

CHAPTER –III

Transaction Audit Paragraph

3.1 Audit findings on Release and Utilisation of Thirteenth Finance Commission Grants for Urban local bodies:

The Thirteen Finance Commission (TFC) had made recommendations on the measures needed to augment the Consolidated Fund of the State to supplement the resources of the ULBs. In this regard the TFC recommended Grant- In-Aid (GIA) to ULBs for General Areas and Special Areas for its award period 2010-15. In additions to these grants, performance grant would be available from 2011-12 to the States which met the conditions imposed for its release. There are four sub-categories of the grant:

- (i) General Basic Grant (GBG)
- (ii) General Performance Grant (GPG)
- (iii) Special Area Basic Grant (SABG)
- (iv) Special Area Performance Grant (SAPG)

The grants received by Government of Madhya Pradesh from GOI on recommendations of TFC for the year 2011-12 are depicted in **Appendix-3.1**.

In this regard, information on transfer and utilisation of TFC grants was collected from Finance Department (FD) Government of Madhya Pradesh, Commissioner Urban Administration and Development Department (UADD), Commissioner, Municipal Corporation, Sagar and CMOs of Municipalities from district Mandla & Sagar for the year 2011-12. The Audit findings on transfer and utilisation of grant are as below:-

3.1.1 Delayed release of grant by GOI:

Para 5.1 and 6.2 of GOI guidelines of TFC provided that all local body grants were to be released in two tranches, in July and January every fiscal year. Release of any instalment will be subject to UC for the previous instalment drawn. Para 7.5 of GOI guidelines provides that State Finance Secretary was also required to furnish a certificate showing dates and amounts of grants received and released by the State within 10 days from the release of each instalment by the GOI.

Scrutiny of records of FD revealed (August 2012) that an amount of ₹ 122.91 crore (₹ 88.94 crore for IInd instalment of GBG, ₹ 3.94 crore (₹ 1.97 crore each) for Ist and IInd instalment of SABG and ₹ 30.03 crore of GPG Ist instalment) related to the year 2011-12 was released with delay of 51 to 244 days by GOI as shown in **table -3.1**.

Table-3.1

Sl. No.	Particulars	Due date of release by GOI	Actual release by GOI		Delay in release of grant	Status of UCs submitted to GOI
			Date	Amount (₹ in Lakh)		
1	2	3	4	5	6	7
1	GBG-II	January 2012	03.09.2012	8894.00	216 days ¹	Not submitted
2	SABG-I	July 2011	08.12.2011	197.00	130 days ²	13.1.2012
3	SABG-II	January 2012	22.03.2012	197.00	51 days ³	30.5.2012
4	GPG-I	July 2011	31.03.2012	3003.00	244 days ⁴	30.5.2012

The matter was pointed out (January 2013); the reply of the Commissioner, UADD, Bhopal is awaited. Again, updated position was called for (May 2013); reply is awaited.

3.1.2 Creation of liabilities due to delayed transfer of grant.

Para 4.2 of GOI guidelines envisaged that funds must be transferred to ULBs within the stipulated number of days i.e. five days of receipt from the GOI in case of States with easily accessible banking infrastructure. For delay in transfer of grant beyond specified period the State government would be liable for payment of interest at the RBI Bank Rate to ULBs along with the instalment.

Scrutiny of records of FD and UADD revealed that the grants were not released in specified period during the year 2011-12 as shown in table-3.2.

Table -3.2

(₹ in lakh)

Sl. No	Name of grants	Received from GOI		Drawn from treasury		Transfer to ULBs		Delay in transfer of grant to ULBs beyond the stipulated period.	
		Date	Amount	Date	Amount	Date	Amount	Delay in days	Interest Amount ⁵
1	2	3	4	5	6	7	8	9	11
1	GBG- I	06-07-2011	8710	11-8-2011	8710	17-8-2011	8710	37	52.98 ⁶
2	SABG-I	8-12-2011	197	14-12-2011	197	15-12-2011	197	02	0.06 ⁷
3	GBG-II	03-09-2012	8894	13-9-2012	8894	13-9-2012	8894	05	11.57 ⁸
4	GPG (Forfeited)	31-03-2012	2744	07-4-2012	2744	09-4-2012	2744	04	2.86 ⁹
								Total	67.47

Source: Information furnished by the FD and Commissioner UADD

1 GBG-II = 29+31+30+31+30+31+31+03 = 216

2 SABG-I = 31+30+31+30+8 = 130

3 SABG-II = 29+22 = 51

4 GPG-I = 31+30+31+30+31+31+29+31 = 244

5 RBI Bank Rate revised w.e.f. 13.02.2012 from 06 to 9.50 percent per annum, interest calculated accordingly.

6 ₹ 8710x6x37÷100x365 = 52.98 Lakh

7 ₹ 197x6x2÷100x365 = 0.06 Lakh

8 ₹ 8894x9.5x5÷100x365 = 11.57 Lakh

9 ₹ 2744x9.5x4÷100x365 = 2.86 Lakh

From the table-3.2, it could be seen that grants were transferred to ULBs with delay ranging between 02 to 37 days. As per GOI guidelines Finance Department had to pay interest amount of ₹ 67.47 lakh to ULBs at Bank Rate of RBI.

The matter was pointed out (February 2013); the reply of Commissioner UADD is awaited.

3.1.3 Non- submission of UCs for actual expenditure

Para 6.2 of the GOI guidelines of TFC envisaged that release of any installment will be subject to utilisation certificate for the previous installment drawn.

During scrutiny of records of UADD Bhopal (August 2012), we observed that information on allocation and release was sent to FD as UC after transferring total release funds to the ULBs. However, in nine test checked ULBs we observed that ₹ 4.66 crore was lying unspent out of available fund of ₹ 8.61 crore (balance of previous year ₹ 2.44 crore and current year ₹ 6.17 crore) during 2011-12. Details are shown in **Appendix -3.2**. We further observed that none of the test checked ULBs reported actual utilisation of funds to UADD. Hence it is clear that without getting UC of actual expenditure of previous instalment, next instalments were released.

On this being pointed out (December 2012), Commissioner, UADD, stated that information of actual expenditure is being collected from divisional offices. Consolidation of actual expenditure was done after receiving the said information.

The reply of Commissioner UADD proves that the instalments were released without getting utilisation certificate of actual expenditure of the previous instalments drawn.

3.1.4 Lack of monitoring & Evaluation:

Para 9.1 of GOI guideline stipulates that every State shall constitute a High Level Monitoring Committee (HLMC) headed by the Chief Secretary to the State Government and will include Finance Secretary and Secretaries of the concerned Department as members. HLMC shall be responsible for ensuring adherence to the specific conditions in respect of each category of grant, wherever applicable.

In Compliance to TFC guidelines a HLMC headed by the Chief Secretary to the State Government was constituted (July 2010) by the Finance Department. The meetings of HLMC were required to be held at least once in every quarter of financial year.

It was noticed that against the requirement of ten HLMC meetings to be held (up to December 2012) only four meetings were conducted which shows lack of monitoring.

3.1.5 Conclusion:

- Local body grants received by the State Government from the GOI on the recommendations of TFC were not transferred to ULBs within the specified period, which created a liability of ₹ 67.47 lakh in the year 2011-12 on Government in the shape of interest payable to ULBs.

(Paragraphs 3.1.2)

- Utilisation certificates of grants were submitted to the GOI without getting utilisation certificate of actual expenditure from concerned ULBs.

(Paragraphs 3.1.3)

3.2 Avoidable Surcharge on Electricity Bills, ₹ 1.23 crore

Surcharge of ₹ 1.23 crore was levied on Municipal Corporation Ujjain due to non payment of electricity bills regularly.

Section -88 of Madhya Pradesh Municipal Corporation Act, 1956 envisages that the Municipal fund shall be applied to repayment of all loans first, thereafter discharging all liabilities imposed on the corporation.

Scrutiny of records (January 2012) of electricity bills revealed that Ujjain Municipal Corporation (UMC) had not been paying electricity bills regularly on two connections¹⁰ since July 2009. Madhya Pradesh Paschim Kshetra Vidyut Vitaran (MPPKVV) Co. Ltd levied surcharge of ₹ 1.23 crore on these connections between the period July 2009 to February 2012 as shown in **Appendix 3.3 & 3.4.**

Further, we found (February 2013) that UMC and Directorate of UADD cleared the liabilities of UMC by paying ₹ 6.38 crore¹¹ to the MPPKVV for energy charges including surcharge against dues of ₹ 5.74 crore¹² (March to April 2012) without ascertaining actual dues. We observed that due to lack of co-ordination between UMC and UADD excess payment of ₹ 64 lakh (paid amount of ₹ 6.38 crore – actual dues amount ₹ 5.74 crore) was made to MPPKVV.

¹⁰ Connection No. 502022 surcharge levied ₹ 0.36 crore and Connection No. 502023 surcharge levied ₹ 0.87 crore

¹¹ UMC paid ₹ 3.20 crore by the cheque No.094024 & 094056 dated 27.03.12 & 31.03.12. UADD paid ₹ 1.59 crore during the month February to April 2012 and ₹ 1.59 crore was adjusted with Property & water tax which was due on MPPKVV of UMC.

¹² Connection No. 502022 ₹ 1.41 crore and Connection No. 502023 ₹ 4.33 crore

On this being pointed out the UADD admitted (April 2013) the facts and stated that due to non availability of funds, UMC had to bear ₹ 1.23 crore as surcharge and also stated that excess payment of ₹ 64 lakh will be adjusted in future.

The matter was reported to the Government (June 2012, January 2013 & May 2013), reply has not been received so far.

3.3 Avoidable liability for temporary project, ₹ 15.67 crore.

Ujjain Municipal Corporation received loan for temporary project and did not make efforts for conversion into relief grant creating liability of ₹15.67 crore.

Section -102(1)(iv)(i) of Madhya Pradesh Municipal Corporation Act (MPMCA), 1956 stipulates that no loan shall be raised for the construction of any work other than a permanent work, which expression shall include any work of which the cost should in the opinion of the Government be spread over a term of years.

With a view to maintain a continuous water supply to meet water shortage due to drought (year 2008) in Ujjain city, a meeting was held (December 2008) under the Chairmanship of the Chief Minister with the Chief Secretary of the State, Principal Secretaries of Finance, Revenue, Urban Administration & Development Department and the Commissioner, Calamity Relief of the State Government. In the meeting it was decided that ₹ 3.40 crore was to be sanctioned from Calamity Relief Fund (CRF) for transportation of water and ₹ 12.22 crore was to be sanctioned as a loan to Ujjain Municipal Corporation (UMC) for laying a pipe line for temporary service from Amlawdabika Barrage to Gambhir Ambodiya Treatment Plant. It was also decided that the loan amount would be considered for conversion into grants later on.

Scrutiny of records (January 2012) of Amlawdabika water supply project revealed that UMC invited a tender (December 2008) for laying GRP pipe line of length 23.6 K.M. from Amlawdabika Barrage to the Gambhir Ambodiya Treatment Plant for conveying 0.71 MCFT (22.50 MLD) raw water per day. For transportation of water a temporary Intake well pump/motor, construction of electricity sub-station and electric lines, transformer, generator etc were to be constructed and installed for four months only. The project was completed and commissioned on 07.04.2009 by incurring expenditure of ₹ 14.74 crore¹³ on the above components of the project.

¹³ Expenditure incurred of ₹ 12.61 crore for Providing laying and joining GRP pipeline with operating pump, ₹ 1.28 crore for Electricity works 33 KV for 24 KM, Substation and LT panel and ₹ 0.85 crore for DG set hire charges and Energy charges- electricity temporary connection and diesel.

UMC utilised services of the project only for three months (from 07.04.09 to 30.06.09). Thereafter, the water supply was not availed by UMC till January 2012.

On this being pointed out (January 2012) the Commissioner, MC Ujjain accepted (January 2012) that these works were of temporary nature and stated that the action would be initiated for conversion of loan into grants.

We counter verified (February 2013) the utility of the project which was still unused. The Executive Engineer of UMC also stated that its capacity was not sufficient to fulfill water requirement for Ujjain city and had not made any budgetary provision for maintenance since commissioning (April 2009).

We also found (April 2013) from the records of UADD that total amount of ₹ 15.67¹⁴ crore was released to UMC as loan without considering ₹ 3.40 crore as grants from CRF.

The reply of UMC and Executive Engineer of the project proved that laying of the pipe line for water supply from the barrage might not be used in future. Thus lack of foresightedness and lackadaisical approach of UMC & UADD led the work of temporary nature executed under loan becoming unfruitful and created liabilities of ₹ 15.67 crore on the UMC.

The matter was reported to the Government (June 2012, January 2013 & May 2013); reply is yet to be received.

3.4 Loss of Revenue of ₹ 7.90 crore.

Loss of Revenue due to non-realisation of Fees from the Telecom companies towards installation of telecom/mobile towers within Bhopal MC area of ₹ 7.90 crore.

Section -132(4)(c) of Madhya Pradesh Municipal Corporation Act (MPMCA), 1956 stipulates that taxes are to be imposed by the corporation, if a person exercising any profession or art of carrying on any trade or calling within the city. Ministry of Urban Administration & Development Department (UADD) issued directions (March 2002) to Urban Local Bodies regarding permission for the establishment of Telephone/Mobile Towers in Municipal Areas and directed to take ₹ 20,000 per tower as permission fee from the concerned companies.

Scrutiny of records (July 2012) of established Telecommunication Infrastructure Tower (TIT) of Bhopal Municipal Corporation (BMC) revealed that various Telecom companies erected 654 TIT (authorised-259 &

¹⁴ ₹ 5.00 crore bill No. 563 dated 05.03.2009 + ₹ 5.00 crore bill No. 610 dated 23.03.2009 + ₹ 5.67 crore bill No. 91 dated 19.06.2009

unauthorised-395) in the municipal area of BMC up to July 2012. Details of unauthorised towers are shown in **Appendix-3.5**.

We noticed that no action was taken for regularisation of unauthorised 395 TIT. Consequently, revenue of ₹ 79 lakh¹⁵ (₹ 20,000 X 395 TIT) remained unrealised from the concerned Telecom companies.

On this being pointed out, the Municipal Commissioner stated that steps would be taken after passing resolution in Mayor In Council (MIC) and direction received from the Government.

Further information collected (April 2013), revealed that a Gazette Notification was issued in October 2012 regarding permission and authorisation of TIT. According to rule 5 & 20 of the notification ₹ two lakh was to be received as fee before regularisation of unauthorised TIT and the maximum period of three months (two months application time and one month processing time) was provided for the regularisation of unauthorised TIT. But the above three months lapsed and no unauthorised TIT was regularised which resulted in ₹ 7.90 crore (₹ 2.00 lakh X 395 TIT) as per new rules, was remaining unrealised.

The matter was reported (December 2012, February 2013 & May 2013) to the Government, their reply had not been received so far.

¹⁵ 395 TIT X ₹ 20,000 = ₹ 79,00,000 as on July 2012.