

## CHAPTER V

### PERFORMANCE AUDIT

#### 5.1 Twelfth Finance Commission Grants

##### **HIGHLIGHTS**

An amount of ₹ 23.06 lakh was released by the State Government towards interest for delay of 16 to 48 days in releasing the first installment of 2005 – 06.

(Para 5.1.7.2)

The release of fund for SWM in respect of 34 ULBs fell short by ₹ 1.84 crore out of the actual entitlement of ₹ 53.76 crore.

(Para 5.1.7.3)

Improper segregation, handling and disposal of solid waste / bio-medical waste.

(Para 5.1.8)

Nineteen ULBs did not spend any amount for creation of database and maintenance of accounts from the available fund. Ten ULBs spent only 0.30 to 4.75 per cent for this purpose.

(Para 5.1.9)

Fourteen ULBs diverted ₹ 3.19 crore during the period 2005 – 10 for expenditure outside the purview of the TFC grants.

(Para 5.1.10)

The Khardah Municipality gave ₹ 3.00 lakh from TFC grants to Titagarh MFP School for development purpose during 2009–10 but could not furnish any utilisation certificate for the same.

(Para 5.1.12)

##### 5.1.1 Introduction

The Twelfth Finance Commission (TFC) was appointed on 1 November 2002 to look into the issue of distribution between the Union and States of net proceeds of shareable taxes, the principles which should govern the grants-in-aid of the revenues of States from the Consolidated Fund of India and measures needed to augment the Consolidated Fund of a State to supplement the resources of the Local Bodies. The TFC submitted its report on 30 November 2004 covering the period from 2005 to 2010. Keeping in view the spirit of the 74<sup>th</sup> amendment of the Constitution of India and the clear need to provide an impetus to the decentralization process, the TFC recommended a sum of ₹ 5,000 crore for the period 2005–10 as grants-in-aid to augment the consolidated fund of the states to supplement the resources of the Urban Local Bodies (ULBs). Out of ₹ 5,000 crore, the amount allocated for the ULBs in the State was ₹ 393 crore. The grants to the Local Bodies were required to be transferred

by the State Government within 15 days after the release of the same by the Central Government.

### **5.1.2 Objectives of the grants**

The main objectives of the grants meant for ULBs were –

- earmarking at least 50 *per cent* of the grants (provided to each State for the ULBs) for Solid Waste Management (SWM) through public-private-partnership (PPP) schemes,
- concentrating on collection, segregation and transportation of solid waste of ULBs, and
- giving high priority to expenditure on creation of database and maintenance of accounts of ULBs through the use of modern technology and management systems, wherever possible.

### **5.1.3 Organizational set up**

The Municipal Affairs Department (MAD) of the State released the grants to ULBs for implementation of SWM schemes, creation of database, maintenance of accounts and also for non-SWM (NSWM) schemes.

### **5.1.4 Audit objectives**

The objective of the study was to review the performance of the ULBs in execution of works under TFC grants and to assess whether the grants were used for the intended purpose.

### **5.1.5 Audit coverage**

Out of 127 ULBs, the records relating to TFC grants of 34 ULBs covering the period from 2005 – 10, were test checked during the period from July 2010 to March 2011.

### **5.1.6 Audit methodology**

The methodology for conducting the audit included the following :

- Study of TFC recommendations, Municipal laws of the State;
- Review of records of the selected ULBs.

### **5.1.7 Financial Management**

#### **5.1.7.1 Financial outlay and expenditure**

Government of India (GOI) released the grant of ₹ 393.00 crore during the period 2005–10 in ten equal instalments of ₹ 39.30 crore. The State Government released ₹ 393.23 crore (SWM : ₹ 186.15 crore and NSWM : ₹ 207.08 crore) to the ULBs during the period including an interest of ₹ 0.23 crore. The ULBs expended ₹ 313.91 crore<sup>23</sup> (SWM : ₹ 146.63 crore and NSWM : ₹ 167.28 crore) as of 13 December 2010.

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<sup>23</sup> As per information furnished by the Department of Municipal Affairs, Government of West Bengal.

**5.1.7.2 Delay in release of grants**

It was stipulated that the TFC grants were to be transferred to the Local Bodies by the State Government within 15 days after the release of the same by the Central Government. The State Government received the first instalment of the grant on 24 October 2005 and released the same to the ULBs on 25 November 2005 and 27 December 2005. As a result, an amount of ₹ 23.06 lakh was released by the State Government towards interest for delay of 16 to 48 days in releasing the first installment of 2005–06. In 12 ULBs due to procedural delays on their part the TFC grants were credited after one to four months from the date of issue of Government orders regarding allotment of fund.

**5.1.7.3 Allotment of fund and expenditure incurred for SWM schemes**

Test check of records of 34 ULBs revealed that these ULBs had received a total amount of ₹ 107.57 crore which included ₹ 51.92 crore earmarked for Solid Waste Management (SWM). The expenditure incurred on account of SWM and others during 2005–10 are shown below :

(₹ in lakh)

Year	Received by the ULB on			Expenditure incurred by the ULB on		
	SWM	Database, maintenance of accounts & other non-SWM schemes	Total	SWM	Database, maintenance of accounts & other non-SWM schemes	Total
2005 – 06	454.99	732.61	<b>1187.60</b>	144.61	325.48	<b>470.09</b>
2006 – 07	1019.02	1120.84	<b>2139.86</b>	474.15	1035.54	<b>1509.69</b>
2007 – 08	1072.37	1053.59	<b>2125.96</b>	633.82	1150.71	<b>1784.53</b>
2008 – 09	1565.37	1574.20	<b>3139.57</b>	833.43	1396.00	<b>2229.43</b>
2009 – 10	1080.11	1083.97	<b>2164.08</b>	961.77	1426.76	<b>2388.53</b>
<b>Total</b>	<b>5191.86</b>	<b>5565.21</b>	<b>10757.07</b>	<b>3047.78</b>	<b>5334.49</b>	<b>8382.27</b>

Unit-wise details are given in **Appendices – 11A, 11B, 11C, 11D and 11E**.

It is evident from the above table that the release of fund for SWM in respect of these ULBs fell short by ₹ 1.84 crore out of the actual entitlement of ₹ 53.76 crore<sup>24</sup>. However, the ULBs spent only ₹ 30.48 crore being 59 per cent of ₹ 51.92 crore available for SWM. The ULBs did not furnish any reason for non-utilisation of available fund.

The Municipal Affairs Department (MAD) did not furnish any basis for allotment of TFC grants to the ULBs as of March 2011.

<sup>24</sup> (Total available fund – Bank interest earned by the ULBs) / 2 = (₹ 10757.07 lakh – ₹ 5.18 lakh\*) / 2 = ₹ 10751.89 / 2 = ₹ 5375.95 lakh.

\* Bank interest earned by seven ULBs (Barasat - ₹ 0.27 lakh, Baruiapur – ₹ 0.28 lakh, Diamond Harbour – ₹ 0.47 lakh, Konnagar – ₹ 0.17 lakh, Bhadreswar – ₹ 0.31 lakh, Bongaon – ₹ 0.38 lakh, Khardah – ₹ 0.45 lakh, Rishra - ₹ 0.53 lakh and Siliguri – ₹ 2.32 lakh).

### 5.1.8 Collection, segregation and transportation of solid wastes

‘Public health, sanitation conservancy and solid waste management’ as enshrined in the Twelfth Schedule of the Constitution of India, was devolved to the ULBs in the State as obligatory<sup>25</sup> and discretionary functions<sup>26</sup>.

Solid waste was to be collected from residential areas, slums, hotels, markets and bio-medical waste was to be collected from hospitals, nursing homes, clinical and pathological laboratories. These wastes were required to be segregated into organic, inorganic, recyclables and hazardous categories. The wastes, if not segregated at source, are harmful to the environment.

Scrutiny of records revealed that the solid wastes collected by 23 ULBs<sup>27</sup> were not segregated at source causing hazards to environment. In five ULBs<sup>28</sup> the segregation was done partially. Siliguri Municipal Corporation (SMC) reported (March 2011) that segregation was done partially at source and partially in the dumping ground.



Mixed wastes lying in the dumping ground of Ward No. 42 under SMC  
(12 March 2011 at 8.19 AM)

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<sup>25</sup> (i) Collection, removal and disposal of solid wastes including filth, rubbish and other obnoxious or polluted matters, (ii) Disposal of solid and liquid wastes consistent with efforts to cause recovery and re-use of all that can be salvaged, (iii) Cleansing of public streets and other public places, etc.

<sup>26</sup> (i) Provision for sewage treatment and preparation of compost manures from sewage and other refuse, etc.

<sup>27</sup> (i) Ashokenagar-Kalyangarh, (ii) Baduria, (iii) Baidyabati, (iv) Baranagar, (v) Barasat, (vi) Baruipur, (vii) Basirhat, (viii) Bhatpara, (ix) Bongaon, (x) Champdani, (xi) Diamond Harbour, (xii) Garulia, (xiii) Gobardanga, (xiv) Habra, (xv) Joynagar-Mozilpur, (xvi) Khardah, (xvii) Madhyamgram, (xviii) Naihati, (xix) North Barrackpore, (xx) Panihati, (xxi) Taki, (xxii) Tarakeswar and (xxiii) Titagarh.

<sup>28</sup> (i) Bhadreswar, (ii) Burdwan, (iii) Konnagar, (iv) Rajpur-Sonarpur and (v) Rishra.

In two ULBs<sup>29</sup> segregation was done at source; but mixed up at secondary collection points.

The wastes were transported by eight ULBs<sup>30</sup> in uncovered vehicles / containers. In three ULBs<sup>31</sup> the wastes were transported in partially covered vehicles / containers. In five ULBs<sup>32</sup> wastes were transported in covered as well as uncovered vehicles / containers.



Durganagar Colony – Nibedita Road Bye lane of Ward No. 3 under SMC (8 March 2011 at 12.40 PM)

In seven ULBs<sup>33</sup>, the wastes were dumped in open storage sites. In Baduria Municipality, the wastes were dumped in the lowlands in absence of any specific dumping ground. Barasat Municipality provisionally obtained the authorization of the West Bengal Pollution Control Board on 12 February 2010 in respect of the newly purchased land for SWM purposes. But the Municipality could not obtain any such authorization for the existing dumping ground. Champdani Municipality had two dumping grounds, one of which was unauthorised. The dumping ground of the

<sup>29</sup> (i) Serampore and (ii) Uttarpara-Kotrung.

<sup>30</sup> (i) Baduria, (ii) Basirhat, (iii) Bhatpara, (iv) Garulia, (v) Gobardanga, (vi) Panihati, (vii) Taki and (viii) Tarakeswar.

<sup>31</sup> (i) Baidyabati, (ii) Baranagar and (iii) Rishra.

<sup>32</sup> (i) Chandernagore, (ii) Diamond Harbour, (iii) Joynagar-Mozilpur, (iv) Konnagar and (v) Siliguri.

<sup>33</sup> (i) Baidyabati, (ii) Baranagar, (iii) Bhatpara, (iv) Chandernagore, (v) Serampore (vi) Siliguri and (vii) Uttarpara-Kotrung.

Konnagar Municipality was in a residential area. Most of the ULBs<sup>34</sup> had not entered into any PPP project for implementation of SWM schemes. However, 11 ULBs<sup>35</sup> engaged other agency / agencies for collection and disposal of bio-medical wastes.

In absence of proper planning for execution of SWM schemes, the ULBs could not utilize an amount of ₹ 21.44 crore being 41 *per cent* of ₹ 51.92 crore available for SWM. Further, non-segregation and improper disposal of solid wastes by most of the ULBs; would lead to environmental hazards.



Solid waste dumped on road at Pradhan Nagar, Nibedita Road of Ward No. 2 under SMC (8 March 2011 at 12.31 PM)

The MAD did not furnish any information regarding the existence of any action plan / guidelines for utilisation of funds for SWM through PPP model as of March 2011.

#### **5.1.9 Expenditure on creation of database and maintenance of accounts**

TFC gave high priority to expenditure on creation of database and maintenance of accounts of ULBs through the use of modern technology and management systems, wherever possible.

Test check of records revealed that the most of the ULBs gave no importance to the above recommendation as evident from **Appendix - 12**. Nineteen ULBs did not spend

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<sup>34</sup> (i) Ashokenagar-Kalyangarh, (ii) Bhadreswar, (iii) Baruipur, (iv) Basirhat, (v) Bhatpara, (vi) Bongaon, (vii) Chandernagore, (viii) Hooghly-Chinsurah, (ix) Joynagar-Mozilpur, (x) Khardah, (xi) Konnagar, (xii) Naihati, (xiii) Rajpur-Sonarapur, etc.

<sup>35</sup> (i) Bhadreswar, (ii) Burdwan, (iii) Chandernagore, (iv) Diamond Harbour, (v) Hooghly – Chinsurah, (vi) Konnagar, (vii) New Barrackpore, (viii) Rishra, (ix) Siliguri, (x) Titagarh, (xi) Uttarpara-Kotrung, etc.

any amount for this purpose from the available fund. Ten ULBs spent only 0.30 to 4.75 *per cent* for this purpose.

Section 70 of the West Bengal Municipal Act, 1993 stipulates that the State Government may require a Municipality to earmark a particular portion of the Municipal Fund or a particular grant or a part thereof, or any item of receipt under any head or any percentage thereof, or any share of tax receivable by the Municipality under any other law for the time being in force or any part thereof, to be utilised exclusively for any specified purpose, and it shall be mandatory on the part of the Municipality to follow the same. The State Government may also formulate separate sets of rules for observance by different groups of Municipalities in this regard.

The MAD had not earmarked the minimum percentage for utilization of grants in creation of database and maintenance of accounts. Whereas the Department of Panchayats & Rural Development of the State earmarked (July 2005 / December 2006) minimum percentage for utilization of grants in this sectors along with the list of permissible works for effective utilization of the grants. The MAD could not furnish the reasons (as of March 2011) for non-ensuring the utilization of fund on these purposes.

#### 5.1.10 Diversion of grants

Test check of records revealed that 14 ULBs diverted ₹ 3.19 crore during the period 2005 – 10 for expenditure that was outside the purview of the TFC grants as detailed below :

(₹ in lakh)

Sl. No.	Name of the ULB	Amount	Purpose
1.	Baduria	10.31	Ambulance loan, payment of dues to HUDCO, loan to employee, purchase of tarpaulin, purchase of 'Loose Note Counting Machine' and 'Fake Currency Detector'.
		93.10	Diverted SWM funds for NSWM works.
2.	Baruipur	4.84	Renovation and repairing works at Rabindra Bhawan, purchase of eight pedestal fans including all accessories for the use of Municipal office building, addition / alteration and repairing of office building.
3.	Basirhat	9.99	Electricity bill for street light and other electrical installations.
4.	Bongaon	0.71	Refund of Security Deposit to different contractors for works not executed from TFC grants.
5.	Champdani	56.46	Diverted SWM funds for NSWM works and other works / materials (like construction of school buildings, mandir, purchase of electrical goods, etc.). An amount of ₹ 13.00 lakh was diverted to BSUP fund.
6.	Chandernagore	1.72	Transferred to the Municipal Fund.

Sl. No.	Name of the ULB	Amount	Purpose
7.	Diamond Harbour	9.71	Diverted SWM funds for NSWM works.
8.	Garulia	12.06	Diverted to general fund, SFC and EGS.
9.	Gobardanga	20.85	Refund against MPLAD works, printing of Demand Register, purchase of electrical goods, diverted for IHSDP and EGS works, etc.
10.	Joynagar Mozilpur	19.53	Diverted SWM funds for NSWM works.
11.	Konnagar	44.69	Diverted SWM funds for NSWM works.
12.	Naihati	4.92	Purchase of air conditioner, electrical fittings, fencing of Municipal office compound, etc.
13.	Rajpur-Sonarpur	26.00	Diverted to the BSUP programme under JNNURM.
14.	Rishra	3.75	Purchase of 50 rickshaw vans for distribution among different beneficiaries.
<b>Total</b>		<b>318.64</b>	

The Baruipur Municipality stated (May 2011) that the expenditure of ₹ 4.84 lakh had been incurred for NSWM items which were meant for this purpose. The reply was not tenable as the Municipality did not utilize any fund for creation of database and maintenance of accounts (**Appendix - 12**).

#### **5.1.11 Poor performance of mechanical sweeper**

The Burdwan Municipality was provided with a mechanical sweeper (MS) worth ₹ 31.43 lakh by the Municipal Engineering Directorate in spite of the fact that no requisition was placed by the Municipality in this regard. The Municipality failed to utilize (as of March 2011) the MS owing to poor road condition, high maintenance cost, non-availability of spare parts in the local market, etc.

#### **5.1.12 Financial irregularities**

As per records, the Ashokenagar-Kalyangarh Municipality received an amount of ₹ 21.73 lakh *vide* Government Order No. 286 / 05 dated 25 November 2005. But, the Municipality booked an amount of ₹ 5.77 lakh as expenditure for NSWM works during the period from 19 July 2005 to 14 September 2005. Thus, the expenditure booked before the allotment of fund remained as doubtful.

The Khardah Municipality gave ₹ 3.00 lakh to Titagarh MFP School for development purpose during 2009–10 but could not furnish any utilisation certificate for the same.

#### **5.1.13 Monitoring and evaluation**

In pursuance of para 14.11 & 14.12 of Chapter 14 of the Report of the TFC, a High Level Committee was constituted (June 2005) under the Chairmanship of the Chief Secretary to the Government of West Bengal. The Committee was responsible for monitoring both financial and physical targets and for ensuring adherence of the specific conditionalities in respect of each grant, wherever applicable, etc. The Committee was required to meet at least once in every quarter to review the utilization of the grants and to issue directions for mid-course correction, if considered necessary. The State Government did not furnish any copy of the minutes of such



meetings as of March 2011. Hence, it could not be verified in audit whether the ULBs complied with the directions (if any) of the Committee or not.

#### **5.1.14 Conclusion**

In absence of proper planning the concerned ULBs could not utilize ₹ 21.44 crore, being 41 *per cent* of ₹ 51.92 crore available fund for SWM. The segregation, transportation and disposal of solid wastes were not done satisfactorily. The ULBs gave no importance to the recommendations of TFC regarding creation of database and maintenance of accounts of ULBs through the use of modern technology and management systems.

In absence of proper monitoring an amount of ₹ 3.19 crore was diverted by 14 ULBs for other purposes.

#### **5.1.15 Recommendations**

- The ULBs need to adhere to the recommendations of the Central and State Finance Commissions as well as the Municipal laws of the State, in future.
- The ULBs need to formulate schemes (as per the Acts, Rules, etc. issued from time to time) for execution of SWM projects.
- Adequate measures need to be taken for generation of revenue<sup>36</sup> from the solid wastes.
- The ULBs should develop their database for better service to the rate payers.

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<sup>36</sup> Bhadreswar Municipality earned ₹ 0.53 lakh by selling the compost during 2005 – 10.