

Chapter 2

Performance Audit

2.1 “Backward Regions Grant Fund” for Urban Local Bodies

Executive Summary

Introduction

Government of India launched (February 2007) Backward Regions Grant Fund programme, a Centrally Sponsored Scheme (100 per cent) in the Eleventh Five Year Plan (2007-12) to mitigate regional imbalances, contribute towards poverty alleviation, promote accountable and responsible *Panchayats* and Urban Local Bodies and accelerate the pace of development in backward regions.

Planning

Baseline survey to identify missing infrastructure gaps to carry a diagnostic study of its backwardness was not conducted and a databank was not developed.

- Critical gaps were not identified and included in the Annual Action Plans, as baseline surveys were not conducted.
- Due to non-adherence of planning cycle and lackadaisical approach, an avoidable expenditure of ₹ 6.93 crore was incurred.

Financial Management

- The scheme funds for development works amounting to ₹ 10.66 crore was parked (Period: 2007-12) in the bank account of Urban Local Bodies of the test-checked districts.
- Non-observance of the scheme guidelines resulted in the Department incurring (till March 2012) loss of interest of ₹ 49.77 lakh.
- Delayed transfer of funds by the Government during 2008-10, resulted in payment of penal interest of ₹ 5.50 crore.

Implementation

- Unfruitful expenditure of ₹ 4.37 crore incurred on incomplete works.
- Unfruitful expenditure of ₹ 1.70 crore on incomplete/partial completed works.

2.1.1 Introduction

In the Seventy Third and Seventy Fourth Constitution Amendment Act, 1992 immense responsibility was placed on *Panchayats* and ULBs level governance

with appropriate capacity building and providing professional support for planning, implementation and monitoring of development programmes.

With the objective of balanced development, the Government of India (GoI) launched (February 2007) Backward Regions Grant Fund (BRGF) programme, a Centrally Sponsored Scheme (100 *per cent*) in the Eleventh Five Year Plan (2007-12) to mitigate regional imbalances, contribute towards poverty alleviation, promote accountable and responsible *Panchayats* and ULBs and accelerate the pace of development in backward regions. The Government identified 34 backward districts¹ of the State for the Fund. These districts included 21 districts of the State already covered (Year: 2003-06) under Rashtriya Sam Vikas Yojana (RSVY) and was subsumed (December 2007) with BRGF.

The BRGF was designed by providing financial resources for supplementing and converging existing developmental inflows:

- to ensure convergence of Central/State schemes and pooling of resources for better outcomes;
- to bridge critical gaps in the local infrastructure and other development requirements that were not being adequately met through the existing inflows;
- to strengthen governance of *Panchayats* and ULBs in participatory planning with more appropriate capacity building and to provide professional support for decision making, implementation and monitoring their plans to reflect local felt needs and counter possible efficiency and equity losses; and
- to improve the performance and delivery of critical functions assigned to *Panchayat/ULBs*.

2.1.2 Organisational Setup

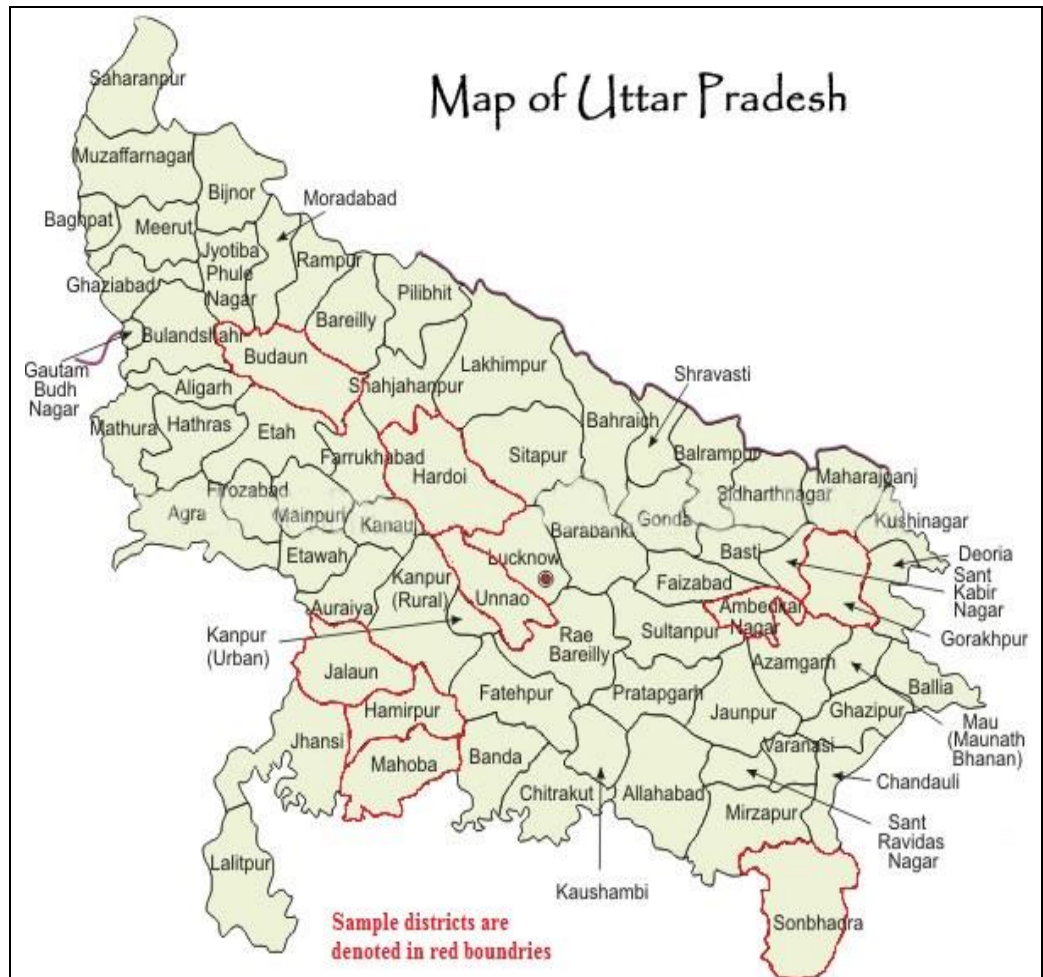
At Government level, the Principal Secretary, *Panchayati Raj* is responsible for overall implementation and monitoring of the Scheme. At the Department level, Director, *Panchayati Raj* has been nominated as the State Level Nodal Agency (SLNA), responsible for implementation and monitoring of the Scheme. District Planning Committees (DPCs) constituted are to approve the integrated district plan and monitor the implementation at district level. State Level High Power Committee (SLHPC) headed by the Chief Secretary is to examine the district plans, formulate policy guidelines and monitor the implementation of the scheme activities.

¹ Ambedkar Nagar, Azamgarh, Badaun, Bahraich, Balrampur, Banda, Barabanki, Basti, Chandauli, Chitrakoot, Etah, Farrukhabad, Fatehpur, Gonda, Gorakhpur, Hamirpur, Hardoi, Jalaun, Jaunpur, Kaushambi, Kushinagar, Lakhimpur Kheri, Lalitpur, Mahoba, Maharajganj, Mirzapur, Pratapgarh, Raebareli, Sant Kabirnagar, Shravasti, Siddharthanagar, Sitapur, Sonebhadra and Unnao.

A Project Management Unit (PMU) headed by the Project Director (PD), BRGF was constituted (October 2008) by the State Government for execution, effective monitoring and evaluation of the scheme activities. At district level Nodal Officers² were nominated and made responsible by the Government for overall implementation and monitoring of the scheme along with the Executive Officer (EO) of ULBs.

2.1.3 Scope of Audit and Methodology

With a view to check the adequacy of implementation of the Scheme activities, the records of nine out of 34 BRGF covered districts³; seven⁴ selected through Simple Random Sampling Without Replacement (SRSWOR) method and two⁵ covered in the Pilot study (Period: 2007-08 to 2012-13) and the records of the PD, BRGF, UP, Lucknow were scrutinised during 19 September to 5 December 2012. Joint physical inspections of assets (two works) created under the Scheme were conducted along with the EO of the selected *Nagar Palikas/Nagar Panchayats*. The units selected for Performance Audit are denoted in the map.



²District *Panchayat Raj* Officer (till December 2008) and *Apar Mukhya Adhikari* of *Zila Panchayat* (December 2008 onwards)

³Ambedkar Nagar, Badaun, Gorakhpur, Hamirpur, Hardoi, Jalaun, Mahoba, Sonbhadra and Unnao

⁴Badaun, Gorakhpur, Hamirpur, Hardoi, Jalaun, Sonbhadra and Unnao

⁵Ambedkar Nagar and Mahoba.

An Entry Conference was held on 4 October 2012 with the Principal Secretary, *Panchayati Raj* Department during which audit objectives, audit criteria, scope and methodology were discussed and agreed upon. The Exit Conference was held with the Special Secretary, *Panchayati Raj* Department on 26 August 2013 during which the audit findings and recommendations were discussed. The reply received from the Government has been suitably incorporated at relevant places in the Report.

Limitations

Evaluation of the activities of an entity by conducting a performance audit is possible when requisite information and records are furnished by the audited entity to Audit. Despite assurance by Principal Secretary of the Department during the entry conference, some requisite records and replies to audit memoranda were not made available to Audit team. Letters dated 27.07.2012 and 19.08.2012 addressed to the Director, *Panchayati Raj*, UP and letters dated 19.08.2012, 20.09.2012 and 25.10.2012 and demi-official letter on 12 December 2012 addressed to PD regarding non-production of replies/records were sent. The information/records relating to BRGF scheme, tender documents and activities were largely not furnished as of August 2013 (***Appendix 2.1.1***).

The non-production of the records and information to various audit memoranda limited the scope of audit.

The Government accepted (August 2013) the fact and stated in its reply that unfurnished records/documentary evidences would be furnished on priority to the office of Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad.

2.1.4 Audit Objectives

The objectives of the Performance Audit are to determine that:

- Adequate institutional capacity to achieve the desired objectives was in existence;
- Compliance of relevant rules, laws and regulations while discharging its mandated functions are made; and
- Whether the schemes activities launched by the GoI were implemented and the delivery of services was efficient and effective.

2.1.5 Audit Criteria

Following documents were used for drawing the audit criteria:

- Guidelines issued by the GoI and the State Government;
- Budget Manual and Financial Rules;
- Budget documents, Perspective plan, Annual Action plans and Performance budget;
- Departmental policies/rules and regulations; and
- Procedures prescribed for monitoring, evaluation and internal audit.

2.1.6 Compliance Issues

It is essential for sound financial administration and control that expenditure conforms to financial rules, regulations and is in consonance with orders issued by the competent authority. Some of the audit findings regarding non-compliance with rules and regulations are discussed in the following paragraphs:

2.1.6.1 Policy framework and institutional arrangements

Absence of policy framework and non-issue of guidelines

As per GoI guidelines (*Appendix 2.1.2*) the scheme guidelines were to be issued by the State Government for policy frame work regarding performance incentives and monitoring.

Scrutiny of records of ULBs of the test-checked nine districts revealed that the guidelines prepared were not issued by DPRO/AMA to ULBs. The main features of the guidelines were as follows:

- allocation of funds considering the backwardness index or level of development and addressing specific district wise priorities,
- policy for earmarking a reasonable percentage of funds towards performance incentive, based on specified criteria,
- conduct of Social Audit by Board of ULBs in urban areas,
- making implementing agencies accountable to ULBs,
- prescribing of quality monitoring system which was to be reviewed regularly by the State Level High Power Committee,
- conduct of third party audit and;
- conduct of peer review of progress by ULBs themselves and constitution of a Review Committee by DPC to review such reports.

Thus, due to non-issuance of guidelines, efforts like performance incentives and monitoring were not given due weightage at policy formulation stage.

The Government stated (June 2013) that guidelines were published and circulated (January 2008) to all the BRGF districts.

The reply is not acceptable. In the test-checked districts it was noticed that guidelines were not issued by the Nodal officer (DPRO/AMA) to ULBs.

2.1.6.2 Weak institutional arrangements

With a view to achieve the mandate of the Department and objectives in an economical, efficient and effective manner it is essential to have soundness and appropriateness of the internal systems and controls in key areas of activities. The shortcomings found during audit are as under:

2.1.6.3 Technical and professional support to ULBs

Adequate human resource is a key element required for preparation, implementation and monitoring of schemes/programmes.

Paragraph 3.22 of the GoI guidelines stipulate provision of technical support staff in planning, implementation, monitoring, accounting and improving accountability of scheme activities through contracting and outsourcing at ULB level.

Scrutiny of records of ULBs of test-checked districts revealed that technical staff was posted only in 13 ULBs. In other 75 ULBs the services of technical support staff (Junior Engineer) were taken from other departments. Thus, shortage of technical manpower at ULBs level adversely affected the qualitative achievements of the scheme as discussed in Paragraph 2.1.10.

The Government accepted (June 2013) the observation.

Non-functioning of District Project Management Units (DPMU)

To assist DPC in planning, monitoring and evaluation of developmental programmes in the backward districts, BRGF provided for setting up of DPMUs headed by Chief Development Officer and assisted by AMA, *Zila Panchayat* of respective districts. The main function of DPMU was to prepare the PP and AAP for development works and capacity building with the assistance of Technical Support Institutions (TSIs) and was to monitor and evaluate the scheme activities.

Scrutiny of records of ULBs of test-checked districts revealed that AAPs were prepared without assistance of TSIs. Further, scrutiny of records of AMA, *Zila Panchayats*⁶ of test-checked districts also revealed that:

- DPMUs only compiled the AAPs furnished by ULBs without assistance of TSI.
- DPMU was not functional in Hamirpur district.

Thus, due to non-functioning of DPMUs the objective of proper planning, effective monitoring and evaluation of the developmental works carried out under the scheme was not achieved.

The Government stated (June 2013) that DPMU had now started functioning. It further stated that DPMU was constituted for conducting the training programme at district level under Capacity Building and not for preparing AAP/PP.

The reply is not acceptable. HPC had defined (August 2009) the role of DPMU for preparation of AAP and PP.

⁶ Ambedkar Nagar, Badaun, Gorakhpur, Hamirpur, Hardoi, Jalaun, Mahoba, Sonebhadra and Unnao.

2.1.7 Planning

Perspective Plan and AAP are essential for systematic implementation of any scheme. The proposals received from ULBs are to be approved by DPCs and sent to HPC for final approval by the State Government.

The major gap in the planning process was the absence of linkages between development planning and physical planning as mentioned in the succeeding paragraphs:

2.1.7.1 No base line survey

Paragraph 3.22 of the BRGF guidelines requires that a baseline survey be conducted to identify critical infrastructure gaps and a diagnostic study of its backwardness carried out. A need based professional planning support was to be ensured and steps to address them over a period of time were also to be undertaken. The planning process was to be commenced at the initial level and the AAPs were to be based on the priorities.

The GoI released (May 2007) an amount of ₹ 25.30 crore to the State Government for Capacity Building, out of which the baseline survey was to be conducted.

Scrutiny of records revealed that during 2007-2013, no fund was released to ULBs from Capacity Building, resulting in non-conductance of base line survey and non-development of baseline data bank. The projects were included in the AAPs without conducting any base line survey.

Thus, due to non-conducting of baseline survey and non-development of baseline data bank, critical gaps were not identified which resulted in preparation of AAPs without assessing the priorities.

The Government accepted (June 2013) the fact and stated that due to technical reasons the funds were not utilised for baseline survey.

2.1.7.2 Absence of integrated as well as participatory planning

Paragraph 1.5 of the GoI guidelines envisaged that participatory plans prepared by ULBs be consolidated into integrated district plan by DPC and the same were to reflect all financial resources available in the district and ensure their optimal use without delay, diversion, duplication and leakages. It was also stipulated that a normative formula be used for the allocation of BRGF funds to each ULBs.

Scrutiny of records of ULBs of test-checked districts revealed following deficiencies:

- During 2007-12, the AAPs of ₹ 9.06 crore pertaining to 34 ULBs were included and approved by DPCs of the districts without consulting ULBs as mentioned in **Table 1**.

Table 1: Approval of AAPs by DPCs without consulting ULBs**(₹ in crore)**

Year	No. of districts	No. of ULBs	Amount of AAP
2007-08	5	7	2.36
2008-09	6	7	2.51
2009-10	6	8	1.63
2010-11	5	9	1.98
2011-12	2	3	0.58
Total		34	9.06

(Source: Records of ULBs)

- During 2007-08, the work of “Construction of 33/11 KV Power sub-station” at a cost of ₹ 1.98 crore was included in the AAP and approved by DPC without consulting the *Nagar Palika Parishad, Sandila, Hardoi*.

The Government stated (June 2013) that the proposal was initiated by Nagar Palika Parishad, Sandila, Hardoi.

The reply is not acceptable. No evidence of initiation of the proposal by Nagar Palika Parishad, Sandila, Hardoi was made available.

- During 2008-09, six works costing ₹ 19.10 lakh were sanctioned and accorded financial and administrative approval (August 2010) by the State Government for non-existing site in *Nagar Panchayat, Pipri, Sonebhadra*.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed; findings would be intimated to audit.

- During 2008-11, the AAPs for ₹ 43.57 lakh (for each year) and in 2011-12, AAP for ₹ 44.03 lakh of *Nagar Palika Parishad, Maudaha, Hamirpur* were sent by DPC to HPC. Administrative approval (January 2011) was accorded by PMU, but funds were not released by the AMA.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed; findings would be intimated to audit.

- During 2010-11, the AAPs for ₹ 97.18 lakh of three ULBs of Hardoi district were sanctioned by HPC. Due to administrative approval not being accorded by PMU, the funds were not released by the Nodal officer as mentioned in **Table 2**.

Table 2: Non-release of Funds**(₹ in lakh)**

Year	Name of the ULB	Amount of AAP not released
2009-10	<i>Nagar Panchayat, Pihani</i>	21.00
	<i>Nagar Panchayat, Sandi</i>	40.00
2010-11	<i>Nagar Panchayat, Pali</i>	36.18
Total		97.18

(Source: Records of ULBs)

Thus, due to non-release of funds, the developmental works of ULBs were not commenced, defeating the objectives of the scheme.

The Government added that new instructions have been issued and in place of PMU, administrative and financial sanction was to be accorded by the District Magistrate.

- During 2009-12, AAPs of 10 ULBs of Jalaun and 18 ULBs of Unnao were sanctioned by HPC. Due to accord of administrative approval by PMU for only two ULBs of Jalaun and one ULB of Unnao, the fund was not released to remaining ULBs by the Nodal Officer.

Thus, due to absence of participatory planning the integrated district plan did not reflect all available financial resources and ensure their optimal use.

The Government stated (June 2013) that administrative approval of seven ULBs of Jalaun was accorded in October 2012, i.e. after stoppage (August 2012) of payment and the matter regarding Unnao was being probed and the findings would be furnished to audit.

2.1.7.3 Non-preparation of Perspective Plan

The GoI guidelines specified that a well-conceived participatory District Development Perspective Plan (Period: 2007-12) to address the backwardness issue was to be prepared by the Department (January 2007) and was to be approved by DPCs till March 2007.

Scrutiny of records of PMU revealed that the proposal for preparation of Perspective Plan (PP) for the period 2007-12, was sent (February 2007) to the GoI by the State Government, which delayed the release (October 2007) of ₹ 3.40 crore (₹ 10 lakh per district) fund for preparation of PP for 34 backward districts.

Scrutiny of records of PMU revealed (September 2012) that the work of preparation of PPs for 25 districts was assigned (June 2009) to Agriculture Finance Corporation, Lucknow (AFC) for submission by October 2009. An advance payment of ₹ 1.25 crore (₹ 50.00 lakh: June - November 2009 and ₹ 75 lakh: October 2010) was made. The PPs were not furnished to Audit. As such it could not be ascertained whether the PPs were prepared.

Scrutiny of records of the Nodal officer/ULBs of test-checked districts also revealed that the PP was neither prepared by ULBs nor by AFC.

Thus, it is evident from the above that during 2007-2010, works were executed by ULBs without any planning, defeating the objective of participation of executing agencies at the grass root level.

The Government stated (June 2013) that PP was submitted by AFC. The reply is not acceptable. AMA and the ULBs of the test-checked districts had stated in their reply that PP was not prepared.

2.1.7.4 Delayed planning process

To ensure timely flow of funds from the GoI, AAPs under BRGF were required to be prepared, approved by the DPC concerned and was to be submitted to the State Government/GoI before commencement of each financial year.

According to Paragraph 3.16 of the GoI guidelines, the planning was to commence in July and was to be completed by March before commencement of next financial year.

Scrutiny of records of PMU revealed (September/December 2012) that in the third meeting of HPC it was decided (15 September 2008) to prepare AAPs for 2007-08 and payment of consultancy charges of ₹ 1.50 lakh per district was to be made to the TSIs. An advance payment of ₹ 22.50 lakh (40 per cent) was made (June-October 2010) by PMU to AFC for preparation of AAPs of ULBs of 15 districts.

Scrutiny of records (September/December 2012) of ULBs of test-checked districts revealed that no support was provided by the TSIs. There was considerable delay in preparation of AAPs and submission of district plans for the period 2007-12 to the GoI as brought out in **Table 3**.

Table 3: Delay in approval of AAP

Sl. No.	Name of District	Year (Date of Approval)				
		2007-08	2008-09	2009-10	2010-11	2011-12
1	Ambedkar Nagar	30.05.2008	12.10.2009	12.10.2009	06.02.2010	NA*
2	Mahoba	13.06.2008	22.07.2009	11.09.2009	NA	NA
3	Sonebhadra	23.05.2008	NA	NA	NA	NA
4	Jalaun	21.06.2008	05.01.2009	03.09.2009	19.08.2010	03.06.2011
5	Hamirpur	13.06.2008	NA	29.11.2009	NA	NA
6	Gorakhpur	09.06.2008	10.06.2009	06.11.2009	03.04.2010	NA
7	Badaun	14.07.2008	19.12.2008	15.09.2009	06.04.2010	NA
8	Unnao	26.06.2008	01.08.2009	01.08.2009	25.03.2011	18.05.2011
9	Hardoi	11.07.2008	01.08.2009	29.11.2009	29.11.2009	NA
Period of delay		418 to 470 days	263 to 560 days	122 to 243 days	0 to 359 days	48 to 64 days

(Source: DPRO and AMA of districts) (NA: Date not available)

It is evident from the table that the planning process was considerably delayed at the approval level of DPC which further delayed the sanction of the State Government.

Scrutiny further revealed (September 5 - December 2012) that AAPs were approved with delay of 48 to 560 days which resulted in corresponding delay of release of funds affecting the execution due to cost escalation. It was also noticed that due to delay in approval of AAPs, 53 ULBs of eight test-checked

districts had to incur (Period: 2007-12) an avoidable expenditure of ₹ 6.93 crore from other schemes⁷.

HPC directed (January 2010) to meet the additional expenditure of cost escalation for the AAPs of 2007-08, from the releases of 2009-10.

Thus, non-adherence to planning cycle and lackadaisical approach of the Department led to an avoidable expenditure of ₹ 6.93 crore.

The Government accepted (June 2013) the delay in approval of AAP and further added that as political person headed the DPC, the meetings were not held in time resulting in delayed approval of AAPs.

2.1.7.5 Absence of time schedule in planning

Scrutiny of records (November/December 2012) of AMA, Unnao revealed that AAP of ₹ 21.04 crore for development works of 2006-07 was sanctioned (August 2009) by DPC for PRIs/ULBs which was approved (August 2009) by HPC when the works of 2007-08 were already executed.

The State Government did not furnish any reply.

Further, scrutiny of records of ULBs of test-checked districts also revealed that:

- ULBs of Ambedkar Nagar (Year: 2008-09 and 2009-10), Hardoi (Year: 2009-10 and 2010-11) and Unnao (Year: 2008-09 and 2009-10) submitted AAPs of two years at the same time.
- ULBs of Mahoba and Sonebhadra (Year: 2010-11) and Badaun, Gorakhpur, Hardoi and Mahoba (Year: 2011-12) did not furnish AAPs to DPC.

Thus, it is evident from the above that in contravention of the norms of guidelines, the delayed submission and approval of AAPs adversely affected the time schedule of planning, resulting in non-achievement of the desired objectives.

The Government accepted (June 2013) the fact but specific reason for delayed submission and according of administrative approval was not given.

2.1.7.6 Non-preparation of sub-plans for Scheduled Castes/Tribes

Paragraph 2.2 of the GoI guidelines stipulates that a separate sub-plan be made within the AAP of each ULB for Scheduled Castes (SCs) and Scheduled Tribes (STs) showing scheme-wise allocation in proportion to the population of these communities.

⁷State Finance Commission, *Palika Nidhi*.

Scrutiny of records of ULBs and AMAs of the test-checked districts revealed that during 2007-12, no such sub-plan was prepared within the AAP even though SC/ST population of ULBs of these districts ranged between 11 per cent and 22 per cent of the total population as per Census 2001.

Scrutiny of records of AMA, Unnao revealed that SC/ST population of ULBs in the district was 15 per cent (as per Census 2001). A separate sub-plan within the AAP for each ULB was not made. It was also noticed that during 2011-12, State Government released (August 2011-March 2012) an amount of ₹ 6.45 crore to AMA, Unnao for the execution of development works in the SC/ST prone area of only GPs.

Thus, in contravention of the norms of the guidelines separate sub-plan for SC/ST in the district was not prepared by ULBs. The State Government released funds only for GPs.

The Government stated (June 2013) that instructions were issued (January 2010) to the Nodal Officers for preparation of plan for SC/ST population.

The reply is not acceptable. No separate sub-plan was prepared (December 2012) by ULBs of the test-checked districts.

2.1.8 Financial Management

The basic principle behind the BRGF is to provide untied grants for ULBs to use and to strengthen the entire processes behind local planning, governance and decision-making.

2.1.8.1 Funds flow mechanism

Paragraph 4.6 of the guidelines stipulates that the GoI transfer the scheme funds into the Consolidated Fund of the State Government which in turn was to be directly transferred into the bank accounts of the *Panchayats* and ULBs within 15 days of the release of funds. The guidelines also provided that the scheme funds be released to the PRIs and ULBs (in the ratio of 80:20).

Scrutiny of records of PMU revealed that during 2007-13, separate details of year-wise releases and the utilisation of the Development grant to the PRIs/ULBs were not maintained.

Further, scrutiny of records of PMU and ULBs of test-checked districts revealed that the State Government did not release funds directly to ULBs, but was released through budget provision to the Nodal Officer⁸ of the districts against the prescribed provisions, who in turn transferred the funds to ULBs/ implementing agencies. It was also noticed that the Nodal Officer, made drawal from the treasury through *Samanya Deyak Prapatra-105* (meant for drawing of Loans and Grants) and deposited the amount into a separate

⁸ District *Panchayat Raj* Officer (till December 2008) and *Apar Mukhya Adhikari* of *Zila Panchayat* (December 2008 onwards).

savings bank account which was released to PRIs and ULBs through cheques/bank drafts resulting in non-observance of norms of transferring of funds, within 15 days into the bank accounts of the *Panchayats* and ULBs.

2.1.8.2 Flow of funds under Capacity Building

Allotment, release of funds and expenditure incurred for the purpose during 2007-12 are mentioned in **Table 4**.

Table 4: Flow of funds under Capacity Building

(₹ in crore)

Year	Objectives of Grant	Allotment/ Entitlement	Releases	Expenditure
2007-08	Capacity Building	34.00	25.30	Nil
2008-09	Capacity Building	34.00	Nil	Nil
2009-10	Capacity Building	34.00	20.26	21.39
2010-11	Capacity Building	34.00	28.07	22.78
2011-12	Capacity Building	34.00	12.21	15.32
2012-13	Capacity Building	35.00	Nil	Nil
Total		205.00	85.84	59.49

(Source: Records of PD, PMU-BRGF, Lucknow)

It is evident from the above that:

- No fund under Capacity Building was released during 2008-09 and 2012-13, by the GoI due to non-submission of Utilisation Certificates (UCs) by the State Government.
- During 2007-13, against the allotment of ₹ 205 crore under Capacity Building the releases were ₹ 85.84 crore (42 per cent). The Department utilised only ₹ 59.49 crore (69 per cent) for PRIs only. No fund was utilised for ULBs. The balance amount of ₹ 26.35 crore was parked in the bank account of PMU.

The Government stated (June 2013) that due to technical reasons the funds could not be utilised.

Scrutiny of records of the Nodal Officers and ULBs of test-checked districts revealed that during 2007-13, funds to the tune of ₹ 3.99 crore were released to the Nodal Officer for Capacity Building and an expenditure to the tune of ₹ 3.48 crore was incurred. No fund was released by the Nodal officer to ULBs for survey, preparation of PP and AAPs of the scheme, resulting in inadequate planning.

Thus, it is evident from the above that despite availability, the funds were not released by the Nodal Officer to ULBs, resulting in non-achievement of the objectives of the scheme.

No relevant reply was given (June 2013) by the Government.

2.1.8.3 Flow of funds under Development Grant

The GoI releases and expenditure incurred during 2007-13 under Development fund are mentioned in **Table 5**.

Table 5: Flow of funds under Development Grant

(₹ in crore)

Year	Opening Balance	Allotment/ Entitlement	Releases	Total available Funds	Expenditure	Balance
2007-08	-	602.09	Nil	Nil	Nil	-
2008-09	-	602.09	541.73	541.73	433.32	108.41
2009-10	108.41	602.09	559.61	668.02	625.66	42.36
2010-11	42.36	602.09	602.09	644.45	508.32	136.13
2011-12	136.13	655.08	570.66	706.79	260.64	446.15
2012-13	446.15	667.19	165.59	611.74	Nil	611.74
Total		3,730.63	2,439.68		1,827.94	

(Source: PD, PMU-BRGF, Lucknow)

It is evident from the above that:

- During 2007-08, due to delayed submission of AAP⁹, no fund was released by the GoI from the allocated fund of ₹ 602.09 crore.
- During 2007-13, against the allotment of ₹ 3,730.63 crore, the releases were ₹ 2,439.68 crore (65 per cent) and the Department utilised only ₹ 1,827.94 crore (75 per cent) of the releases.
- During 2007-13, though ₹ 611.74 crore was available, the State Government did not make any releases.

During 2007-13, the releases to ULBs of test-checked districts were as mentioned in **Table 6**.

Table 6: Releases to ULBs of the test-checked districts during 2007-12

(₹ in lakh)

Sl. No.	Name of district	Sanctioned amount	Releases	Expenditure	Balance
1	Ambedkar Nagar	1,161.33	1,128.18	977.54	150.64
2	Mahoba	412.05	391.97	279.00	112.97
3	Sonebhadra	461.80	413.84	405.68	8.16
4	Jalaun	449.62	409.49	338.33	71.16
5	Hamirpur	392.07	392.07	331.16	60.91
6	Gorakhpur	1,207.49	1,212.05	1,165.84	46.21
7	Badaun	1,156.48	1,148.29	995.60	152.69
8	Hardoi	1,128.36	984.60	806.66	177.94
9	Unnao	2,070.17	1,713.79	1,528.92	184.87
Total		8,439.37 ₹ 84.39 crore	7,794.28 ₹ 77.94 crore	6,828.73 ₹ 68.29 crore	965.55 ₹ 9.66 crore

(Source: Records of ULBs)

⁹ Twenty four out of 34 districts submitted their AAPs during May-June 2008 and was approved (July 2008) by HPC.

It is evident from the above that during 2007-12, against the sanctioned amount of ₹ 84.39 crore, the releases were ₹ 77.94 crore (92 per cent). The Department utilised only ₹ 68.29 crore (88 per cent) out of the releases. The balance amount ₹ 9.66 crore remained parked in the bank account of ULBs.

The Government stated (June 2013) in its reply that due to instructions (August 2012) by the State Government to the banks not to permit drawal of the funds they remained parked in bank.

The reply of the Government is not acceptable. The expenditure on execution of the works was to be incurred within the same financial year and instructions for prohibiting withdrawal were issued in 2012-13.

During 2012-13, the funds were released to only four ULBs of the nine test-checked districts as mentioned in **Table 7**.

Table 7: Releases to ULBs of test-checked districts during 2012-13

(₹ in crore)					
Sl. No.	Name of district	Sanctioned amount	Released	Expenditure	Balance
1	Gorakhpur	3.40	1.94	-	1.94
2	Badaun	1.72	1.72	-	1.72
3	Hardoi	1.56	1.56	-	1.56
4	Unnao	3.36	2.16	-	2.16
Total		10.04	7.38	-	7.38

(Source: Records of ULBs)

It is evident from the above that during 2012-13, against the sanctioned amount of ₹ 10.04 crore, the releases were only ₹ 7.38 crore (73.51 per cent) which were not utilised and remained parked in ULBs' bank account.

The Government stated (June 2013) that due to stoppage (August 2012) of payment the funds remained parked.

Belated transfer of funds by DPRO/AMA

Paragraph 4.6 of the GoI guidelines provide that the State Government should transfer the funds to the concerned ULBs within 15 days after receiving the funds from the GoI. The GoI further prescribed (June 2009) payment of a penal interest at the rate prescribed by RBI for any delay in transfer of funds by the State Government beyond 15 days to the Local Bodies.

Scrutiny of records of PMU revealed that during 2008-10, delayed transfer of funds by the State Government, resulting in payment (2013-14) of penal interest of ₹ 5.50 crore to the ULBs.

Scrutiny further revealed that Nodal Officers of nine districts delayed 4 to 28 months in transferring funds to ULBs during 2008-09 to 2011-12 (**Appendix 2.1.2**).

It was also noticed that (September/December 2012) the AAPs submitted by ULBs were prepared at the base rates of the year of submission. Due to delay in approval of AAPs and release of funds to ULBs, the quality and progress of the work was adversely affected due to increase in cost of material and labour, which was also accepted (September 2009) by the Government.

Thus, it is evident from the above that delayed approval of AAPs resulted in delayed releases, which lead to a large gap of time between planning and actual implementation, thereby hampering the relevance of the entire planning process and also reduced transparency in the overview of fund utilisation, leading to cost increases and decrease in the quality of work.

The Government stated (June 2013) that as the integrated district plan was prepared by DPC, headed by a political person, the meetings were not held in time, which delayed the approval of AAPs. Further, it was also stated that now the District Magistrates had been empowered (February 2013) to accord administrative and financial approval.

Short release of funds

As per Paragraph 6 of the State guidelines, funds for the Development Grant were to be released to the PRIs/ULBs by the Nodal Officer in the ratio of 80:20.

The releases by the Nodal Officer against the available fund in the test-checked districts were as mentioned in **Table 8**.

Table 8: Releases to ULBs during 2007-13

(₹ in lakh)					
Sl. No.	Nodal Officer	Amount released by Government	Share due for ULBs (20 per cent)	Amount released to ULBs	Short/ Excess
1	AMA, Mahoba	3,865.10	773.02	391.97	(-) 381.05
2	AMA, Ambedkar Nagar	4,604.20	920.84	1,128.18	(+) 207.34
3	AMA, Jalaun	5,202.26	1,040.45	409.49	(-) 630.96
4	AMA, Sonebhadra	7,760.00	1,552.00	413.93	(-) 1,138.07
5	AMA, Hardoi	9,027.00	1,805.40	1,140.40	(-) 665.00
6	AMA, Gorakhpur	9,753.89	1,950.78	1,406.05	(-) 544.73
7	AMA, Hamirpur	4,416.00	883.20	392.07	(-) 491.13
8	AMA, Unnao	10,015.69	2,003.14	1,929.79	(-) 73.35
9	AMA, Badaun	8,470.00	1,694.00	1,320.09	(-) 373.91
Total		63,114.14 (₹ 631.14 crore)	12,622.83 (₹ 126.23 crore)	8,531.97 (₹ 85.32 crore)	

(Source: Records of ULBs)

It is evident from the above that:

- During 2007-13, the Nodal Officer released only ₹ 85.32 crore (67.59 per cent) against the due share of ₹ 126.23 crore.

- During 2007-13, the Nodal Officer short released an amount of ₹ 42.98 crore to ULBs of eight districts which adversely affected the execution of work and in turn defeating the scheme objectives.
- During 2007-13, the Nodal Officer released an excess amount of ₹ 2.07 crore to ULBs of one district.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed.

Non-maintenance of records

Paragraph 4.8 of the GoI guidelines specified that BRGF funds were to be kept in a separate bank account and separate cash book was to be maintained. The State Government also issued (December 2008) directives for keeping the funds in a separate bank account and maintaining separate cash book.

Scrutiny of records of ULBs of test-checked districts revealed that records (Estimate register, Tender sale register, Work register, Agreement register and Measurement book issue register) required for sound financial administration and control of the funds were not maintained. It was also noticed that in 19 ULBs (of seven districts) out of 88 in nine test-checked districts separate cash book was not maintained of which five ULBs did not produce their any record to audit.

The Government accepted (June 2013) the fact and stated that instructions were being issued to the executive agencies for maintenance of records.

Parking of scheme funds

Initially, the State Government nominated DPRO (till December 2008) and later on AMA, *Zila Panchayat* (December 2008 onwards) of the district as the Nodal Officer for execution of the scheme funds of BRGF.

Scrutiny of records of DPROs of seven test-checked districts revealed that due to non-release of funds by the Nodal Officer to the executing agencies the amount of ₹ 1.35 crore inclusive of accrued interest (2007-12) of scheme funds remained parked (March 2012) in bank.

Thus, due to non-release of funds to the implementing agencies by the DPROs the scheme funds to the tune of ₹ 1.35 crore were not utilised and remained idle in bank since last four years.

The DPROs admitted the fact but no reply was given by the Government.

Further, scrutiny of records of PMU and ULBs of the test-checked districts also revealed following deficiencies:

- Government released (December 2009), ₹ 3.40 crore to PMU for operationalising the “*Panchayati Raj Institute of Training*” (under construction), which was not utilised and funds remained parked (December 2012) in bank.

Thus, against the norms, the State Government made releases for operationalising the Institute which was under construction.

The Government accepted (June 2013) the fact and stated that as the construction of the building was still incomplete, funds remained parked in the bank account of PMU.

- An amount of ₹ 10.66 crore (Principal: ₹ 9.60 crore and Interest: ₹ 1.06 crore) pertaining to development works remained parked (Period: 2007-12) in the bank account of ULBs of the test-checked districts (***Appendix 2.1.3***).

Thus, contrary to the GoI guidelines the scheme funds for development works were parked in the bank defeating the objectives of the scheme.

The Government did not furnish reply.

Loss of interest

The GoI guidelines provided for maintaining a separate savings bank account in a Nationalised Bank for operating the scheme funds.

Scrutiny of records of the Nodal Officers and ULBs of test-checked districts revealed following deficiencies:

- Contrary to the GoI guidelines the DPRO/ ULBs of six districts¹⁰ parked and utilised the scheme funds by keeping in non-interest bearing accounts (Current account) of the Nationalised Bank and incurring a loss of interest of ₹ 44.20 lakh.

The Government stated (June 2013) that instructions had been issued for opening the saving bank account in the Nationalised Bank.

- AMA, *Zila Panchayat*, Mahoba released (January 2010) an excess amount of ₹ 1.39 crore to Uttar Pradesh Projects Corporation Limited, Banda (UPPCL) from BRGF funds which was refunded after five months (May 2010). Due to excess release by the AMA, Mahoba the Department had to incur a loss of interest of ₹ 5.57 lakh.

The Government stated (June 2013) that the interest amount would be recovered from the executing agency.

¹⁰ Badaun, Hamirpur, Hardoi, Jalaun, Mahoba and Unnao.

Thus, due to non-observance of norms of guidelines the Department had to incur (till March 2012) a loss of interest of ₹ 49.77 lakh.

Non-accounting of interest in Cash Book

Scrutiny of records of ULBs of test-checked districts revealed that in four ULBs of Badaun and Hardoi an interest amount of ₹ 3.68 lakh was not accounted for in cash book.

The Government stated (June 2013) that instructions had been issued for necessary action as pointed out by audit.

Non-refund of accrued interest

Paragraph 4.9 of the GoI guidelines provides that interest accrued on unspent scheme funds be treated as additional resource of grant and be utilised as per the BRGF guidelines.

Scrutiny of records of ULBs of test-checked districts revealed that during 2007-12, an accrued interest amount of ₹ 1.06 crore was not refunded to the Nodal officer and the amount remained parked in the bank.

The Government stated (June 2013) that instructions had been issued (March 2013) to all the AMAs/Nodal Officers for accounting the interest amount in the Cash Book and also for refund of accrued interest amount.

The reply is not acceptable. Evidences of issuance of instructions for refund of accrued interest by ULBs were not made available.

Loss due to non-recovery of penalty

General conditions of the contract and Financial rules¹¹ envisage that the work commenced through the tendering process should be executed within the time-frame and penalty be recovered from the defaulting contractors.

Scrutiny of records of ULBs of test-checked districts revealed that during 2007-12, 52 works costing ₹ 5.73 crore were awarded to the contractors in seven districts which were completed with a delay of one to eighteen months. The penalty accrued due to delay in completion of work was not recovered from the contractors resulting in a loss of ₹ 35 lakh¹² to the Government exchequer.

The Government endorsed (June 2013) the ULBs reply that due to delayed release of funds by the State Government the work was not completed in time. As such, penalty was not recovered.

¹¹ PWD set up and procedure rules and FHB VI: Appendix-4.

¹² Penalty 10 per cent.

The reply is not acceptable. The ULBs of the test-checked districts had stated in their reply that in future, penalty would be recovered from the contractors.

Non-submission of Utilisation Certificates

“Utilisation certificate” (UC) is one of the core triggers for the release of future development funds. Paragraph 4.5 of the GoI guidelines specifies that UCs be submitted within 12 months from the closure of the financial year in which the grants are released.

Scrutiny of records of PMU revealed that:

- During 2008-13, due to non-submission of UC against the sanctioned amount of ₹ 3,730.63 crore the GoI short released ₹ 1,290.95 crore (34.60 per cent) for the development works (detailed in **Table 5**).

No relevant reply was given (June 2013) by the Government.

- During 2011-13, due to non-submission of UC of first instalment for the sanctioned AAP of ₹ 14.24 crore by AMA, *Zila Panchayat*, Mahoba the second installment of ₹ 12.72 crore was not released by the GoI.

Thus, due to non-submission of UCs, funds for development works were short released by the GoI.

The Government stated (June 2013) that due to declaration of State Assembly elections, the first installment was not utilised. As such UC was not sent.

The reply of the Government is not acceptable. State Assembly elections were held in a certain time frame, whereas funds were utilised during 2011-13.

Incorrect submission of UCs

Paragraph 4.5 of the GoI guidelines and instructions stipulates submission of a certificate in support of non-diversion, non-embezzlement and non-treatment of advance as final expenditure while submitting UCs and proposal for release of funds.

Scrutiny of records of the AMAs and ULBs of test-checked districts revealed that fund released to the executing agencies were depicted as used funds, inflating the real expenditure and submission of incorrect UCs.

The AMAs and ULBs accepted the fact and stated that in future the UCs would be furnished on the basis of actual expenditure.

It was also noticed that in the UC of development fund for 2010-11, furnished by AMA, *Zila Panchayat*, Unnao, a closing balance of ₹ 49 lakh was reflected whereas in the UC for 2011-12 the opening balance was shown as ₹ 14.61 crore.

Thus, incorrect UCs were being submitted by the AMAs/ULBs to the GoI.

The Government accepted (June 2013) the fact and stated in its reply that revised (December 2012) UCs had been sent to the GoI.

Non-accounting of receipts

Article 304 of the Financial Hand Book Volume VI stipulates that separate record of revenue receipts be maintained for grant of the GoI/State Government.

Scrutiny of the records of ULBs of test-checked districts revealed that an amount of ₹ 10.60 lakh was realised as tender sale cost which was not accounted for in the BRGF cash book and was kept in the receipt head of ULBs and utilised.

The Government stated (June 2013) in its reply that the expenditure for tendering was met by ULBs from their own fund. As such tender sale cost was not accounted for in their Cash Book.

The reply of the Government was in contravention of the Financial Rules. ULBs were to keep a separate account and separate Cash Book for the utilisation of development grant and accounting of receipts.

Absence of transparent criteria for transfer of funds within ULBs

Paragraph 1.8 of the GoI guidelines stipulates that each State Government indicate a normative formula reflecting backwardness or level of development and addressing specific district wise priorities identified for allocation of funds to each ULBs.

Scrutiny of records of test-checked districts revealed the following deficiencies:

- AAPs for the period 2006-07, 2008-09 and 2009-10 was prepared by DPC and was approved (August 2009) by HPC for 12 ULBs at a cost of ₹ 11.49 crore in Unnao district. PMU accorded (March 2010) administrative approval of ₹ 6.14 crore only for one ULB (*Nagar Palika Parishad, Unnao*).
- Without seeking the approval of HPC, PMU accorded (September 2010) administrative sanction of ₹ 3.58 crore for 'Special AAP' of *Nagar Palika Parishad, Unnao*.
- The State Government released (August 2011) ₹ 2.11 crore for all *Nagar Panchayat* of Unnao district. PMU diverted the fund and accorded (September 2011) administrative sanction for *Nagar Palika Parishad, Unnao* without seeking approval of HPC.

Thus, PMU accorded administrative approval, only to *Nagar Palika Parishad, Unnao* without identifying the priorities, depriving the other ULBs of the development funds.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed.

2.1.9 Implementation of schemes

BRGF programme has two components, one for ‘Developmental Grant’ meant for infrastructure development and other developmental needs and the other for ‘Capacity Building Grant’ to be utilised for providing professional support to ULBs for planning, implementation and monitoring purpose as well as to impart training for capacity building of the PRIs/ULBs members/staff.

Deficiencies noticed in implementation of both the components are discussed in succeeding paragraphs:

2.1.9.1 Developmental Grants

Irregular sanction

Paragraph 4.22 of the GoI guidelines provided that the AAPs submitted by DPC of the districts were to be duly approved by HPC.

Scrutiny of records of PMU and the Nodal Officers of test-checked districts revealed the following deficiencies:

- Administrative sanction for AAP for the period 2010-11 of five ULBs¹³ costing ₹ 8.73 crore and AAP for the period 2011-12 of two ULBs¹⁴ costing ₹ 26 lakh was accorded by PMU. Accordingly funds were released to ULBs by the Nodal Officers. It was further noticed that the evidences of accord of approval of HPC were not made available (though it was essential).

The PMU accepted the fact and stated that earlier the AAPs were being approved by HPC but from 2011-12, the soft copy of AAP was uploaded on Plan Plus software after approval of DPC.

It is evident from the above that till 2011, the AAPs were to be approved by HPC, and only thereafter PMU was to accord administrative and financial sanction.

Thus, in contravention of the norms of guidelines, administrative approval and financial sanction were accorded by PMU.

- Board of *Nagar Palika Parishad*, Unnao proposed (January 2009) same eight works in the AAPs for both the years 2008-09 and 2009-10 and both the AAPs were approved (August 2009) by DPC. PMU accorded (March 2010) administrative approval for work of both the AAPs as mentioned in **Table 9**.

¹³ *Nagar Nigam*, Gorakhpur, NPP- Bilgram, Hardoi, NP- Madhavgarh, Jalaun, NP- Churk, Sonebhadra and NPP, Unnao.

¹⁴ *Nagar Panchayat*- Madhavgarh and NP-Nadigaon, Jalaun.

Table 9: Approval of duplicate works**(₹ in lakh)**

Sl. No.	Name of work	Approved AAP of 2008-09	Approved AAP of 2009-10	Expenditure
1	Construction of <i>Nali</i> & Interlocking from Collecterganj Gate to house of Shastriji	5.45	8.16	13.61
2	Construction of Damer Road from Singrauli <i>Talab</i> to National Highway	4.66	6.97	11.63
3	Construction of Damar Road from Kundanki <i>Mazar</i> to Shivshankar Kushwaha	5.01	7.50	12.51
4	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Suresh to Lucknow Kanpur Highway to house of Shambhu Nath in Gadankheda	4.17	6.18	10.35
5	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Trichand to Bada <i>Talab</i> in Singrauli	9.12	13.15	22.27
6	Construction of <i>Nali</i> & Interlocking from house of Abdul Hassan to Daya, Dinesh & Prakash Raidash <i>wali gali</i> , Achhchhe Dev Lal Mo. to CC Road in Singrauli	11.16	16.21	27.37
7	Construction of <i>Nali</i> & Interlocking from house of Dilip Dhanuk to house of Ayodhya in Krishna Nagar	3.89	5.82	9.71
8	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Sushil Tiwari, Dinesh Tiwari & Near Puttan house	1.25	1.80	3.05
Total		44.71	65.79	110.50

(Source: Records of ULBs)

Scrutiny further revealed that tenders for all the eight works were invited (April 2010) by the *Nagar Palika Parishad* for total approved amount and was executed by incurring an expenditure of ₹ 1.10 crore as of March 2012.

Thus, it is evident from the above that the estimates were prepared and included in the AAPs without proper survey, which was approved by DPC and accordingly administrative approval was accorded by PMU which reflected lack of monitoring, resulting in irregular sanction of duplicate works.

The Government stated (June 2013) that the matter was being investigated and an enquiry had been set up by the District Magistrate. The outcome would be intimated to audit.

Unfruitful expenditure

BRGF *inter alia* aimed to bridge the critical infrastructure gap to expedite the growth rate in the backward districts. Thus, it was necessary to complete the projects in time and to put those to immediate use after completion.

Scrutiny of records of ULBs of test-checked districts revealed that:

- Works were included in the AAPs without proper survey and execution was commenced without assessing the ground level conditions resulting in partially completed works due to site/land dispute in four test-checked districts as mentioned in **Table 10**.

Table 10: Execution of works without proper survey and assessment of ground level conditions

(₹ in lakh)

Sl. No.	Name of ULB	Particulars of work	Amount sanctioned	Expenditure incurred
Unnao				
1	Nagar Panchayat, Purva	CC road	5.89	5.07
2	Nagar Palika Parishad, Unnao	Construction of "Nala"	98.95	38.51
3	Nagar Panchayat, Fatehpur Chaurasi	Community center	5.33	1.53
4	Nagar Panchayat, Ungu	Construction of "Nala"	9.74	3.36
5	Nagar Palika Parishad, Bangarmau	Community center	25.00	20.70
Hardoi				
6	Nagar Panchayat, Madhoganj	Construction of "Nala"	5.60	4.52
Badaun				
7	Nagar Panchayat, Wajeerganj	Construction of "Nala"	6.13	3.45
8	Nagar Palika Parishad, Badaun	Approach road	9.42	0.77
9	Nagar Panchayat, Shakhanu	Paver block road	33.70	19.33
Hamirpur				
10	Nagar Palika Parishad, Raath	Construction of "Nala"	30.07	25.10
Total			229.83	122.34

(Source: Records of ULBs)

It is evident from the above that in 10 ULBs, the construction work was commenced without assessing the site conditions, resulting in an unfruitful expenditure of ₹ 1.22 crore.

The Government stated (June 2013) that work of CC Nala in Purwa, Unnao was completed (June 2013) and other works were being completed.



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- Electricity Supply Code 2005 (Para 4.6) of UP Electricity Regulatory Commission specified that after sanctioning of energy load, estimate was to be prepared on the basis of applicable rules and regulations and charges approved by the Commission. If the work was to be done by the developer/applicant, licensee was to charge 15 *per cent* of the normative estimate as supervision charges to be deposited with the licensee before work was commenced.

Scrutiny of records of the NPP, Akbarpur in Ambedkar Nagar district revealed that supervision charges were not deposited. Work of electrification of street lights was executed by themselves (April 2011) at a cost of ₹ 92 lakh without obtaining sanction from Uttar Pradesh Power Corporation. It was also noticed that poles for street light were erected but even after a lapse of 17 months it was not energised.

The Government stated (June 2013) that enquiry had been set up and the matter was being probed.

Incomplete works

Developmental Grant is meant for infrastructure development and other developmental needs of ULBs.

Scrutiny of records of ULBs of test-checked districts revealed that proposal for infrastructure development was included in the AAPs without conducting any baseline survey. Works were commenced without assessing ground level conditions which resulted in incomplete/partial completion of works as mentioned in **Table 11**.

Table 11: Incomplete/Partial completion of works

(₹ in lakh)				
Sl. No.	Name of ULB	Name of work	Sanctioned amount	Expenditure
Unnao				
1	Nagar Panchayat, Nyutani	Community Centre	10.28	8.54
Hardoi				
2	Nagar Palika Parishad, Bilgram	Interlocking of road	20.00	8.72
Sonebhadra				
3	Nagar Panchayat, Chopan	Office building	10.00	12.30
Badaun				
4	Nagar Panchayat, Wajeerganj	Paver block road	11.38	5.99
		CC road	4.02	4.02
5	Nagar Palika Parishad, Faizganj,	Paver block road	6.61	6.61
6	Nagar Palika Parishad, Kachla	Paver block road	12.80	9.60
		CC road	5.73	3.24
7	Nagar Panchayat, Sakhanu	Paver block road	9.42	8.47

Mahoba				
8	Nagar Panchayat, Kabrai	CC road	5.11	4.25
		CC road	2.92	1.36
		CC road	4.12	1.84
		CC road	3.16	2.36
Jalaun				
9	Nagar Panchayat, Nadigaon	Electric work	50.00	35.62
Hamirpur				
10	Nagar Panchayat, Kurara	CC road	17.85	3.71
11	Nagar Panchayat, Sumerpur	CC road & "Nala"	21.81	21.81
Gorakhpur				
12	Nagar Nigam	Interlocking of road	36.65	31.89
Total			231.86	170.33

(Source: Records of ULBs)



It is evident from the above that in 12 ULBs of eight test-checked districts the construction work was commenced at a cost of ₹ 2.32 crore and ₹ 1.70 crore was spent (November 2012) on incomplete works.

The Government stated (June 2013) that due to stoppage (August 2012) of payment the work remained incomplete.

2.1.10 Contract Management

Works under BRGF were to be executed by ULBs through tendering process and was prescribed to safeguard the interest of the Government.

2.1.10.1 Execution of non-sanctioned work

Work of broadening and beautification of road from "Munnapul Chauraha to by-pass link road and interlocking of footpath, divider and erection of electric

poles” by hot-mix plant was initially proposed (2007-08) by the Executive Officer, *Nagar Palika Parishad*, Kalpi, Jalaun (EO) at a cost of ₹ 35.50 lakh and was approved (May 2009) by the Government.

Scrutiny of records (October 2012) of the *Nagar Palika Parishad*, Kalpi, Jalaun revealed that District *Panchayat Raj* Officer, Jalaun (DPRO: Nodal Officer) released an amount of ₹ 31.87 lakh (May 2009: ₹ 21.30 lakh and January 2010: ₹ 10.57 lakh) for execution of the work.

The work was changed to “Interlocking on footpath of both side road from *Munnapul Chauraha* to *Nagar Palika Parishad* office's gate” without sanction of the Government. An agreement was entered (October 2009) by EO with the contractor for completion of work in one month. In spite of restriction (June 2008) imposed by the Additional District Magistrate, Jalaun for non-execution of pavement work on PWD road, an expenditure of ₹ 35.40 lakh was incurred (up to March 2011) on interlocking of PWD road instead of footpath. The estimate was revised (February 2010) as per executed work. During joint physical inspection (October 2012) it was noticed that the work of interlocking was executed on PWD road instead of footpath.

Further, the Executive Engineer, Construction Division-3, PWD, Orai also stated (October 2012) that the road is under the administrative control of PWD.



The Government stated (June 2013) that enquiry had been set up and matter was being probed.

2.1.10.2 Irregular execution of work

Paragraph 4.4 (d) of the GoI guidelines specified and it was also decided by HPC (02 July 2008) that the Development works should be executed by the executing agencies through tendering process.

Scrutiny of records of AMA, *Zila Panchayat*, Gorakhpur revealed that the administrative sanction of ₹ 4.83 crore for execution of 44 works in ULBs was accorded by PMU to the Project officer, District Urban Development Agency, Gorakhpur (DUDA) even though ULBs were executing agencies.

Scrutiny further revealed that the AMA released ₹ 4.83 crore for execution of 44 works between November 2011 and January 2012. The works were executed by DUDA without inviting tenders and an expenditure of ₹ 4.37 crore was incurred (October 2012) and the works remained incomplete.

The Government stated (June 2013) that enquiry had been set up and matter was being probed.

2.1.10.3 Sub-standard execution of work

Scrutiny of records of *Nagar Panchayat*, Sumerpur in Hamirpur district revealed that 27 works of construction of 'CC road and Nali' were executed during 2009-10 incurring an expenditure of ₹ 1.82 crore. It was also noticed that during execution the quality testing of the executed work was not done. On the directives of the Commissioner, Chitrakoot Dham, Banda the quality of the 15 executed works was checked by the Technical Audit Cell. The execution was not done as per specifications and penalty of ₹ 3.90 lakh was proposed to be recovered. Recovery from the contractor was not made by the Department.

The Government stated (June 2013) that the Divisional Commissioner, Chitrakoot had been asked to furnish the enquiry report and to ensure the recovery from the culprits.

2.1.10.4 Execution of work without agreement

Paragraph 4.4 (d) of the GoI guidelines specified that the works under the scheme were to be executed only through tendering process. Further, as per provisions of the financial rules agreement should be entered into with the contractor after finalisation of the tender.

Scrutiny of records of ULBs of test-checked districts revealed that 28 works were executed by 10 ULBs of three districts by incurring an expenditure of ₹ 2.71 crore without entering into agreement with the contractors. Scrutiny further revealed that 23 works were completed (15 with a delay of 40-1030 days) and five were lying incomplete (October 2012).

On this being pointed out in audit, it was stated by ULBs that in future works would be executed after entering into agreement; reply of the Government is awaited (December 2013).

2.1.10.5 Irregular approval of technical sanction

Government rules¹⁵ stipulate the financial limits for accord of technical sanction (TS) to the estimate of a work. TS on a work was to be accorded of by an authority not below the rank of the Executive Engineer. The preparation of estimates, design, plan, supervising the technical quality of work and taking measurement/check measurement was to be done by the Junior Engineer (JE).

Scrutiny of records of AMAs/ULBs of test-checked districts revealed that 624 construction works at a cost of ₹ 95.17 crore were taken up during 2007-12, and were executed by obtaining technical sanction from Junior Engineer/Assistant Engineer and an expenditure of ₹ 50.40 crore was incurred (*Appendix 2.1.4*) as detailed below:

- 278 works were taken up by ULBs with the technical approval of Junior Engineer and an expenditure of ₹ 16.98 crore was incurred on execution.
- 346 works were taken up by ULBs with the technical approval of Assistant Engineer and an expenditure of ₹ 33.42 crore was incurred on execution.

The Government stated (June 2013) that directives had been issued and in future these directions would be followed.

2.1.11 Capacity Building

Capacity Building (CB) of ULBs to facilitate participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery was one of the main objectives of BRGF. The effectiveness of Capacity Building support, depended on identification and Capacity Building.

Under Capacity Building component training was to be imparted to the elected representatives and officials of PRIs/ULBs. Provision of telephone, e-connectivity and establishing of accounting and auditing system, establishment and maintenance of training help lines etc. were other important components.

Paragraph 3.2.2 (c) of the GoI guidelines specified that prior to commencement of CB support programme for officials and elected representatives of PRIs/ULBs, a base-line survey was to be conducted regarding knowledge and skill. The GoI also provided ₹ 34 crore *per annum* (₹ 1 crore per district) to the State for upgrading the capacity and performance of officials and elected representatives of PRIs/ULBs.

Scrutiny of records of PMU revealed (September/December 2012) that funds were utilised only on imparting training to the members/officials of the PRIs. No fund was allocated for ULBs.

¹⁵ GO No: A-2-1602/-95-24 (14)/95 Dated: 1.06.1995, EE: up to ₹ 40 lakh, SE: Above ₹ 40 lakh and up to ₹ one crore, CE: Above ₹ one crore

Even though HPC in the eight meeting (January 2011) issued directives for initiating CB support for PRIs/ULBs the Department only organised training programmes for PRIs.

Thus, due to non-inclusion of ULBs in the AAPs for CB and non-release of funds the participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery were not done.

The Government stated (June 2013) that AAP for Capacity Building of members/officials of ULBs had been approved (December 2012) by HPC and in future training would be imparted to the elected members/officials of ULBs.

2.1.12 Quality Control

Quality controls were prescribed with the objective that qualitative work would safeguard the scheme objectives and interest of public funds.

2.1.12.1 Inspection of works and quality check

Paragraph 4.1.4 of the GoI guidelines provided for preparing a schedule for inspection of executed works and for instituting a Quality Monitoring System (QMS) for maintaining the quality of works. The working of the QMS was to be regularly reviewed by HPC. It was noticed that QMS was not introduced (March 2012) in the State.

Scrutiny of records of ULBs of test-checked districts revealed that, no schedule for inspection of works was prepared by the Department. Scrutiny further revealed that during 2007-12, an expenditure of ₹ 68.29 crore was incurred by ULBs on execution of 704 works. Only *Nagar Palika Parishad, Badaun* had conducted the quality test of the raw materials.

Thus, due to non-introduction of QMS, quality of the executed work was not ensured. Thus, it is evident from the above that no system was adopted (till September 2011) for quality checking of the executed work. Further, it was also noticed in the test-checked districts that DLMC was not functional and evidences of quality check done by SLM were not furnished to audit, except in *Nagar Palika Parishad, Badaun*.

The Government stated (June 2013) that State Level Monitors (SLM) had been appointed (September 2011) and District Level Monitoring Committee (DLMC) had also been constituted (March 2011) for quality checking.

2.1.12.2 Non-functioning of Review committee

Paragraph 4.13 of the GoI guidelines and instructions (16 March 2011) provided for conducting of peer review of performance of one ULB by another to identify the bottlenecks in programme implementation under BRGF and other flagship programmes and share the best practices. A review committee was also to be constituted by the District Planning Committee to review reports of the committee and take follow up action.

Scrutiny of records of the AMAs of test-checked districts revealed that, no review committee was constituted by DPCs.

The Government stated (June 2013) that circular had been issued (February 2011) for implementation of the peer review and directions were being issued again for activating the review committee.

2.1.13 Social audit and vigilance at grass root level

Paragraph 4.15 of the GoI guidelines required, Social Audit of works executed by ULBs as well as role and function of Ward level Vigilance and Monitoring Committee.

Scrutiny of records of the Nodal Officer and ULBs of test-checked districts revealed that the State Government issued directives in April 2011 i.e. a delay of four years for conducting Social Audit. The same was not undertaken till November 2012.

The Government stated (June 2013) in its reply that fresh instructions were being issued for implementation of Social Audit.

2.1.14 Monitoring and Evaluation

Monitoring

Paragraph 3.4 of the GoI guidelines specified that constant monitoring and evaluation of the executed works and documentation of the outcomes were an integral part of the scheme and programme. It also provided for preparing inspection schedule of BRGF works and for instituting a QMS for maintaining the quality of works which was to be reviewed regularly by HPC.

The byelaws of PMU also provided for holding meetings for effective monitoring, implementation, supervision and evaluation of the scheme activities.

Scrutiny of records of PMU and ULBs of the test-checked districts revealed the following deficiencies:

- QMS was not introduced. No schedule for inspection of works was prepared. HPC and DPCs mostly focused on approval of plans and projects of development grants,
- Monitoring of the scheme/programme by DPMU was totally absent,
- Only three meetings (October 2008 to December 2012) were held against nine meetings by PMU for monitoring the scheme activities; and
- Evaluation on outcome of the training and impact on planning, implementation and monitoring at levels was not undertaken.

Scrutiny of the records of PMU revealed that in the third meeting (September 2008) of HPC it was decided to retain 0.25 *per cent* of the total releases of development grant to utilise for monitoring and evaluation of the scheme

activities at the district and at State level. Further, in the sixth meeting (September 2009) of HPC it was decided to retain 10 *per cent* of the Capacity Building fund at PMU level for monitoring and evaluation of the scheme activities.

The following was observed:

- During 2008-12, an amount of ₹ 17.82 crore was retained from development fund only at PMU level. An expenditure of ₹ 4.19 crore was also incurred but evidences of concerted efforts made for monitoring and evaluation of the scheme activities were not made available. The Department accepted (December 2012) that the committee for monitoring and checking has not been constituted; and
- To ascertain the outcome of the scheme activities monitoring meetings of HPC was held after 23 months in December 2012.

Scrutiny of records of the Nodal Officer of test-checked districts also revealed that, DPMU never monitored the implementation of the programme after approval of the district plan.

The Government stated (June 2013) that for strengthening the monitoring system, decision had been taken (February 2013) to hold quarterly meetings of HPC. Further, DPMU had been reconstituted (March 2013) and District Magistrate had been made the Chairman.

2.1.15 Conclusion

The Central objective of BRGF was to redress regional imbalances and accelerate the pace of development, through convergence of all the activities and programmes and preparation of integrated district plan with involvement at grass root level. However, the AAPs were prepared without conducting any baseline survey, assessing the priorities and proper evaluation to identify the reason of backwardness and critical gaps in development infrastructure, rendering the planning inadequate.

Due to non-conductance of base line survey, non-identification of the critical gaps and non-preparation of perspective plan, the scheme funds were not utilised for the all specified 18 works of Twelfth schedule of the Constitution, defeating the objectives of the scheme.

The role of DPC remained limited, only to a plan approving body for BRGF, whereas technical and professional support to DPC for guidance, preparation of integrated district plans, monitoring and evaluation of the outcome of the scheme activities was not available. There was also absence of institutional arrangement as well as professional support at DPC and State level.

Financial management remained far from satisfactory mainly due to delay in transfer of funds to ULBs, mis-utilisation of programme funds as well as parking of funds. Funds for Capacity Building of members of ULBs were not

released for strengthening the level of governance, facilitate participatory planning, decision making, poor execution, implementation and monitoring of developmental works to reflect local felt needs.

The required guidelines for Social audit of performances of ULBs were also not prescribed by the State Government.

2.1.16 Recommendations

- *Baseline survey to identify missing infrastructure gaps and to carry a diagnostic study of its backwardness should be conducted and a data bank should be developed;*
- *Institutional arrangements and professional support at ULBs and DPC level to the extent envisaged may be provided on priority within a definite timeframe;*
- *Government should intimate all ULBs about the expected flow of funds from all flagship programmes every year to facilitate convergence with other schemes and preparation of need based plan;*
- *Financial management may be streamlined to check delay in transfers, diversion and mis-utilisation of funds;*
- *Monitoring of the scheme activities should be documented and compliance should be watched to improve the quality achievements of the schemes; and*
- *Independent and competent organisation/agency may be entrusted with evaluation of outcome of the programme to provide valuable feedback.*

2.2 Functioning of Allahabad Nagar Nigam

Executive summary

Allahabad *Nagar Nigam* is administered under the Municipal Corporation Act 1959 and is responsible for providing municipal services. Financial resources of the *Nigam* are grants under the State Finance Commission and Central Finance Commission recommendations, collection of obligatory tax and non-tax revenues and funds received under various schemes/programmes, implemented by Government of India and the State Government.

We conducted a Performance audit of functioning of the *Nigam*, covering the period from 2008-09 to 2012-13. Significant audit observations are as follows:

- The required framework for accountability, budgeting, accounting and auditing was either absent or incomplete. The Development committee was not constituted;
- Budgets were prepared with a delay ranging between 57 and 273 days. The *Nigam* though was maintaining its account on double entry accounting system since 2008-09 did not have any accounting manual, in absence of which classification of assets & liabilities and depreciation rate were not defined. Basic records *viz.* ledgers and bank reconciliation statement were not maintained/prepared. In violation of the rules, funds were kept in 31 banks accounts. No reconciliation of balances of bank accounts with those of the cash books was ever carried out during 2008-13. Details and schedules were not prepared defeating the whole objective of preparation of accounts on double entry system;
- The envisaged actions at all stages, starting from assessment, demand, collection and accounting of revenue were deficient. Instances of loss of revenue due to short/non-levy of Property tax (₹ 1.74 crore); Theatre tax (₹ 77.03 lakh); Advertisement tax (₹ 69.53 lakh) were noticed. Due to lack of deterrent action, there were shortfalls in collection of tax revenue, ranging from 2 to 100 *per cent* and that of certain non-tax revenues from 0.71 to 100 *per cent* against the targets;
- Own revenue of the *Nigam* aggregating ₹ 167.40 crore during 2008-13 was not sufficient even to meet their recurring expenditure aggregating to ₹ 354.96 crore incurred on pay & allowances and pension *etc.* The *Nigam* was largely dependent on grant/assistance from the Governments;
- Surveys for revising Annual Rental Value in respect of property tax, were not conducted at the prescribed intervals. Annual Rental Value of the commercial properties was not revised after 2002-03. In the absence of record of new construction and additions made after 2002-03, there was no assurance that all the commercial properties assessable to property tax had actually been brought into the tax net;

- Expenditure management was also deficient. Allahabad *Nagar Nigam* did not have any system of assessing annual demand/requirement of vehicle, equipment and consumables for delivering various services to the citizen. Basic records such as stock register, road register/asset register, renewal cycle register *etc.*, exhibiting details of assets were not maintained due to which it was not ascertainable as to when the works/supplies were last executed/made. In road works, there was no system in place for carrying out traffic survey to ascertain the traffic density and traffic load before preparing estimates;
- Contract management was weak as contracts were not executed adhering to the laid down provisions of the act 1959 & rules framed thereunder, Financial Rules, Government's orders and instructions issued by Central Vigilance Commission. Fifty six out of 101 agreements related to procurements during 2008-13 were executed only on single bid system. In the remaining 45 agreements, the contractors merely furnished Tax Identification Number and Permanent Account Number in the technical bids and were awarded contracts. Similarly, 32 out of 100 test-checked agreements relating to construction of road and drains were executed after the start of the works;
- In respect of establishments, the control records such as ledger, broad-sheets and pass books relating to provident funds were not maintained; and

The *Nigam* had no adequate and systematic internal check mechanism. Many of the control records were either not prepared or prepared improperly. Monitoring mechanism was lax in the *Nigam*. The minutes of proceedings of the meetings of the corporation were issued late with delay of upto 334 days. The frequency of meeting of the Executive Committee was not as per the prescribed norms.

2.2.1 Introduction

Allahabad *Nagar Nigam* (ANN) was established in October 1959, pursuant to Municipal Corporation Act 1959 (MCA). It was required to perform such primary and secondary functions and exercise such powers as embodied in different sections of MCA. Main functions of the *Nigam inter-alia* include sanitation i.e. sweeping/cleaning of streets, roads, drains *etc.*; Solid Waste Management; construction of roads, drainage, sewage; street lighting and providing urban amenities and facilities such as parks, gardens, play-grounds *etc.* The *Nigam* has its own sources of revenues and is also financed from various sources to perform its functions and implement various schemes/programmes.

2.2.2 Organisational structure

The Principal Secretary, Urban Development Department (UDD) and Director, Urban Local Bodies (ULB) are responsible for co-ordination and

monitoring of functioning of the *Nigam* at the Government and the Department levels respectively.

At the *Nagar Nigam* level its functions are executed by (i) the corporation¹⁶ headed by Mayor; (ii) Committees viz. Executive¹⁷, Development¹⁸ and Ward Committee¹⁹; (iii) the Municipal Commissioner (MC) with two Additional Municipal Commissioners and two Deputy Commissioners as depicted in an organogram. (*Appendix 2.2.1*).

2.2.3 Audit objectives

The performance audit on the functioning of the *Nigam* was conducted to ascertain whether:

- the financial management system was efficient and effective with due regard to economy;
- effective mechanism was in place and adhered to for ensuring correct assessment, prompt raising of demands and collection of revenues;
- funds were optimally utilised for the purposes, envisaged in MCA in consonance with the applicable laws and rules;
- the internal controls were adequate and robust to safeguard the *Nigam*'s funds against any loss; and
- monitoring mechanism was efficient and effective.

2.2.4 Audit Criteria

Following were the sources of audit criteria:

- Provisions of MCA and rules²⁰ framed thereunder;
- Financial Hand Books, orders issued by Government of India/the State Government/Chief Vigilance Commission (CVC) and other extant/applicable laws and rules; and
- Guidelines of various schemes being implemented.

2.2.5 Scope and methodology of Audit

The performance audit of the *Nigam* for the years 2008-13, was undertaken between April and June 2013. In addition to test check of records of the

¹⁶ The corporation consists of 80 corporators and other members nominated by the State Government and *Paden sadasya* from the house of the people and the State Legislative Assembly.

¹⁷ Consisting Mayor as ex officio Chairman and 12 corporators, elected by the Corporation.

¹⁸ Consisting 10 persons to be elected by the corporation out of corporators and two persons to be co-opted by these 10 members. One of the aforesaid elected members would be the chairman of the development committee.

¹⁹ Consisting corporator representing the ward and 10 other members, nominated by the corporation from amongst persons registered as electorals within the territorial area of the concerned ward committee.

²⁰ *Uttar Pradesh Mahapalika Lekha Niyamavali*, 1960 (*Lekha Niyamavali*, 1960); *Uttar Pradesh Nagar Mahapalika Nirman Karya evam Tender Niyamavali*, 1963 (*Tender Niyamavali*, 1963); *Uttar Pradesh Nagar Mahapalika Sarwjanik Nirman Karya Lekha Niyamavali*, 1974 (*Nirman Karya Niyamavali*, 1974); and *Uttar Pradesh Municipal Corporation (Property Taxes) Rules*, 2000.

Nigam, information was sought from Principal Secretary, UDD and Director, ULB. Besides, physical verification and photographic evidences were also conducted/ collected.

The *Nigam* received ₹ 106.19 crore for executing different works for *Maha Kumbh Mela-2013* (MKM). A performance audit of MKM was conducted separately in which findings relating to the *Nigam's* role in MKM have been discussed. Before taking up the performance audit, audit objectives, criteria, scope & methodology were discussed during entry conference of Performance audit of MKM, held on 14 December 2012. Replies of the State Government were received (February 2014) and suitably incorporated in the report. Exit conference was held (April 2014) with the Secretary, Urban Development Department. The Government confirmed facts and figures and accepted the recommendations made by the audit.

2.2.6 Limitations/Constraints

Chief Secretary had issued a general direction to all the Principal Secretaries/Secretaries of the State Government vide letter no. VAP (C/R)/92/10(45)/12 dated 04 May 2012 for furnishing all the requisite records/ information to audit during the course of each audit. Some of the records and information²¹ were not produced though repeatedly called for in audit.

Results of the test check of the records are given in the succeeding paragraphs.

2.2.7 Institutional framework

Section 117 of MCA prescribes following institutional framework for performing the activities of the *Nigam*:

Table 1: Institutional framework for the *Nigam*

Sl. No.	Name of authority	Accountable for
1	Corporation (Headed by Mayor)	Policy decisions related to expenditure from the <i>Nigam's</i> fund, implementation of various projects, schemes, etc.
2	Committees	
(i)	Executive Committee (EC)	All functions related to approval of budget and sanction for estimates, expenditure.
(ii)	Developmental Committee (DC)	Approval of developmental schemes placed before it by the Municipal Commissioner.
(iii)	Ward Committee (WC)	All functions related to its area.
3	Municipal Commissioner assisted by Additional/ deputy commissioners	Administration and execution of all schemes and projects subject to conditions imposed by the corporation.
4	<i>Mukhya Nagar Lekha Parikshak</i> (MNLP)	Audit of ANN's accounts, preparation and submission of Audit Reports to the EC.

(Source: MCA, 1959)

²¹ Stock accounts of ward offices, records related to cattle colony, *Nazool*, free hold land, licenses, JNNURM and *malwa* fee.

DC was not constituted during 2008-13. The committee consisting of public representatives was not provided envisaged opportunities for monitoring the activities of the *Nigam*.

The Government did not furnish specific reply.

2.2.8 Transfer of fund, function and functionaries

In follow up to the Seventy-Fourth Constitutional Amendment Act, 1992, the State Legislature enacted laws for devolving 18 functions (enshrined in Twelfth Schedule of the Constitution), on ULBs.

Scrutiny of records of the *Nigam* revealed that neither activities nor functionaries and funds in respect of seven²² functions were transferred to it as of June 2013.

2.2.9 Financial management

2.2.9.1 Funding pattern

Financial resources of the *Nigam* are grants under the State Finance Commission (SFC) and the Central Finance Commission (CFC) recommendations, collection of obligation taxes (e.g. tax on building and land) and levy and collection of other tax and non-tax revenues. Besides, the State Government and the GoI release grants to the *Nigam* for implementation of the schemes of the State sector and for centrally sponsored schemes, respectively.

2.2.9.2 Budgeting

According to section 146 and 147 of MCA, annual budget estimates for the succeeding year are required to be laid by MC before EC on 10 January of each year. EC has to submit the budget to the corporation by 15 February each year. The corporation is required to approve the budget by 31 March for the following year. The required revised budget is to be laid in EC meeting on or before 10 September and approved on or before first October of the year.

Scrutiny of records revealed delays in submission and approval of original budget (ranging between 42 and 124 days) and also of revised budget (57 to 273 days) as depicted in (**Appendix 2.2.2**).

The Government while accepting the fact stated (February 2014) that the delay was because of postponement of meetings of corporation and EC due to unavoidable circumstances.

2.2.9.3 Accounting framework

Accounts of the *Nigam* were earlier (upto 2007-08) maintained in the format prescribed under *Lekha Niyamavali*, 1960²³ on single entry system and from

²² (i) Fire services; (ii) Urban forestry; (iii) Protection of environment and promotion of ecological aspects; (iv) Safeguarding the interest of weaker sections of society including handicapped and mentally retarded and (v) Slum improvement and up gradation, (vi) Urban planning including town planning, and (vii) Regulation of land use and construction of buildings.

²³ Framed under section 153 of MCA.

2008-09, the *Nigam* switched over²⁴ maintenance of Annual Account²⁵ from single entry system to double entry accounting system. The C&AG of India, on the recommendation of the Eleventh Finance Commission (EFC) prescribed (June 2003) the budget and accounting formats on accrual basis for ULBs.

We observed that:

- The implementation of budget and accounting formats, prescribed by the C&AG, was pending at level of the State Government as of June 2013;
- No account manual for preparation of Annual Account on double entry system was prepared in the absence of which classification of assets & liabilities and depreciation rates were not defined;

The Government in its reply stated (February 2014) that account manual was being prepared.

- Receipt & Payment account was not maintained. Basic records viz. ledgers and bank reconciliation statement were not maintained /prepared.

The Government stated (February 2014) that receipt & payment account was being prepared.

The reply is not correct. The Annual account of the Nigam had only Income & Expenditure account.

- The *Nigam* opened and operated 31 bank accounts in nine Banks during 2008-13. Thirty one cash books (separately for each bank account) were maintained. No reconciliation of the balances of the cash books with those of the respective bank accounts was carried out during 2008-13.

The Government replied (February 2014) that reconciliation of balances of all the cash books with the respective bank accounts was completed upto 2011-12 and necessary corrections in the cash book had also been made. The reconciliation of the balances of the cash books and resultant changes in the cash books after preparation of annual accounts showed that the basic records on the basis of which annual account was prepared, were unverified and incorrect.

- The work in progress²⁶ was shown in the balance sheet but its schedules were not prepared and therefore not verified in audit. The schedules to annual account in respect of various items/heads of account did not have any details for the purpose. It was observed that these figures appearing in the Annual accounts (2008-13) did not match with the figures appearing in the budgets of the respective years.

²⁴ Vide GO no 4094/nau-5-2008-119 sha/2007, dated 2.6.2008.

²⁵ The records viz., Income & Expenditure Statement, Receipt & payment account, Balance sheet alongwith bank reconciliation statement, statement showing adjustment of creditors and debtors and valuation of closing balances of store were to be maintained.

²⁶ 2008-09: ₹ 44.96 crore, 2009-10: ₹ 192.35 crore, 2010-11: ₹ 302.98 crore, 2011-12: ₹ 209.70 crore,

The Government replied (February 2014) that a computer software in respect of double entry accounting system was being developed, introduction of which would enable the department in maintaining the accounts on double entry system more effectively.

2.2.9.4 Sources and application of funds

As has been discussed in paragraph number 2.2.9.1, apart from Grants-in-aid from the GoI and from the State Government, the *Nigam* levied and collected tax and non-tax revenues, under the provisions of Section 172 of MCA. According to section 140 of MCA, the funds collected from various sources were required to be spent on the purposes in the order of prescribed priority.

Under the provisions of section 503 of MCA, recovery of revenue was to be made through issue of bills, serving written notice of demand. If the person liable for the payment of dues, fails to deposit the dues within 15 days from serving the demand notice, the dues with cost of recovery were to be recovered by issuing warrant, selling of movable property of the defaulter, filing civil suits against the defaulters in the courts of law under the procedures mentioned in MCA²⁷. According to Rule 7 of *Lekha Niyamavali*, all collected revenues were to be deposited in the *Nigam's* office with the corresponding entries in the general cash book, centrally maintained in the *Nigam* and also in the departmental cash book, maintained in the respective departments.

Receipts and expenditure there against during 2008-13 were as under:

Table 2: Details of receipt and expenditure during 2008-13

(₹ in crore)						
Year	Opening Balance	Government grants during the year	Revenue realised during the year	Total receipts	Expenditure	Closing Balance
2008-09	43.63	97.01	24.47	165.11	98.02	67.09
2009-10	67.09	160.85	29.26	257.20	226.81	30.41 ²⁸
2010-11	30.41	172.96	37.32	240.69	205.00	37.95 ²⁹
2011-12	37.95	218.10	29.54	285.59	249.94	35.65
2012-13	35.65	306.23	46.81	388.69	294.71	93.98
Total		955.15	167.40		1,074.48	

(Source: Information provided by ANN³⁰)

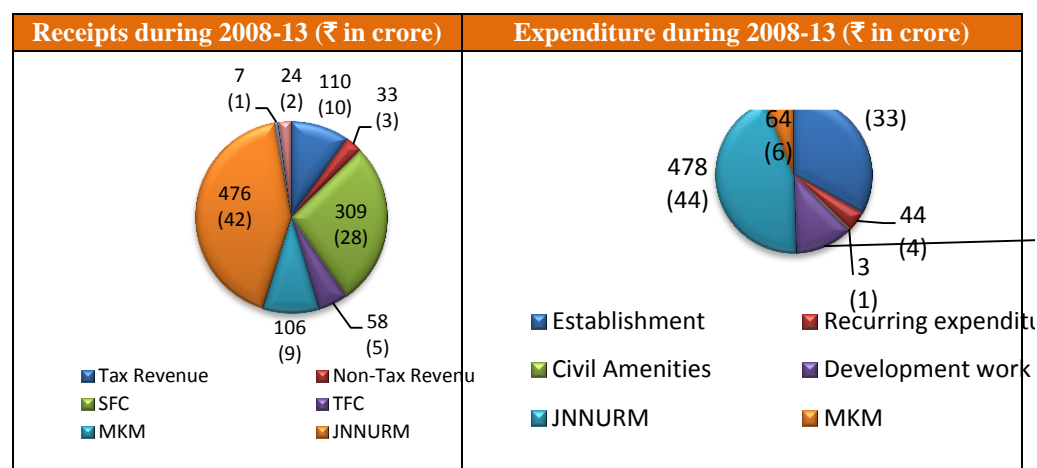
Head-wise/item-wise total receipt and expenditure of the *Nigam* during 2008-13 are depicted as under:

²⁷ Section 507 to 530 of MCA.

²⁸ Left out balance of ₹ 0.02 lakh was included by the *Nigam*.

²⁹ Closing balance increased by ₹ 2.26 crore by adding SFC amount freeze in the PLA.

³⁰ The State Government did not make available the details, though called for.



We observed:

Deficiencies in levy of taxes

Property Tax

In violation of the rules³¹, the *Nigam* did not revise Annual Rental Value (ARV) in intervals of two years. ARV was last revised in 2010-11 after a gap of eight years³².

Out of the 1,77,512 houses, ARV of only 1,45,299 houses was revised leaving ARV of 32,213 houses un-revised due to deficient survey.

Further, ARV of the commercial properties was not revised after 2002-03. Consequently, revenues from property tax for the commercial properties remained stagnant between ₹ 3.45 and ₹ 3.47 crore during the year 2008-13. There were 331 commercial buildings whose ARV was 'Nil'. The record of new construction and addition to the commercial properties made after 2002-03 was also not maintained. Thus, there was no assurance that all the commercial properties assessable to property tax had actually been brought to the tax net.

The Government while accepting the audit observation stated (April 2014) that necessary action for revising ARV of left over residential houses and all the commercial houses was being taken.

Theatre Tax

Despite revision in the rate of theatre tax³³ with effect from May 2001 by the State Government, the *Nigam* did not adopt the revised rate and continued (May 2001 to June 2013) levy of theatre tax at the old rates which led to loss of ₹ 77.57 lakh (**Appendix 2.2.3**). Besides, theatre tax on carnivals, exhibitions, circus, magic shows and other entertainment shows were never levied (up to June, 2013).

³¹ Section 4-A of Uttar Pradesh Municipal Corporation (property taxes), Rules, 2000.

³² Before this, the rent was revised in 2002-03 (effective from 01 April 2003).

³³ Prescribed vide GO no. 233/9-7-2001-07 E/2000 dated 19.02.2001 on the shows in the cinema halls, exhibition, and carnivals in ANN's jurisdiction.

The Government in reply stated (February 2014) that the cinema houses had protested the levy of show tax at the enhanced rate. At the request of cinema houses in a meeting with the State Government, the Government had directed (January 2006) to submit details of rate of taxes, levied in other states within 15 days to take further action in this regard. No decision, however, was taken in this regard since then. The fact remains that the show tax was not revised since May 2001 which had resulted in a loss of ₹ 77.57 lakh.

Advertisement tax

Scrutiny of records revealed that the Nigam entered into (October 2010 & December 2010) an agreement with “M/s Om Sai Samittee” on ‘BOOT basis³⁴’ for 15 years for erection of solar traffic lights, LED display board for displaying messages, Police booth and CCTV camera, connected with the Police/traffic department on 33 Road crossings in the city. The contracted firm was to pay ₹ 90,000 per annum per road crossing to the Nigam on quarterly advance basis. As per the agreement, the contracted firm could erect advertisement’s hoardings and could earn income. The work was to be completed within three months i.e. between January 2011 and March 2011. Of the earmarked 33 road crossings, traffic signals were installed at only 10 crossings and no other works were executed in any of the earmarked crossings. The fact was also confirmed in physical verification (July 2013) by audit. Due to delay in completion of work, the Nigam was deprived of the revenue of ₹ 69.53 lakh³⁵.

Further, in compliance to the orders (November 2011) of the Hon’ble High court to introduce a mechanism for the purpose of regulating the advertisements (placing hoardings etc.) in the city area, MC had directed (January 2012) that erection of hoardings on public roads and road side land etc. would only be allowed if they did not obstruct any kind of vision in any manner. We, in physical verification, however, observed that a number of advertisements/banners/posters/hoardings etc. were placed at many places in city and not a single notice was served to the violators.



³⁴ Built Own Operate and Transfer.

³⁵ The monthly revenue to be generated was ₹ 7,500. For 22 crossings: 22 x 7500 x 30 = ₹ 49,50,000 and for remaining 11 crossings: 11 x 7500 x 27 = ₹ 22, 27,500. Thus, total revenue could have been realized = ₹ 71,77,500, i.e. ₹ 71.78 lakh. The firm paid ₹ 2.25 lakh, as such loss of revenue was ₹ 69.53 lakh.

The Government while accepting the audit observation stated (February 2014) that action against erecting unauthorised banner, hoardings etc. was taken. It, however, did not furnish any documentary evidence in this regard. In respect of issue of agreement with M/s Om Sai Samittee on 'BOOT's basis for erection of solar traffic lights etc. it replied that organisation of MKM in 2013 delayed the progress of work.

The reply is not acceptable. The aforesaid work was to be completed by March 2011 whereas the MKM was held in January 2013.

Additional stamp duty

According to Para 39 of Uttar Pradesh Urban Planning Development Act, 1973, an additional stamp duty, on deed of transfer of immovable property, was to be increased by two *per cent*. This was to be distributed among the Development Authorities, the Uttar Pradesh *Awas* and *Vikas Parishad* and the *Nagar Nigams* for development of infrastructure facilities in such proportion as from time to time be determined³⁶ by the State Government. Scrutiny of records, however, revealed that against the amount due of ₹ 41.32 crore for the period 2008-13, the *Nigam* received only ₹ 30.89 crore (75 *per cent*) leaving a shortfall of ₹ 10.43 crore (25 *per cent*).

The Government while accepting the audit observation stated (February 2014) that necessary directions to the Commissioner and District Magistrate had been issued in respect of release of outstanding amount.

Deficiencies in realisation of revenues

Shortfall in realisation of revenue

Shortfalls in collection of tax revenue against income projected in the annual budget (2008-13) of the *Nigam* ranged from 2 to 100 *per cent* and that of certain non-tax revenues ranged from 0.71 to 100 *per cent*. The arrears of own revenue/dues accumulated to ₹ 5.68 crore³⁷. Own revenues of the *Nigam* amounting to ₹ 167.40 crore³⁸ during 2008-13 were not sufficient even to meet their recurring expenditure of ₹ 354.96 crore incurred on payment of salaries, contingencies, *etc.* during 2008-13. The *Nigam* was largely dependent on grant/assistance from Government.

There was no evidence on record of the *Nigam* of having made effective efforts to augment revenues. No records regarding taking any action such as seizure and sale of the properties of defaulters for not paying dues were made available to audit.

The Government replied (February 2014) that punitive actions like attachment of property etc. had been taken against the defaulters of property tax.

³⁶ As per GO no. 391/11-2008-312(268)/2001 dated 07.02.2008 the allocations were fixed at the rate of 0.67 per cent: *Nagar Nigam*; 0.67 per cent: Development Authority; and 0.66 per cent: Uttar Pradesh *Awas and Vikas Parishad*.

³⁷ House tax: ₹ 358.16 lakh; Animal tax: ₹ 0.57 lakh; Advertisement tax: ₹49.50 lakh; Passenger tax: ₹ 11.54 lakh; Theatre tax: ₹. 0.97 lakh; Stamp duty: ₹18.69 lakh; *Tehbazari*: ₹ 109.96 lakh; License fee: ₹ 14.59 lakh; Dog tax: ₹ 0.40 lakh; Income under special Act: ₹2.85 lakh; photocopy fee: ₹0.37 lakh; and mutation fee: ₹ 0.05 lakh.

³⁸ Tax revenue: ₹ 109.60 crore; non-tax revenue: ₹ 33.40 crore and others: ₹ 24.40 crore.

No documentary evidence, however, was furnished in this regard. In respect of other revenue, no reply was furnished by the Government.

Deficient records maintenance

The reconciliation of the balances of the departmental cash books with those of the general cash book was to be done weekly. Scrutiny of records revealed that none of the departmental cash books were reconciled with the General cash book during 2008-13. Further, scrutiny of records revealed difference of ₹ 6.05 crore between balances of tax department's cash book and those of General cash book on account of property tax realisation during 2011-12.

The Government, in respect of difference of ₹ 6.05 crore, replied (February 2014) that in the cash book of tax department, only cash transactions were recorded whereas in the general cash book, receipts both in cash and through cheques were recorded.

The reply is not acceptable. Receipts, both in cash and through cheques, were to be recorded in both departmental and general cash books. In the absence of this, the objective of reconciliation of balances between the aforesaid two cash book would not be fulfilled.

Further, there was no system in place to verify whether all the collected revenue in the zonal offices was actually deposited in the Nigam's office. Test check of records of Zone-1 revealed that ₹ 1,05,315³⁹ collected on account of property tax was shown deposited (December 2011) in the Nigam's office against which ₹ 1,02,789 was actually deposited leaving ₹ 2,526 un-deposited. This indicated that there were no checks and balances in place to ensure prompt remittance of taxes collected.

The Government while accepting the audit observation replied (February 2014) that the amount was being recovered. It added that tax superintendents were instructed to maintain transparency in realisation of tax revenues.

2.2.10 Procurements and execution of works

Section 135 and 136 of MCA provides financial powers to the authorities for sanction of estimates⁴⁰ for execution of works and procurements. The works and supplies were to be executed/made adhering to the provisions of financial hand book (Volumes 5 & 6); General Financial Rules, 2005; Government orders and circulars; Central Vigilance Commission's (CVC) circulars; and Tender Niyamavali, 1963 & Nirman Karya Niyamavali, 1974, framed under MCA.

³⁹ ₹ 50,921 on 14.12.2011 and ₹ 54,394 on 28.12.2011.

⁴⁰ Estimates not exceeding ₹ 10 lakh: Municipal Commissioner; Exceeding ₹ 10 lakh but less than ₹ 15 lakh: Mayor; Exceeding ₹ 15 lakh but less than ₹ 20 lakh: Executive Committee; and exceeding ₹ 20 lakh but less than ₹ 30 lakh: the Corporation; and exceeding ₹ 30 lakh by the State Government.

2.2.10.1 Absence of planning

For effective management of various municipal services to the citizen, proper planning is important. Scrutiny of records, however, revealed that the *Nigam* did not have any mechanism for assessment of requirement of vehicles, equipment, consumables such as pesticides, handcarts, street light accessories based on the number of street lights points in the streets *etc.* Instead, the *Nigam* made procurement year after year on the basis of availability of fund without considering the actual requirements. It also did not have any stock reserve limits, minimum level of stock for re-ordering for procurements to ensure uninterrupted supply of materials/consumables.



Unutilised MRSM (24.06.2013)



Unutilised Dumper placer on TATA ACE (24.06.2013)

Improper planning for procurement led to under/non-utilisation of vehicles as has been noticed in the test check of records. Scrutiny of records revealed that five “Dumper Placer on Tata ACE” for management of MSW in city at a cost of ₹ 20.43 lakh and one Mobile Road Sweeping Machine (MRSM) with hopper/container (6.5 cubic metre) at a cost of ₹ 58.35 lakh were procured by the *Nigam* in December 2008 and May 2010 respectively. All the five TATA ACE vehicles were lying unutilised since May 2011 in the *Nigam*'s workshop. Records revealed further that these five vehicles were equipped with hydraulic containers which deteriorated with time and were required to be replaced. The *Nigam*, however, did not make any arrangements for the replacement of these containers; resultantly the vehicles remained unutilised since May 2011. Similarly, MRSM remained unutilised since the date of purchase for want of trained driver and skilled staff for maintenance. The supplier of this machine was to train the *Nigam*'s staff to operate the machine on the delivery of MRSM but Company did not extend any training to the *Nigam*'s staff. The *Nigam* also did not make any arrangements for the same. Consequently, MRSM remained unutilised.

The Government in its reply stated (February 2014) that procurements were made as per the need and MRSM was utilised as per requirement but did not furnish any documentary evidences in support of any exercise done for assessment of need of vehicles/equipment and other materials and utilisation

of vehicles. The fact remains that there was no concrete planning for assessment of need and utilisation of vehicles and equipments which resulted in under utilisation of vehicles/equipment.

2.2.10.2 Absence of basic information and control records

Basic information required for preparation of estimates for execution of road works such as category, width, length, crust thickness of road, last renewals and repairs etc. was not maintained. No traffic survey to ascertain the traffic density, traffic load and drainage⁴¹ was also carried out. Besides, control records such as Road register/asset register and renewal cycle register were not maintained due to which it was not ascertainable as to when any road was last constructed/renewed.

The Government in reply stated (February 2014) that Nigam does not construct new road. Instead it maintained the road which does not require traffic census.

The reply is not correct. The Nigam had constructed new roads, apart from maintenance works. Beside, as per IRC specification, renewal of road by providing richer bituminous layers such as BM/SDBC requires traffic census.

2.2.10.3 Irregular sanction of estimates

Test check of records revealed that during 2008-13, 17 estimates relating to procurement of vehicles, cost of which ranged between ₹ 17.50 lakh and ₹ 74.79 lakh, were required to be submitted to EC for approval. However, none of the estimates was submitted to the EC. All the estimates were sanctioned by the MC. Thus, the authority of EC was eroded which lost the control over justification, financial control, execution and quality control of works.

The Government while accepting the audit observation stated (February 2014) that MC sanctioned the estimates in anticipation of the approval of the estimates by the EC. It added that formal approval of EC was received in the next meeting.

The reply is not correct as none of minutes of the meetings of EC, made available to audit, mentioned about post-facto sanction of the estimates.

2.2.10.4 Weak contract management

Test check of records revealed that 32 out of 100 test-checked agreements (out of 2,124 agreements, involving expenditure of ₹ 83.08 crore) for ₹ 4.58 crore, relating to construction of roads, streets, drains, culverts etc., were entered into with contractors after the start of the works.

Similarly, the Nigam entered into 101 agreements⁴² during 2008-13 (agreed cost: ₹ 12.03 crore) for procurement of vehicles, street light fittings, health/sanitation items etc. Scrutiny of records revealed that:

⁴¹ Required under the provision of section 228 of MCA and IRC's guidelines IRC SP-50-1999 (Chapter-1).

⁴² Street light and health section of ANN did not provide details of agreements executed during 2008-13 (except MKM).

- The extant mandatory instructions, orders and guidelines were violated while executing agreements for procurements. GoUP's orders⁴³ and CVC's circular envisage that wide publicity of the tender notices should be made before entering into agreements. In all the 101 agreements, tender notices were published in only two local news-papers⁴⁴. Thus, enough publicity of tender notices was not ensured;
- In 56 out of aforesaid 101 agreements, only single bid system was adopted. In the remaining 45 agreements, though two bid tendering process was adopted but in these 45 cases, the contractors merely furnished TIN and PAN in the technical bids⁴⁵ and these contractors were declared qualified for participation in evaluation of financial bids and awarded contracts; and
- Serious discrepancies were noticed in the chronology of events viz. agreements, supply order, date of supply and stock entry. In many cases, even the agreements were executed after the date of issue of supply orders.

The Government while accepting the audit observation stated (February 2014) that process of evaluation of technical capacity of the contractors is done once in a year while renewing the registration of the contractors by obtaining documents such as PAN number, TIN number etc. The fact remains that bid evaluation was improper.

2.2.11 Sanitation and cleaning of drains

2.2.11.1 Cleaning of streets

Test check of records revealed that the *Nigam* had 2,352 (91 per cent) sweepers (Regular: 1,917 and Contractual: 435) as on June 2013 against the sanctioned strength of 2,575 sweepers leaving a shortage of 223 (nine per cent).

2.2.11.2 Cleaning of Drains

Cleaning of drains is normally done during April-June (pre-monsoon) every year. For execution of work, a well thought plan for cleaning of drains in city was imperative. Works were to be executed after recording initial levels before execution of work and final levels after execution of works. An amount of ₹ 2.35 crore was spent by the *Nigam* on cleaning of drains during 2008-13.

Scrutiny of records revealed that neither the measurement prior to work nor actual measurement of silt clearance after execution of cleaning of drains was done. Payment was made on the basis of man days involved for execution of work due to which actual quantity of work was not ascertainable.

Further, adjustment of ₹ 40.47 lakh⁴⁶, paid to the sanitary inspectors during 2010-13 for making payments to the contractors, was pending as of June 2013

⁴³Government order no. 123/19-2-1007/74TC dated 14.04.1988.

⁴⁴*United Bharat* and Northern India Patrika of Allahabad edition.

⁴⁵Technical bid should comprise Character certificate, solvency certificate, last five years work experience by the firm, details of major items of equipment with the firm, list of lab equipment, financial report of last five years i.e. balance sheet, profit and loss account etc.

⁴⁶2010-11: ₹ 6.47 lakh; and 2011-13: ₹ 34 lakh.

i.e. even after a lapse of one to two years for want of submission of adjustment bills by the sanitary inspectors concerned.

The Government did not furnish reply. The Commissioner, ANN while accepting the facts & figures stated (August 2013) that action for adjustment of the advances was in progress. Non-adjustment of advances, even after one to two years was against the financial rules. No reply was furnished by the Government in respect of payments to the contractors without any measurements.

2.2.11.3 Construction of community toilets

To prevent open defecation and to provide facility to the residents not having toilets, National Ganga River Basin Authority (NGRBA), GoI sanctioned (May 2010) ₹ 10.75 crore for construction of 143 Community toilets Complexes (CTCs) and ₹ 4.15 crore for extending public participation and awareness programme. The scheduled date of completion of works was February 2013. The CTCs were to be constructed in the slums and the locations of CTCs were to be decided on the basis of population defecating in open and willingness to pay the user charges.

Scrutiny of records revealed that against the sanctioned 143 CTCs, only 48 were taken up (June 2011 and June 2012) of which 39 CTCs were completed as of June 2013 at an expenditure of ₹ 2.53 crore.

Besides, 28 CTCs (out of 48) were constructed at the changed locations on the pretext that land was not available on the earlier locations. While selecting new locations, the criteria for selection of site *i.e.* Slum, population defecating in open and willingness to pay the user charges were not considered as was evident from the fact that out of 28 CTCs whose locations were changed, 20⁴⁷ were not in the slums. There was no evidence in the records of having conducted any survey for ascertaining other two criteria before taking up constructions in the alternative locations.



⁴⁷ Chaufataka, Phaphamau near water tank, Karelabagh (near Kushth Ashram), Kalyani Devi, Sadiyabad (Salori), Cattle colony, Naini, Phaphamau ghat, Hazarilal hata Bahadurganj, Punjabi colony near FCI, Behind Anand Bhawan, In front of Crossweth school in Rambagh, Behind Collectorate campus, Near P.D. Tondon park, In front of Naini Jail, Near Naini railway crossing, Kooper road malin basti, Near Someshwar Mahadev temple, Near earthen dam Alenganj, Near CAV Inter college (Yadav road), and Near Agriculture Institute crossing, Naini.

Further, against the allotment of ₹ 4.15 crore for Public Participation and Awareness Programme, only ₹ 49 lakh (12 per cent) was spent as of June 2013.

Thus, the works sanctioned under the aforesaid scheme, were not completed even after the scheduled date of completion i.e. by February 2013 which defeated the objectives of the programme. Rupees 12.63 crore remained unspent with Uttar Pradesh Jal Nigam (UPJN) (₹ 9.70 crore) and with the Nigam (₹ 2.93 crore).

The Government while accepting the audit observations stated (February 2014) that due to non-availability of land, the toilets were not constructed as planned. It added that programmes for public participation and awareness are organised as per need. Fact remains that envisaged benefits were not extended to the public under the scheme and the funds remained unutilised for more than three years.

2.2.12 Establishment

The Nigam had 2,961 employees as of June 2013 against the sanctioned strength of 3,974, leaving a shortfall of 1,013 employees. Pay & allowances of the employees were paid from the Nigam's funds. Scrutiny of records revealed deficiencies in upkeep of basis records, improper sanction of advances/withdrawals from provident fund account etc. We observed that:

- Banks concerned did not issue bank pass-book or bank statement due to which DDO also did not have any records regarding balances in the bank account. Besides, no ledger, broad-sheet and pass-books were maintained in respect of PF. Pertinently, DDO sanctioned withdrawals from the bank account, on receipt of application for withdrawal of funds without ensuring whether sufficient funds were in the respective bank account.

The Government in its reply stated (February 2014) that the banks concerned have been instructed to issue pass books to the employees.

- Rupees 50.22 lakh received (December 2009) from the investments (₹ 20 lakh) made from the PF account in 1993, was irregularly transferred (₹ 49.70 lakh⁴⁸) to the Nigam's salary account. No details of such investments, details of employees to whom these funds related to, reasons for transferring the PF fund to the salary account etc. were furnished to audit, despite repeated requests.

The Government while accepting the audit observations reiterated (February 2014) that due to financial crunch the Nigam was facing difficulty in disbursing salary to its employees during the aforesaid period due to which investment from PF account was utilised for making payment of salary.

⁴⁸ Details of remaining funds was not made available to audit.

2.2.13 Other interesting issues

2.2.13.1 Encroachment of Ponds' land worth ₹ 137.20 crore

Section 296 of MCA empowered MC to remove any encroachment in contravention of Act without giving any notice. The State Government also issued (April 2006) order to remove encroachments over Government properties.

Test check of records revealed that out of 42 ponds covering an area of approximately, 73 *bigha*⁴⁹ at different locations, 25 ponds⁵⁰ (*Appendix 2.2.4*) (area: 22 *bigha*) were encroached and 315 permanent & 110 temporary structures were erected by the occupants on the encroached pond's land illegally. Further, the *Nigam* also allotted house number to the houses constructed on the pond's land as mentioned above. Deputy Municipal Commissioner, however, ordered (January 2008) to cancel the house numbers allotted to these illegal constructions but no further action was taken as of June 2013. Thus, due to lackadaisical approach of the *Nigam*, 25 ponds (cost of land: ₹ 137.20 crore) were encroached. No action was taken despite having mandate in MCA and Government order to get the encroached ponds free.

The Government in its reply stated (February 2014) that a committee at district level had been constituted and necessary action would be taken after getting the report of the said committee.

2.2.13.2 Non-condemnation of unusable vehicles

Unserviceable vehicles/equipment are to be auctioned off after declaring these condemned adhering to the laid down procedures.

Seventy five vehicles/equipment (Purchase value: ₹ 2.78 crore) were lying in *Nigam's* workshop in unserviceable condition since February 2007 to May 2012. Records revealed that the *Nigam* took initiative for auctioning these vehicles belatedly in April 2012 when it constituted a committee⁵¹ to take necessary action for the disposal of these unserviceable vehicles. At the instance of the committee, Regional Transport Officer (RTO), Allahabad in its technical inspection, found (September 2012) 61 vehicles unserviceable and declared them condemned. No further action such as valuation by surveyor and auction etc. was taken as of June 2013 by the *Nigam*. These vehicles were lying unutilised in the *Nigam* workshop in open and were exposed to sun, wind and rains in addition to natural decay and deterioration.

The Government in its reply stated (February 2014) the valuation of aforesaid vehicles was being made and the vehicles would be auctioned on completion of the process.

⁴⁹ One hectare = 4.08 *bigha*.

⁵⁰ Six ponds were occupied by the Government organisations such as Hospitals, PAC, Army and Allahabad Development Authority.

⁵¹ Chief Engineer; Chief Finance Officer; Chief Auditor; EE/Traffic /Officer In charge workshop; Environment Engineer; and Law Consultant.

The reply is not convincing. No action since 2007 was taken by the Nigam in this regard.

2.2.13.3 Registration of births and deaths

Under the provision of Registration of Births and Death Act, 1969 and relevant rules namely “Uttar Pradesh birth and death rules 2002”, everyone including Government/private hospitals and nursing homes is required to inform the *Nigam* regarding births and deaths taking place in houses, hospitals, nursing homes respectively.

Test check of records of the *Nigam*, however, revealed that 121 out of total 138 private hospitals in the city and four out of total nine Government hospitals, did not provide information regarding births and deaths that took place during 2008-13. The *Nigam* did not initiate any action such as issue of notices *etc.*, to get the complete information from the private hospitals.

The Government in its reply stated (February 2014) that action against the defaulters would be taken for not sending the details of births and deaths.

2.2.14 Internal control

Internal control is a system within an organisation enables the departments to identify the key problem areas, constraints and managerial needs for the improvement in policy formulation, allocation of resources and setting of performance standards.

2.2.14.1 Audit arrangement

Under section 142 of MCA, MNLP was responsible for audit of transactions as well as examination & audit of accounts of the *Nigam* and to submit, within a month, report thereon to the EC. Besides, MC, as soon as, may be after the first day of April in each year, was to prepare a detailed report of the *Nigam*'s administration during the previous year and a statement showing the accounts of the receipts and disbursement credited and debited to the *Nigam*'s fund during the current year for further submission to EC. EC was to forward to the report to the State Government after review.

Further, under the arrangements for external audit of the *Nigam*, Director, Local Fund Audit is the primary auditor of the *Nigam* in terms of Uttar Pradesh Local Fund Audit Act, 1984. Besides, under the entrustment by the State Government in October 2001 and May 2011, the Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of Urban Local Bodies and their audit is also done by the C&AG of India under section 20 (1) of C&AG's (Duties, Powers and Conditions of Services) Act, 1971.

We observed that:

- No report was ever prepared by MNLP or MC and submitted to EC or the State Government respectively during 2008-13. Many of the deficiencies

in preparation of control records, adoption of revised rate of taxes, unnecessary procurements, timely disposal of unused stores etc. could have been corrected/plugged, had these been commented upon by internal audit.

- Despite repeated reminders, the *Nigam* did not make available details of audit observations raised and settled in the audit by Director, Local Fund Audit. Besides, 35 paras were outstanding as of June 2013 of the audit conducted by Principal Accountant General (General & Social Sector Audit), Uttar Pradesh, Allahabad for the period 2007-10 but no records/information regarding compliance to the audit observations were made available to audit.

The Government while accepting the audit observations replied (February 2014) that due to shortage of staff, monthly audit report was not submitted to EC. In respect of outstanding audit observations raised in the audit of the Director, Local fund and Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, it stated that replies to the audit observations would be submitted soon. No reply was furnished on the other issues.

2.2.14.2 Lack of evidencing and documentation

It is imperative that transactions- both expenditure and receipts are properly documented and fully evidenced. Any compromises or deficiencies in documentation and evidencing are fraught not only with the risks of errors and mis-statements but also of fraud, misappropriations, defalcations *etc.*

We observed that many of the control records were either not maintained or maintained improperly (**Appendix 2.2.5**). Similar was the position of furnishing of responses (as of August 2013) to the audit memos issued during the course of audit from April to June 2013. During the course of audit, replies to audit memos were furnished for approximately 85 *per cent*, that too after persistent pursuance – through letters to all levels, by all levels, verbal reminders leaving remaining 15 *per cent* of the audit queries unreplied.

2.2.15 Monitoring and sensitivity to error signals

2.2.15.1 Monitoring

According to section 88 of MCA, the corporation and committees (EC, DC and WC) were to meet six times and 12 times in a year respectively. Scrutiny of records revealed that against the 60 meetings of EC due to be held during 2008-13, 42 meetings (70 *per cent*) were organised leaving a shortfall of 18 meetings (30 *per cent*). Further, the minutes of the proceedings of meetings of corporation⁵² held during 2008-13 were issued late with delay of upto 334 days (**Appendix 2.2.6**) from the date of conduct of meetings. Pertinently, the meetings of corporation were to be held at intervals of two months. Thus, before holding the subsequent meetings, proceedings of previous meetings

⁵² Minutes of the proceedings of other meetings were not made available to audit.

were not communicated to the members and executives to act upon the decisions taken in the earlier meetings.

Municipal Commissioner was also to inspect the records of the *Nigam* at intervals of every six months. No such inspection was carried out during 2008-13.

The Government in its reply stated (February 2014) that efforts would be made to issue minutes of meeting in time.

2.2.15.2 Sensitivity to error signals

With a view to make the organisation responsive and thus accountable to the people, it was imperative that a system to detect error signals emanating from various sources (*Appendix 2.2.7*) together with a system for grievance redressal was put in place.

We observed that most, if not all, of the deficiencies/irregularities noticed in the performance audit, had been pointed out in the Annual Technical Inspection Reports on Urban Local bodies, Audit Inspection Reports (AIRs) issued by Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad. This indicates that no correctives were taken and similar type of irregularities still persisted.

Besides, under Right to Information Act, 2005 (RTI), 32 applications were received under RTI and the required information was provided by the *Nigam* during 2008-13. Scrutiny of information provided under RTI revealed that the information related to irregular placement of advertisements in the city, realisation of revenue from advertisements and procurement of bitumen by the *Nigam* during 2008-13. In this performance audit, similar types of deficiencies were also noticed. This indicated that the *Nigam* failed to take corrective measures to overcome the deficiencies coming to light.

2.2.16 Conclusion

The required frameworks for the *Nigam viz.* accountability, budgeting, accounting and auditing were inefficient, incomplete and in some cases entirely absent. Budgets and Annual accounts were not prepared in time. Control records such as Ledgers, reconciliation statements, schedules of accounts were not prepared. Reconciliation of balances of bank accounts with the cash books was never carried out during 2008-13. Due to shortcomings on part of the *Nigam* to enforce the statutory provisions regarding deterrent actions such as seizure and sale of the properties of defaulters, the arrears of own revenue/dues accumulated to ₹ 5.68 crore. The *Nigam* failed to take recourse to the provisions of MCA in assessment, revision and collection of tax and non-tax revenues. There was no assurance that all the properties assessable to property tax had actually been brought into the tax net.

The *Nigam* did not carry out assessment of requirement of vehicles, machines and equipment. Extant mandatory instructions, orders and guidelines were violated in executing agreements for procurements and execution of works.

The *Nigam* did not have adequate and systematic internal check mechanism to prevent and detect errors and irregularities to guard against loss of public money. Internal audit was not effective as it did not furnish any report to EC for correction of errors and to rectify the deficiencies. The documentation and evidencing were poor and the authorities were largely insensitive to the error signals.

2.2.17 Recommendations

- *Manual for preparation of annual accounts, elaborating the classification of assets & liabilities, rate of depreciation etc. should be provided for adhering to the objective of early switching from cash based single entry system to accrual based double entry system of accounting in letter and spirit;*
- *Preparation and proper maintenance of control records should be ensured and budget & annual accounts should be prepared in time;*
- *For augmenting revenues, levy of taxes at prescribed rates should be ensured and deterrent action should be taken against the defaulters;*
- *A transparent system for procurement of goods and execution of works should be in place for safeguarding the financial interest of the stake holders; and*
- *Laid down procedure for Auditing and submitting the reports to the Executive Committee and to the State Government should be adhered to.*

Long Paragraph

2.3 Authorisation, opening, operation and reconciliation of Bank Accounts in *Nagar Palika Parishads* in Uttar Pradesh

2.3.1 Introduction

The Government implemented the system of democratic governance down to the grass root level in Urban Local Bodies (ULBs) through Uttar Pradesh Municipal Corporation Act, 1959 and Uttar Pradesh *Nagar Palika* Act, 1916. The objective was to make the ULBs self-reliant and to provide better civic facilities to the people of the area under their jurisdiction. ULBs are of three categories namely, *Nagar Nigam*, *Nagar Palika Parishads* (NPPs) and *Nagar Panchayats* (NPs). The Seventy-fourth Constitutional Amendment Act, 1992, paved the way for decentralisation of powers, transfer and devolution of more functions and funds to NPPs. *Nagar Palika Parishad* is a form of local Self-Government. Smaller district cities and bigger towns with urban population between 20,000 to 5,00,000 have a *Nagar Palika Parishad*.

The main sources of revenue receipts of the NPPs include grants received from the State Finance Commission, Central Finance Commission, funds received under Centrally Sponsored Schemes (CSS), MPs/MLAs Local Area Development (MPLAD/MLALAD) funds and municipal funds as house tax, water tax, property tax, rent fee (from markets, taxi stands etc.) etc.

Under Section 115 (1) of UP Municipalities Act, 1916, municipal funds are required to be kept in the Government treasury or sub-treasury or in the State Bank of India or with the previous sanction of the State Government, in the U.P. Co-operative Bank or in a Scheduled Bank⁵³. The entries shown in the bank statements are to be checked with the receipts and payments entered into cash book at the end of each month and differences, if any are to be reconciled with the bank to detect and the anomaly removed.

During the scrutiny of the records (April-June 2013) of the test-checked NPPs⁵⁴ the deficiencies noticed in respect of authorisation, opening, operation and reconciliation of bank accounts are discussed in the succeeding paragraphs.

2.3.2 Authorisation and opening of Bank Accounts

As per Introductory references (RBI Directive 6g & 6p) and directives of December 14, 2002, a Government department or agency can open an account in a branch of the bank on production of an authorisation from the Government to open and operate a bank account.

During scrutiny of the records of Director, ULBs and the test-checked NPPs, we observed that the State Government did not issue any specific direction or

⁵³ Funds received for various Government schemes are to be kept in separate bank accounts of nationalised bank according to the guidelines of the related schemes.

⁵⁴ Achnera, Basti, Bindaki, Chitrakoot, Faridpur, Fatehpur, Ghazipur, Hardoi, Lalitpur, Mubarakpur, Muradnagar, Nageena, Siyana, Sultanpur and Utraula.

separate guidelines to the NPPs for opening and operation of bank accounts for municipal funds.

On this being pointed out, Director, Local Bodies, Uttar Pradesh intimated (April 2013) that NPPs, being Constitutional Bodies, were operating their funds as per the provisions of Municipalities Act, 1916.

Separate bank accounts for Central/State schemes are to be kept to ensure proper control over receipt and utilisation of funds. Thus, apart from a bank account to keep funds received from various sources, separate accounts for specific ongoing schemes should only be maintained in banks.

Scrutiny of records of test-checked NPPs revealed that the NPPs had opened 4 to 21 bank accounts in more than one bank without obtaining proper sanction/authorisation of the Government/Competent authority.

2.3.3 Dormant Bank Accounts

In nine⁵⁵ test-checked NPPs, we observed that out of 163 bank accounts, opened by the NPPs in various bank branches, 37 accounts (*Appendix 2.3.1*) were dormant with ₹ 96.82 lakh (₹ 96.63 lakh: from own sources, ₹ 7,000: grants from the Government and ₹ 12,000 : sources were not provided by the concerned NPPs). These amounts were lying in dormant accounts for long, resulting in blockade of funds meant for providing civic services to the people of these nine NPPs. Although called for, the date (period) since when these accounts were dormant was not furnished.

2.3.4 Operation and current Bank Accounts in NPP

The Government order⁵⁶ provides that the NPPs should open interest bearing Saving Bank Accounts in State Bank of India or any Nationalised Bank.

In violation, all the 15 test-checked NPPs had opened 60 current accounts in different nationalised banks and ₹ 19.71 crore (*Appendix 2.3.1*) was the balance in these current accounts bearing no interest. Consequently, loss of ₹ 1.67 crore⁵⁷ (*Appendix 2.3.2*) as interest, was incurred by the NPPs. Further, none of the 15 test-checked NPPs furnished records, though called for, showing the authorities and dates of opening of these Bank Accounts.

2.3.5 Non- deposit of Bank interest in State Government Account

As per the Government order the interest earned (from saving bank accounts from the Central/State schemes fund) by the NPPs were to be deposited in Government Account.

⁵⁵ Basti, Bindaki, Chitrakoot, Hardoi, Lalitpur, Mubarakpur, Muradnagar, Sultanpur, Utraula.

⁵⁶ No.A-1-122/das-2012-10(33)2010 dated:21March,2012

⁵⁷ Four Per cent Per Annum from 03/2009 to 03/2013.

Scrutiny of the records of 15 test-checked NPPs, revealed that nine NPPs⁵⁸ did not deposit the earned interest of ₹ 1.16 crore (*Appendix 2.3.3*) into the Government account and six NPPs⁵⁹ neither maintained the records of the interest earned and deposited it into the Government account nor provided any details of the same, although called for.

2.3.6 Non-reconciliation of balances of Bank Accounts with those of Cash Book

As per Chapter 30.7 of National Municipal Accounts Manual, NPPs are required to prepare monthly reconciliation statements showing the cash balances as per bank statement vis-a-vis cash book. Reconciliation helps detect the differences between cash book balances with those of Treasury/bank passbook balances at the end of every month and at the end of financial year. Due to non-reconciliation of cash book balances, cases of wrong credit and debit, interest accrued and commissions charged by the bank etc, remained undetected.

Scrutiny of the records of the 15 test-checked NPPs revealed that neither reconciliation statements were being prepared nor the bank accounts were reconciled, an essential part of accounting process to have a true and fair picture of the financial position of the entity. As a result, there were differences of ₹ 24.93 crore between cash book balances and those of Treasuries/bank pass books during 2012-13 (as on 31.03.2013) (*Appendix 2.3.4*). Therefore, the correctness and authenticity of the figures disclosed in financial statements of NPPs were not ascertained in audit. Non-reconciliation of balances reflected deficient fund management resulting in rendering bank accounts dormant, though ₹ 96.82 lakh was lying idle in those dormant bank accounts. Closing balances of cash books were neither analysed by the NPPs nor reasons for the differences furnished to audit.

On this being pointed out in audit, NPPs replied (April-June 2013) that the differences were due to un-cashed cheques, time barred cheques and amounts of bank interest.

The reply of NPPs is not acceptable. NPPs did not provide any details or documents in support of their statements.

Government/Director Local Bodies did not issue directives/guidelines to Local Bodies relating to authorisation and operation of bank accounts. Activities of NPPs in respect of financial management were not ascertained. The Government orders to deposit the funds in saving bank accounts were not adhered to and resultantly, loss of interest was being borne by NPPs. Large numbers of bank accounts were opened, of which 23 *per cent* were dormant. In contravention of the provisions, interest earned on scheme funds, were not deposited into the Government Account. Periodical reconciliation of cash balances as per bank statement with balances of cash book was not being done, though essential.

⁵⁸ Basti, Bindaki, Faridpur, Fatehpur, Ghazipur, Lalitpur, Muradnagar, Siyana and Utraula.

⁵⁹ Achnera, Chitrakoot, Hardoi, Mubarakpur, Nageena, and Sultanpur.

Financial management should be so regulated by NPPs that the intended use of funds is ensured. Necessary instructions should be issued by the State Government/Director Local Bodies for proper maintenance of the bank accounts, periodical reconciliation in respect of various funds of NPPs, so that any misappropriation of funds and loss to the Government is obviated.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

2.4

Compliance Audit

2.4.1 Favour to a contractor

Award of contract relating to collection of parking fees by *Nagar Nigam Saharanpur* without effective safeguard clause relating to prompt payment led to default in payment of ₹ 35.54 lakh.

Nagar Nigam (Nigam), Saharanpur collects parking fees from the owners of vehicles carrying *Ret/Bajri* and accordingly issued notice inviting tender (NIT) (March 2008) for auction of the parking place for vehicles. As per NIT, the successful bidder was to deposit 25 per cent of the bid amount on the day of award of the tender and the remaining in three equal installments by end of June 2008, September 2008 and December 2008. Failure to deposit the remaining amount not only entailed cancellation of the bid but also recovery of the pending amount with simple interest at the rate of 10 per cent per annum. The contractor was to submit solvency and character certificate and to enter into an agreement with the *Nigam* on stamp paper valuing 10 per cent of auction amount.

Despite non-submission of solvency certificate and character certificate the aforesaid work was awarded to a contractor for ₹ 50.53 lakh.

The contractor deposited ₹ 10.60 lakh instead of ₹ 12.63 lakh. A major risk was default in payment of the balance amount as per time schedule. An effective way to address this risk was to obtain a bank guarantee for the full amount. This was not done. The contractor failed to adhere to time schedule for payment of balance amount of ₹ 37.90 lakh.

On this being pointed out, *Nagar Ayukt, Nagar Nigam*, Saharanpur stated (January 2013) that a notice for recovery of ₹ 24.23 lakh, along with 10 per cent interest had been issued (March 2009) to the contractor by the Administrator/District Magistrate. The contractor filed a suit (2011) in the Hon'ble High Court, Allahabad against the notice and stay was granted in the matter (2011).

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

2.4.2 Inappropriate Procedure

Expenditure of ₹ 1.60 crore was incurred by *Nagar Nigam, Allahabad* on development of a milch cattle colony without achieving the objective of shifting the milch cattle out of the municipal limit.

Following the recommendation of the Twelfth Finance Commission, *Nagar Nigam*, Allahabad decided (September 2008) to develop a milch cattle colony which included development works comprising 100 plots, one Veterinary Hospital, one mini 10 HP tube well, water supply system, a public (10 seated) toilet, nine shops and a guard room, outside its municipal limit, on

an area of 1.75 hectares in *Bela Kachhar*, Phaphamau, Allahabad at an estimated cost of ₹ 1.72 crore. The work was awarded (February 2009) to a private firm⁵⁸ for completion by July 2009. The objective of developing the colony was to shift the milch animals outside of the municipal limit of the *Nigam*.

There was a risk of the existing cattle owners not shifting to the new premises. An effective way to address this risk was to assess commitment to shift and willingness to pay the premium fixed by way of collection of advance from these parties. Such a procedure was not adopted.

Scrutiny of records of the *Nigam*, Allahabad revealed (April 2010) that the *Nigam* acquired only 1.23 hectares land as there was ownership dispute on remaining 0.52 hectare. Further, the *Nigam* issued the work order without ascertaining the cost of each plot to be sold at to the cattle owners. The firm commenced the development work on acquired land in February 2009 and constructed 61 plots, six shops and one Veterinary Hospital by May 2010 at ₹ 1.60 crore. However, as of August 2013, these plots were lying un-allotted as the cattle owners were not ready to pay the premium price of ₹ 3,023 per square meter for the plots, fixed by the *Nigam* subsequently.

Nagar Ayukt intimated (June 2012) that a proposal to reduce 50 per cent of the aforesaid premium price had been sent to the Government for approval in December 2011. Response of the Government was awaited (August 2013). *Nagar Nigam* should have fixed the premium of the plots prior to commencement of the development work of the colony.

Incurring of an expenditure of ₹ 1.60 crore without firm commitment from the existing cattle owners was inappropriate. The objective of shifting the milch animals from municipal limit of the *Nagar Nigam* was also not achieved.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.3 Sub-standard work

Overlaying of road with interlocking paver block bricks without base coat under *Manyawar Kanshiram Nagar Vikas Yojna* resulted in sub-standard quality of work of ₹ 2.45 lakh in *Nagar Panchayat, Sahjanwa*.

As per the circular (January 2007) of Chief Engineer (Central Region), Public Works Department (PWD), Lucknow, there should be base coat of 20 mm to 40 mm of coarse sand below the block and a water bound macadam (WBM) or water mix macadam (WMM) granular sub-base of 20 mm to 30 mm there under for overlaying inter-locking paver block brick works in the construction of a road.

⁵⁸ M/s. Singh Associates, Stanley Road, Allahabad.

The Government sanctioned (February 2010) interest free loan of ₹ 14.55 lakh for construction of interlocking paver block bricks road and drain from Jigna pitch road to Sahjanwa village temple and Amarjeet house in Ward number one of *Nagar Panchayat* (NP), Sahjanwa district Gorakhpur under *Manyawar Kanshiram Nagar Vikas Yojna* Executive Officer (EO), NP, Sahjanwa sanctioned an estimate of ₹ 14.12 lakh (March 2010) for a work which involved overlaying of road of interlocking paver block bricks in 450 meter length and 3.5 meter breadth having a base coat of 0.08 meter below interlocking paver block bricks covering an area of 1575 sqm. Tender was invited for the work (March 2010). An agreement was executed with M/s Kalyani Associate, Gorakhpur (March 2010) at 0.5 *per cent* below sanctioned departmental estimated rates.

Scrutiny of records of EO, NP Sahjanwa revealed (November 2011) that contrary to the estimate, the executed quantity of overlaying of paver block bricks was 1,888m² and payment of ₹ 11.40 lakh was made for the base coat work of 1,483m² as per measurement books resulting in overlaying of road of interlocking paver block bricks without base coat in an area of 405m² (1,888 m²-1,483 m²) and payment of ₹ 2.45 lakh⁵⁹ for sub-standard work. Thus, overlaying of road of interlocking paver block bricks without base coat resulted in sub-standard work of ₹ 2.45 lakh.

On this being pointed out, EO stated (November 2011 and May 2012) that the contractor was paid for the quantity of brick ballast laid on site of the work. About execution of work in excess of estimated quantity, EO stated that the work was executed as per local demand and by the order of *Adhyaksha*, NP.

The reply is not acceptable. The work was not executed as per norms fixed by the Chief Engineer (Central Region), Public Works Department, Lucknow.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.4 Fraudulent measurement

Fictitious measurement in construction of a drain in *Nagar Panchayat* Naraura, district Bulandshahr led to an over payment of ₹ 1.56 lakh.

Financial Rules⁶⁰ envisage that before signing the bill the quantities in the bill should be compared with those recorded in the measurement book and ensure that all the rates are correctly entered and that all calculations have been checked arithmetically. When the bill is on a running account, it is to be compared with the previous bill. The memorandum of payment is then to be made and recoveries, if any, effected.

Executive Officer (EO), *Nagar Panchayat* (NP) Naraura, district Bulandshahr sanctioned (June 2008) an estimate of ₹ 4.94 lakh for construction of a drain in Ward No. 6 from *Anguri Devi's* house to *Girish Kumar's* field from the fund

⁵⁹ 1,888 sqm-1,483 sqm=405 sqm x ₹ 604 per sqm= ₹ 2,44,620

⁶⁰ Financial Hand Book Volume VI Articles 448.

of State Finance Commission. Tender was invited on short term notice (June 2008). The EO placed work order to M/s Prakash Enterprises (July 2008) at 10 per cent above the sanctioned departmental estimated rates.

Scrutiny of records of the EO, NP Naraura, revealed (June 2010) that as per measurement books and vouchers, up to date cost of the work done as per measurement taken in March, April and September 2009 were ₹ 3.76 lakh⁶¹, ₹ 5.32 lakh⁶² and ₹ 4.40 lakh⁶³ respectively and payments were made accordingly. However, up to date measurement of quantities of work executed and cost of work done in September 2009 was less than the quantities of work executed and cost of work done in April 2009. Thus, fictitious measurement of construction of drain led to overpayment of ₹ 1.56⁶⁴ lakh.

On this being pointed out (June 2010) the EO stated that action would be taken after examining the facts and further intimated (August 2013) that ₹ 2 lakh had been deposited (February 2012) by the contractor in the account of the NP. Recovery was made at the instance of Audit in February 2012 but action taken against the person(s) responsible for the fictitious measurement and over payment was not intimated.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.5 Unfruitful expenditure and avoidable loss

Inadequate assessment of the use of shops led to an unfruitful expenditure of ₹ 56.31 lakh on the construction of the shops and avoidable loss of revenue of ₹ 75.36 lakh to Nagar Palika Parishad, Fatehpur.

With a view to generate income from its own sources by providing a market place to the vegetable sellers to sell vegetables at one place, Nagar Palika Parishad (NPP), Fatehpur decided (September 2006) to construct shops for Sabji Mandi behind the compound of Jalkal Department. NPP constructed 82 shops for Sabji Mandi at ₹ 56.31 lakh (July 2008). The shops were to be allotted to the vegetable sellers at a premium of ₹ 1.50 lakh per shop on rent fixed (October 2008) between ₹ 1,800 and ₹ 2,000 per month on the basis of the size of the shops.

Scrutiny (May/June 2013) of records of NPP, Fatehpur, revealed that due to non-allotment of the shops at the decided rates, NPP revised the premium amount and rent of shops thrice⁶⁵ in a period of 13 months and finally in November 2009 reduced the premium amount to ₹ 60,000 and rent to ₹ 550 per shop per month. Advertisements/notices for allotment of shops were issued in October 2008, November 2008 and February 2010 but applications

⁶¹ First R/B dated 05.03.2009.

⁶² Second R/B dated 17.04.2009.

⁶³ Second and final bill 22.09.2009.

⁶⁴ ₹ 5,32,191 (Payment of second R/B) less ₹ 3,75,670 (Payment of first R/B)

⁶⁵ October 2008, December 2008 and November 2009.

for only 36 shops were received (August 2013). Non-allotment resulted in the constructed shops not being put to use and NPP was deprived of the revenue of ₹ 49.20 lakh⁶⁶ on account of premium and regular and recurring income of ₹ 26.16 lakh⁶⁷ (upto August 2013) in the form of rent. Thus, inadequate assessment on the part of NPP for the use of the shops prior to the construction resulted in unfruitful expenditure of ₹ 56.31 lakh and avoidable loss of revenue ₹ 75.36 lakh (August 2013).

On this being pointed out in audit, the Executive Officer stated (June 2013) that the advertisement for allotment of shops was made in February 2010 but none of the shops could be allotted and further efforts were being made for allotment of the shops.

The reply is not acceptable. Just assessment of demand would not be adequate. Construction without firm demand (by way of advance payment by potential parties) is fraught with the risk of non-utilisation/underutilisation of space.

As a result there was unfruitful expenditure of ₹ 56.31 lakh and avoidable loss of revenue of ₹ 75.36 lakh on account of premium and rent of shops (August 2013).

The matter was reported (June 2013) to the Government. However, no reply has been received (June 2014).

2.4.6 Wasteful expenditure

Nagar Palika Parishad, Padrauna, Kushinagar made an idle investment of ₹ 6.49 lakh on road sweeper machine as the decision to purchase it was taken without assessing the practical issues involved.

Nagar Palika Parishad, Padrauna, Kushinagar, in its Board meeting in June 2008, decided to purchase one piece of road sweeping machine for cleaning the roads of the Nagar Palika from the funds provided by the Twelfth Finance Commission for which Administrative Approval (July 2009) and Financial Sanction of ₹ 6.49 lakh (September 2009) was given by Apar Zila Adhikari (Finance/Revenue), Kushinagar.

Scrutiny of records of the Executive Officer, *Nagar Palika Parishad, Padrauna, Kushinagar* revealed (October 2010) that the aforesaid decision to purchase the machine was taken without its demonstration and addressing environmental concerns in cleaning roads of the *Nagar Palika*. The Executive Officer, in follow up to the said decision, placed (September 2009) the purchase order on a firm for supply of the machine at a cost of ₹ 6.49 lakh. An advance payment of ₹ 6.49 lakh was also made (September 2009) to the firm⁶⁸. The firm supplied (November 2009) the machine to the *Nagar Palika*. When the machine was put to use, the shop owners and the residents of

⁶⁶ Premium amount ₹ 60,000 per shop X 82 shops = ₹ 49,20,000

⁶⁷ Rent per shop ₹ 550x82 shops x 58 months (from 10/08 to 08/13) = ₹ 26,15,800.

⁶⁸ UP Envirotech, Lucknow

Nagar Palika protested against its use as it raised heavy dust in the atmosphere. Consequently, the use of the machine was stopped and the same was lying idle rendering investment of ₹ 6.49 lakh idle as of August 2013.

In reply, the Executive Officer admitted (August 2013) that the machine was lying idle.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

2.4.7 Non-deduction of Labour Cess

Labour Cess of ₹ 2.12 crore was not deducted from the contractors' bills for construction works carried out by *Nagar Nigam*, Varanasi during 2010-13.

With a view to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare the Government of India (GoI) enacted "The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996" which came in force on 1st March 1996. The Government of Uttar Pradesh (GoUP) also implemented the Act through a notification⁶⁹ (February 2009) and subsequently constituted⁷⁰ (November 2009) UP Building and Other Construction Workers' Welfare Board in compliance of the Act. The Board is authorised to collect the cess at the rate of one *per cent* of the total cost of all the construction works under section 3(2) of the Building and Other Construction Workers' Welfare Cess Act, 1996. Further, the State Government issued directions (February, 2010) to all the Heads of Departments to comply with the Act and to issue orders to the subordinate offices to ensure deduction of labour cess from the payments against bills of contractors and deposit the same to the Board through a crossed cheque/bank draft in favour of Secretary, Uttar Pradesh Building and Other Construction Workers' Welfare Board.

The Government sanctioned Storm Water Drainage Project for Varanasi City under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for ₹ 253.73 crore. M/s L&T Ltd. Okhala, New Delhi (Contractor) commenced the work in April 2010. The Firm had been paid ₹ 212.36 crore between 18 May 2010 and 29 August 2013 for Varanasi City Storm Water Drainage Works.

Scrutiny of records of the *Nagar Nigam*, Varanasi (September 2013) revealed that for the Varanasi City Storm Water Drainage Works, against the gross amount of ₹ 212.36 crore, after deducting ₹ 46.71 crore on account of Trade Tax, Income Tax and Mobilisation advance, net payment of ₹ 165.65 crore was made to the contractor. The statutory deduction of labour cess of ₹ 2.12 crore (one *per cent* amount of total cost of construction work) was not made from the payments to the Contractor.

⁶⁹ Notification No. 143 dated 04.02.2009.

⁷⁰ Notification No. 1411 dated 20.11.2009.

On this being pointed out in audit, the *Nagar Ayukta*, Varanasi *Nagar Nigam* stated (September 2013) that deductions would be made from the Contractor.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.8 Wasteful expenditure

Commencement of work without getting permission for the complete alignment rendered wasteful expenditure of ₹ 2.29 crore.

As per Para 378 of the Financial Hand Book Volume VI, no work should be commenced on land which has not been duly made over by the responsible civil officer.

With a view to augment uninterrupted flow of sewage of Kanpur Nagar to the sewage treatment plant at *Jajmau* and its subsequent release in the river Ganga, a project was approved (2007-08) under JNNURM Scheme to replace old sewer line by laying 2,000 mm diameter new Sewer Trunk Line (STL) from *Dadamia Majar (Chabileypurwa)* to common mainhole at *Phoolbag* (Length: 8,930 metre) through Kanpur cantonment area of *Kumaun Regiment (Army)*.

Scrutiny of records of the *Nagar Nigam (NN)*, Kanpur (September 2013) revealed that the Cantonment Board had granted permission (May 2009) to lay STL from only *Chabileypurwa* to *Lalkurti* with the condition that the permission for the remaining area would be given after ground inspection as the alignment was going through defence land.

Ganga Pollution Control Unit, Uttar Pradesh, *Jal Nigam*, Kanpur was nominated as executing agency to lay STL at an estimated cost of ₹ 31.50 crore. The construction of STL work was awarded (October 2008) to a contractor⁷¹ by the executing agency at a cost of ₹ 31.40 crore. The work was to be started in October 2008 and was to be completed by 31 March 2010 (extended up to 30 June 2013). The work was commenced (October 2008) by the executing agency without getting permission for complete alignment. Further, laying of STL in onward alignment was stopped by the Cantonment Board and partially completed up to *Lalkurti* (March 2010).

An alternative alignment⁷² suggested by the Cantonment Board was approved by the Chief Engineer, *Jal Nigam* (April 2011). By changing the alignment the expenditure incurred (₹ 2.29 crore on 695 metre)⁷³ on the old alignment was rendered wasteful as the new alignment was diverted to 695 metre before the end point of the ongoing work and being away from STL, and being unconnected with the STL and purpose of sewer drainage was affected.

⁷¹ M/S Jyoti Buildtech Pvt Ltd.

⁷² From trenching ground to common manhole through VIP Marg, Circuit House, Railway Ground, CC Paraw, Sabzi Mandi.

⁷³ 5-6 BGL200 metre ₹ 25,460.78 per metre expenditure ₹ 50,92,156.00

7-8 BGL150 metre ₹ 35,850.38 per metre expenditure ₹ 53,77,557.00

8-9 BGL150 metre ₹ 33,452.78 per metre expenditure ₹ 50,17,917.00

9-10 BGL195 metre ₹ 38,247.98 per metre expenditure ₹ 74,58,356.00

On this being pointed out in audit, the Municipal Commissioner, NN, Kanpur stated that permission for laying of STL upto *Lalkurti* was granted by the Cantonment Board. Further, onward construction of STL was not permitted by the Cantonment Board. Hence, alternative alignment as suggested by the Cantonment Board was adopted. It was also stated that the constructed STL between Trenching ground to *Lalkurti* (695 metre) would be used by tapping an existing *Nala* situated there.

The reply is not acceptable as tapping of such existing *Nala* was not required initially as it was not proposed in the design of the project. The commencement of laying of STL work before getting permission for complete alignment from Cantonment Board led to wasteful expenditure of ₹ 2.29 crore.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.9 Unfruitful expenditure

Purchase of dustbins without Dumper Placer in *Nagar Panchayat, Dasna, district Ghaziabad* led to unfruitful expenditure of ₹ 16.22 lakh.

Financial Rules (para 179 of Financial Hand Book Volume VI) provide that the purchase of store materials in advance or in excess of requirement is likely to result in direct or indirect losses to the Government. In *Nagar Panchayat* (NP), Dasna, Ghaziabad, Dustbins⁷⁴ and Dumper Placer⁷⁵ were to be purchased for collection and disposal of garbage and other solid wastes at the disposal site.

Scrutiny of records of NP Dasna (June 2011) revealed that Executive Officer (EO) accorded administrative and financial sanction (February 2008) to procure Dumper Placer and Dustbins under *Manyawar Kanshiram Shahari Samagra Vikas Yojana* for urban Solid Waste Management. Tenders were invited for purchase of Dumper Placer and Dustbins. Subsequently, supply order was issued (June 2008) to M/s Usha Engineering Sahibabad, Ghaziabad for supply of 30 Bins and one Dumper Placer amounting to ₹ 16.22 lakh and ₹ 3.24 lakh respectively.

Dustbins were received at a cost of ₹ 16.22 lakh during June/July 2008 but the Dumper Placer for lifting of dustbins and disposal of collected garbage was not purchased. Without Dumper Placer, the Dustbins (30) were lying idle in office premises (October 2013).

On this being pointed out in audit, the Executive Officer (EO) stated (October 2013) that the Dustbins were purchased for future requirement and all the Dustbins would be installed at the identified sites at the earliest.

⁷⁴ The Bins are placed in lanes/colonies to collect the garbage which is lifted by the Dumper Placer.

⁷⁵ Dumper Placer is an equipment/vehicle that collects the garbage and unloads the dump conveniently.

The reply is not acceptable as the Dustbins were not purchased merely for collecting of garbage but for lifting, transporting and unloading of garbage at solid waste disposal site which was not being done in absence of Dumper Placer.

The matter was reported (March 2012) to the Government. However, no reply has been received (June 2014).

2.4.10 Improper selection of site and defective agreement

Improper selection of landfill site for Solid Waste Management Project, Gorakhpur and absence of safeguard clause relating to bank guarantee resulted in unfruitful expenditure of ₹ 9.13 crore, loss of Government money ₹ 2.60 crore and blockade of funds ₹ 5.47 crore.

The Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) was launched by Government of India in 2005 to improve the public service delivery in urban areas. Accordingly, the Government of Uttar Pradesh (GoUP) accorded administrative and financial sanction (November 2006) for Solid Waste Management Project (A Scheme under JNNURM) for Gorakhpur city for ₹ 15.64 crore⁷⁶ on Design, Build, Operate, Maintain and Transfer (DBOMT) basis under Public Private Partnership (PPP) Model. The project involved door to door collection, segregation, conversion of garbage into fertiliser and scientific disposal of the remaining garbage outside the municipal limit of the Gorakhpur city. The project was to be completed within eight months (December 2010) from the date of start (24 April 2010). The completion date was extended upto December 2013. Construction and Design Services (C&DS), Uttar Pradesh *Jal Nigam* was nominated as executing agency by the GoUP (January 2007). A joint team of Chief Engineer, *Nagar Nigam* (NN), *Nagar Ayukt* (NN) and Project Manager, C&DS, *Jal Nigam* selected (September 2008) a site measuring 11.567 hectare of land for landfill in village *Jungle Bahadur Ali* situated on the Gorakhpur-Nautanva main road in the Gorakhpur district for the Project and paid ₹ 9.13 crore to Special Land Acquisition Officer (SLAO) towards cost of acquired land (between September 2008 to May 2010). Subsequently, the land was acquired and transferred to the executing agency (August 2010). Further, ₹ 8.07 crore were also transferred to the executing agency between March 2008 to January 2012 for execution of the work. The bid for implementing the project was invited by the executing agency in August 2009. The bid of M/s. APR Projects Pvt. Ltd. Hyderabad (being the lowest) was accepted and Letter of Award (LoA) was issued in November 2009 on DBOMT basis but the Concession Agreement was executed amongst NN, Gorakhpur, C&DS, Uttar Pradesh *Jal Nigam* and M/s Gorakhpur Solid Waste Management Pvt. Ltd, Hyderabad (Concessionaire)⁷⁷ (April 2010). A performance bank guarantee of ₹ 1.70 crore was executed in favour of NN, Gorakhpur by M/s APR Projects, Hyderabad instead of Concessionaire (December 2009). Once a bank

⁷⁶ Central Share: ₹ 1,250.88 lakh (80 per cent), State Share: ₹ 156.36 lakh (10 per cent) and ULB Share: ₹ 156.36 lakh (10 per cent).

⁷⁷ A company different from the bidder M/s APR Projects Pvt. Ltd. registered at Hyderabad.

guarantee is not revalidated it no longer serves the objective of providing security. To address this risk a clause should have been stipulated in the agreement that failure to revalidate the bank guarantee sufficiently in advance (say three weeks) before its expiry would itself be a reason for encashment of bank guarantee. Such a clause was absent. It was observed that the performance bank guarantee of ₹ 1.70 crore was not revalidated and expired on 8 December 2011.

Environmental clearance of this project was given⁷⁸ (January 2010) with the condition that the project proponent will have to obtain “No objection” certificate from the UP Pollution Control Board (PCB) before start of construction. No objection certificate from the PCB was not obtained by the executing agency.

We during scrutiny of records (September 2013) of *Nagar Ayukta* (NN), Gorakhpur observed that a bank guarantee of ₹ 2.35 crore was executed by M/s. APR Projects Pvt. Ltd. Hyderabad in favour of Project Manager C&DS, *Jal Nigam* Gorakhpur. Against this bank guarantee, the executing agency paid ₹ 2.60 crore⁷⁹ to M/s APR Projects Pvt. Ltd., Hyderabad as mobilisation advance. Though, the Concession Agreement was executed with Gorakhpur Solid Waste Management Pvt. Ltd., Hyderabad, all payments were made to M/s APR Projects Pvt. Ltd. and the bank guarantee was also submitted by M/s APR Projects Pvt. Ltd. Hyderabad.

On complaint (November 2010) by the Concessionaire regarding suitability of the landfill site and thereafter on request of executing agency (October 2012) the Technical Committee⁸⁰ gave its report (April 2013) that the land was not suitable for the project as the landfill site lies within 100 year flood plain of *Rohin* river/ *Maheshara Tal* (lake) and the ground water was just 1.5 meter below the surface. Meanwhile, the bank guarantee of ₹ 2.35 crore expired on 5 November 2012. *Nagar Ayukta*, NN, Gorakhpur and the executing agency did not take action at appropriate time to extend its validity and both the bank guarantees were not forfeited.

Resultantly, the Concessionaire did not start the work (June 2013) even after 38 months from the date of agreement and left the job and an expenditure of ₹ 9.13 crore incurred on acquisition of unsuitable landfill site became unfruitful. A FIR was lodged with police against both the companies to recover ₹ 2.60 crore (August 2013), but no action was taken against the authorities responsible.

On this being pointed out in audit, the Municipal Commissioner confirmed the facts and stated that FIR had been lodged against the company. *Nagar Ayukt*, NN, Gorakhpur intimated (March 2014) that the agreement had been terminated in October 2013 and the process of re-tendering has been initiated for the project.

⁷⁸ By the Directorate of Environment, Gomti *Nagar*, Lucknow, UP.

⁷⁹ ₹ 2.35 crore against the bank guarantee of ₹ 2.35 crore deposited (May 2010) by M/s APR Pvt. Ltd. Hyderabad and ₹ 25.00 lakh (January 2012) as its 50 per cent share towards earth work without any security.

⁸⁰ MMM Engineering College, Gorakhpur.

The reply is not acceptable as the report of the Committee also confirmed the (September 2013) unsuitability of site selection for which the Secretary, Urban Development Department had called (November 2010) for the reasons and responsibility of the officers for selecting the unsuitable site⁸¹. A suitable clause relating to bank guarantee was not incorporated in the agreement.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.11 Unfruitful expenditure

Nala on which an expenditure of ₹ 1.04 crore has been incurred by Nagar Palika Parishad, Hapur, Ghaziabad without calling for tenders remained incomplete even after five years.

A preliminary estimate for construction of 1,500 meter *Nala* from GT Road bridge to connect the *Nala* of *Mandi* side for ₹ 50.81 lakh was sanctioned (May 2006) by Administrator/Deputy Collector, Hapur for effective water drainage system of the Hapur city. The work order was issued (September 2006) to the contractor⁸² for completing the work by March 2007. As it did not fulfill the objectives of the water drainage of the city, the *Nala* was extended upto *Kali Nadi*. Meanwhile, revised estimate for ₹ 1.24 crore was sanctioned (October 2006) by the Administrator for a total length of 3,500 metre.

Scrutiny of records (September 2010) of *Nagar Palika Parishad* (NPP), Hapur, district Ghaziabad revealed that the work of construction of the *Nala* was awarded for ₹ 1.17 crore to the same contractor without calling for tenders and on the basis of previously invited (June 2006) tender. The contractor constructed 2,470 meter *Nala* and was paid ₹ 1.04 crore through the fourth running bill (March 2008). The fifth and final running bill for ₹ 1.16 crore for the payment of ₹ 12.15 lakh⁸³ (₹ 1.16 crore - ₹ 1.04 crore) paid upto the fourth running bill), submitted by the contractor on 31 March 2008, remained unpaid due to non-completion of 1,030 metre of the *Nala*. Thus, after incurring expenditure of ₹ 1.04 crore, only two-third of the *Nala* could be constructed and the work was held up for more than five years.

On this being pointed out in audit, the Executive Officer, NPP, Hapur stated that departmental action was being taken against Junior Engineer and the contractor was black listed for non-completion of the *Nala*.

The reply itself confirmed that due to incomplete construction of the *Nala*, the expenditure of ₹ 1.04 crore was rendered unfruitful.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

⁸¹ The site was four metre below the road level and flooded during four months of rainy season.

⁸² Shri Suresh Gupta.

⁸³ The difference of ₹ 0.15 lakh is due to rounding off.

2.4.12 Construction without proper assessment

Shops were constructed at a cost of ₹ 35.41 lakh without ensuring in advance firm demand from potential parties and clear title to the land.

With the objective of creation of durable public assets and promoting resource generating schemes for the urban local bodies to improve their overall financial position, ₹ 3.49 crore⁸⁴ was sanctioned in 2002-03 under Integrated Development of Small and Medium Towns (IDSMT) Scheme of Government of India for *Nagar Palika Parishad* (NPP), Deoband in district Saharanpur. As a component of the Scheme, 57 shops and three halls were to be constructed at ₹ 97.90 lakh. Shops were to be auctioned by NPP on minimum premium of ₹ 7,485 per shop and charge ₹ 400 per month as rent for each shop. The halls were to be rented out for ₹ 50,000 per month. An income of ₹ 2.89 crore was envisaged to be generated in a span of 10 years⁸⁵. Urban and Rural Planning Department UP, Lucknow sanctioned ₹ 37.25 lakh⁸⁶ for construction of 30 shops and three halls. Only 10 shops were sanctioned in December 2005. The construction work was completed in March 2007 at a cost of ₹ 35.41 lakh.

Scrutiny of records (October 2012) of NPP, Deoband, revealed that the halls and shops were not auctioned/allotted to public. Attempt to auction the shops/halls were made twice in March 2005 and May 2005 by publishing advertisements in newspapers but nobody attended the auction process as the site of shops/halls was away from market area and was not suitable for commercial activities. There is a risk of inadequate demand for the shops. An effective way to address the risk is to assess firm demand by way of collection of advance amount from interested parties. Such a procedure was not adopted. A writ petition was also filed by a private person in the court (2005) on the ground of litigation of approach road and obtained stay (May 2005) from the District court which further obstructed the process of auction.

On this being pointed out in audit, the EO, NPP, Deoband intimated (October 2013) that the shops/halls were constructed on the Nazul land⁸⁷ after demolishing the building of *Nagar Palika Parishad*, without getting it converted into freehold land and bringing this fact to the knowledge of the District Magistrate/Government. As no alternative arrangement for the NPP office was made, NPP office was running in the halls and shops. This led to grant of stay by the court and obstructed auction of shops and halls.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

⁸⁴ Government of India Grant: ₹ 149.74 lakh, State Grant: ₹ 99.83 lakh and Local Bodies Share: ₹ 99.83 lakh.

⁸⁵ Cost Benefit Analysis of MB Commercial-cum-office complex Scheme (Phase I) C III.

⁸⁶ ₹ 16.67 lakh in December 2005 for construction of 10 shops and two halls and ₹ 20.57 lakh prior to December 2005 for construction of 20 shops and one hall.

⁸⁷ Nazul means any land or building which, being the property of Government is not administered as a State Property under the control of the Land Reforms Commissioner or the Forest or the Irrigation Department, or is not under the control of the Military, Postal, Telegraph, Railway or other purely Central Government Department.