adversely affected the implementation of the scheme.

2.13 Recommendations:

- Door to door survey of beneficiaries should be conducted and permanent record of the beneficiaries should be maintained at ULB level.
- Comprehensive Action Plan for poverty alleviation should be prepared at ULB level.
- Proper utilisation of Central/State grants should be ensured at the State, District as well as ULB level.
- Training programmes should be conducted through ULBs by involving Government organisations such as ITIs, Polytechnic etc./reputed NGOs and proper follow up of the trained beneficiaries should be done to provide them employment opportunities.
- All components of the scheme are required to be implemented through ULBs.