

Chapter 4

4.1 Performance Audit of Urban Local Bodies under Kanpur Commissionerate/Mandal

Executive summary

Urban Local Bodies (ULBs) are administered under the Municipal Corporation Act, 1959 (MCA) & Municipalities Act, 1916 (MA) and are responsible for providing municipal services. Performance Audit of ULBs under Kanpur *Mandal* for the period from 2009-14 revealed the following deficiencies:

Kanpur Nagar Nigam (KNN)

- Against the total available funds of ₹ 3,563.06 crore, only 90 *per cent* funds were utilised by KNN and *Jal Kal Vibhag* during 2009-14. Further, there was shortfall of 41 and 61 *per cent* in collection of own revenue against demands of ₹ 919.05 crore and ₹ 768.52 crore raised respectively by Kanpur Nagar Nigam and *Jal kal Vibhag* during 2009-14. Annual rental value, in respect of property tax, was not revised at the prescribed intervals.

(Paragraphs 4.1.7.1 & 4.1.7.2)

- Budget estimates for the year 2009-10, 2011-12 and 2012-13 were not laid before Executive Committee and Corporation. The budget estimates for the years 2010-11 and 2013-14 were submitted to Executive Committee with delays of 81 days and 70 days respectively.

(Paragraph 4.1.7.3)

- Annual accounts for the years 2010-11 to 2013-14 were not finalised as of November 2014. The annual account for the year 2009-10 was finalised in September 2012 with delays of 27 months. Further, there was unreconciled difference of ₹ 3.75 crore between closing balance of cash books and bank accounts of KNN.

(Paragraph 4.1.7.4)

- In violation of government order, 15 bank accounts were opened in four private banks and ₹ 1.48 crore was transferred from nationalised banks to private banks during 2012-14.

(Paragraph 4.1.7.4)

- Annual Development Plans were not prepared, though it was required under Municipal Corporation Act, 1959.

(Paragraph 4.1.8)

- Contract management was inadequate as agreements of 150 works amounting to ₹ 13.74 crore were not signed before commencement of works and 75 agreements of ₹ 5.15 crore were signed after completion of the works.

(Paragraph 4.1.9.2)

- Management of Municipal Solid Waste (MSW) was inadequate, as 746.86 thousand Metric Ton (MT) MSW (38 *per cent*) out of total generated 1,979.35 thousand MT MSW remained uncollected in the city during 2010-14. Further, out of 1,232.49 thousand MT MSW collected from the city for processing, 425.68 thousand MT MSW (35 *per cent*) was lying dumped at MSW processing plant.

(Paragraph 4.1.11.1)

- Facility of drinking water was in-sufficient in KNN. As against the total requirement of 520 million liter *per day* (mld), only 424 mld of drinking water was being supplied by *Jal Kal Vibhag* though its established capacity was of 638 mld. The shortfall in supply of water was due to failure of *Jal Kal Vibhag* to provide water connections to the households/bulk consumers.

(Paragraph 4.1.12.1)

- Mandatory meetings of Corporation and Executive Committees were not held as per prescribed norms. Audit of accounts was not carried out by *Mukhya Nagar Lekha Parikshak* during 2009-14.

(Paragraph 4.1.15)

Nagar Palika Parishads (NPPs)

Out of 12 NPPs under Kanpur *Mandal*, three NPPs *i.e.*, Ghatampur, Kannauj and Kayamganj, were selected for test-check of records. Audit of test-checked *Nagar Palika Parishads* for the period 2009-14 revealed the following deficiencies:

- Against the total available funds of ₹ 113.53 crore, only 89 *per cent* funds were utilised by three test-checked NPPs. There was shortfall of eight *per cent* in collection of own revenue against the demands of ₹ 13.84 crore. Further, the assessment lists of property tax were also not revised at the prescribed intervals of five years.

(Paragraphs 4.1.16.1 & 4.1.16.2)

- Annual accounts for the period 2009-14 and 2010-14 were not prepared in NPPs, Kayamganj and Kannauj respectively.

(Paragraph 4.1.16.4)

- Annual Development Plans were prepared but these were not presented to Municipality for approval in test-checked NPPs as required under Municipalities Act, 1916.

(Paragraph 4.1.17)

- In NPP, Kannauj, 18 works related to construction of roads and drains of ₹ 1.51 crore were executed by Executive Officer without approval of Municipality during 2013-14.

(Paragraph 4.1.18)

- Mandatory meetings of Municipality were not held as per prescribed norms in test-checked NPPs.

(Paragraph 4.1.21)

Nagar Panchayats (NPs)

Out of 28 NPs under Kanpur *Mandal*, seven NPs *i.e.*, Atsu, Ekdil, Kamalganj, Shivli, Shivrajpur, Talgram and Tirwaganj were selected. Audit of test-checked *Nagar Panchayats* for the period 2009-14 revealed the following deficiencies:

- Against the total available funds of ₹ 55.54 crore, only 79 *per cent* funds were utilised by test-checked NPs. There was shortfall in collection of own revenue (37 *per cent*) against the total demand of ₹ 6.15 crore in test-checked NPs.

(Paragraphs 4.1.22.1 & 4.1.22.2)

- Annual accounts were not prepared by NPs Kamalganj, Talgram and Tirwaganj.

(Paragraph 4.1.22.4)

- In NP Kamalganj, Annual Development Plans were not prepared during 2009-14. NPs Atsu, Ekdil, Shivli, Talgram and Tirwaganj prepared Annual Development Plans, but these were not presented to Municipality for approval as required under Municipalities Act, 1916.

(Paragraph 4.1.23)

- Procurements were made without assessment of requirement as a result three submersible pumps of ₹ 6.86 lakh (procured during 2011-12) were lying idle in NPs Talgram and Tirwaganj. One drain cleaning machine and one sewer suction machine of ₹ 15.44 lakh was also lying idle in NP, Kamalganj for want of tractor of required capacity.

(Paragraph 4.1.24)

- Mandatory meetings of Municipality were not held as per prescribed norms in test-checked NPs.

(Paragraph 4.1.25)

4.1.1 Introduction

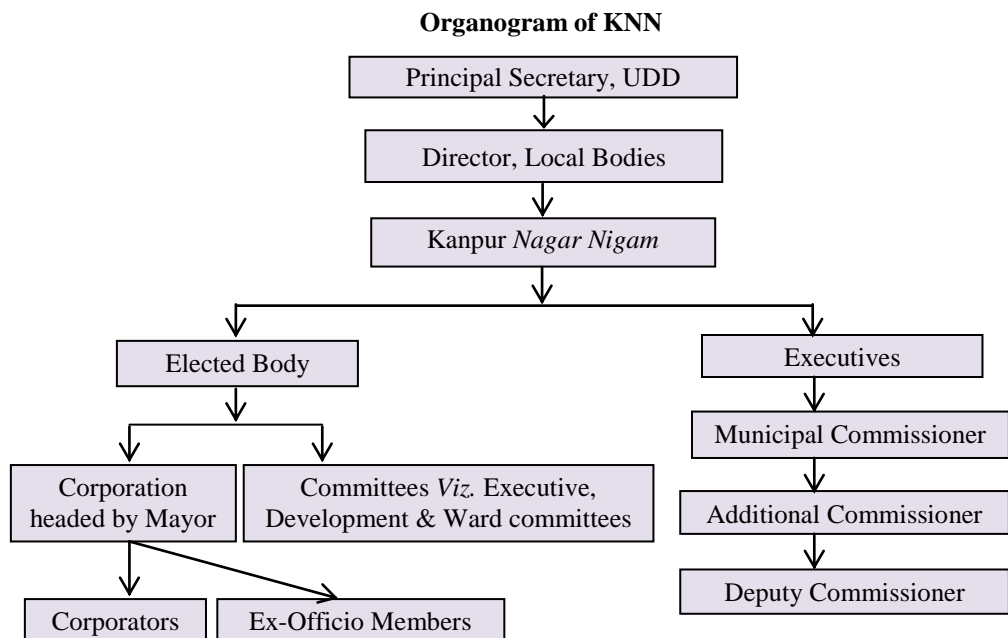
To implement the 74th Constitutional Amendment Act (1992), the State Government enacted “Uttar Pradesh Local Self Government Law

(Amendment) Act 1994” (Act) and provided constitutional status to Urban Local Bodies (ULBs) for local self-governance. Three level of ULBs were created under the Act viz., *Nagar Nigams* for large urban areas, *Nagar Palika Parishads* (NPPs) for smaller urban areas and *Nagar Panchayats* (NPs) for transitional areas. For decentralisation of powers and devolution of more functions to the ULBs, required amendments were also carried out by Act in UP Municipal Corporations Act, 1959 (MCA) and UP Municipalities Act, 1916 (MA).

ULBs under Kanpur *Mandal* were administered under the provisions of MCA and MA. Kanpur *Mandal* is divided in six districts i.e. Auraiya, Etawah, Farrukhabad, Kannauj, Kanpur Dehat & Kanpur Nagar. There are one *Nagar Nigam* i.e. Kanpur *Nagar Nigam* (KNN), 12 NPPs and 28 NPs in Kanpur *Mandal*. These ULBs were required to perform such functions (**Appendix 3.2**) and exercise such powers as embodied in MCA and MA. Few important functions of ULBs include providing sanitation through drainage, sewerage and municipal solid waste management; providing drinking water and street lighting; construction and maintenance of roads etc.

4.1.2 Organisational structure

Principal Secretary, Urban Development Department (UDD) and Director, Local Bodies (LBs) are responsible for co-ordination and monitoring of ULBs at the Government and the Department levels respectively. Municipal Commissioner (MC) is responsible for smooth functioning of KNN. Besides, elected members of KNN, mainly Mayor, are in-charge of overall developmental activities as detailed under and also in Section A.



4.1.3 Audit Objectives

The Performance Audit of ULBs under Kanpur *Mandal* was conducted to ascertain whether:

- the financial management system was efficient and effective with due regard to economy and funds were optimally utilised for the purposes as envisaged in MCA and MA in consonance with the extant laws and rules;
- the planning process was effective and according to provisions of MCA/MA;
- effective mechanism was put in place for ensuring correct assessment, prompt raising of demands and collection of revenues;
- execution of various functions/schemes/programmes was transparent and cost effective;
- environmental issues and other municipal services were managed effectively; and
- monitoring mechanism was efficient and effective.

4.1.4 Audit Criteria

The following sources of audit criteria were adopted for Performance Audit:

- Provisions of MA and MCA and rules framed thereunder, *Lekha Niyamawali*, 1960 and National Municipal Accounts Manual (NMAM);
- Financial Hand Books, orders issued by Government of India (GoI)/ the State Government/Chief Vigilance Commission (CVC) and other extant/ applicable laws and rules; and
- Guidelines of various schemes being implemented.

4.1.5 Scope and methodology of Audit

Performance Audit of ULBs under Kanpur *Mandal* for the period 2009-14 was undertaken between April and September 2014. Information was also sought from Principal Secretary, UDD and Director, LBs. Besides, KNN, three (Ghatampur, Kannauj and Kayamganj) out of 12 NPPs (*Appendix 4.1.1*) and seven¹ (Atsu, Ekdil, Kamalganj, Shivli, Shivrajpur, Talgram and Tirwaganj) out of 28 NPs (*Appendix 4.1.1*) have been selected for test-check of records. NPs and NPPs were selected by adopting Simple Random Sampling with Replacement (SRSWR) method. Joint physical verification and photographic evidences were also conducted/ collected. The Principal Secretary, UDD was requested (March 2014) to hold an Entry Conference but the same could not be held despite taking up the matter at appropriate level. An Exit Conference was however held (February 2015) with the Secretary, UDD during which the facts and figures were confirmed and recommendations made by audit were accepted by the Government, but the Government reply was not submitted to audit.

¹ No records were provided by NP Shivrajpur.

Audit Findings

The result of audit of Urban Local Bodies under Kanpur *Mandal* are set out in three sections- Section A (Kanpur *Nagar Nigam*), Section B (*Nagar Palika Parishads*) and Section C (*Nagar Panchayats*) and each section reflects audit findings of respective test-checked ULBs.

Section A - Kanpur *Nagar Nigam*

Kanpur *Nagar Nigam* is administered under provisions of MCA for providing municipal services to the citizens and divided into 110 wards. The Corporation, the main elected body of KNN, is responsible for policy decisions related to expenditure from *Nigam* funds, implementation of various projects/schemes, levy & realisation of its tax/non-tax revenue etc. It is constituted by 110 Corporators and headed by Mayor.

Executive Committee (EC), constituted by 12 Corporators and headed by Mayor is responsible for all functions related to approval of budget, sanction of estimates/expenditure and monitoring of works. Further, Municipal Commissioner (MC), assisted by two Additional Commissioners and five Deputy Commissioners, is responsible for administration and execution of all schemes/projects subject to conditions imposed by the Corporation.

Apart from other municipal services, for providing water supply to domestic, industrial and commercial purposes, *Jal Kal Sansthan* was merged (February 2010) with KNN and working as *Jal Kal Vibhag* under administrative control of KNN.

It was noticed in audit that Ward Committees were not constituted during 2009-14 for performing duties of KNN in designated wards though it was required under section 6-A and 117 of MCA.

4.1.6 Non-devolution of functions

In follow up to the 74th Constitutional Amendment Act, 1992, the State Legislature enacted “Uttar Pradesh Local Self Government Law (Amendment) Act, 1994” for devolving 18 functions (enshrined in Twelfth Schedule of the Constitution) to ULBs as detailed in *Appendix 3.2*.

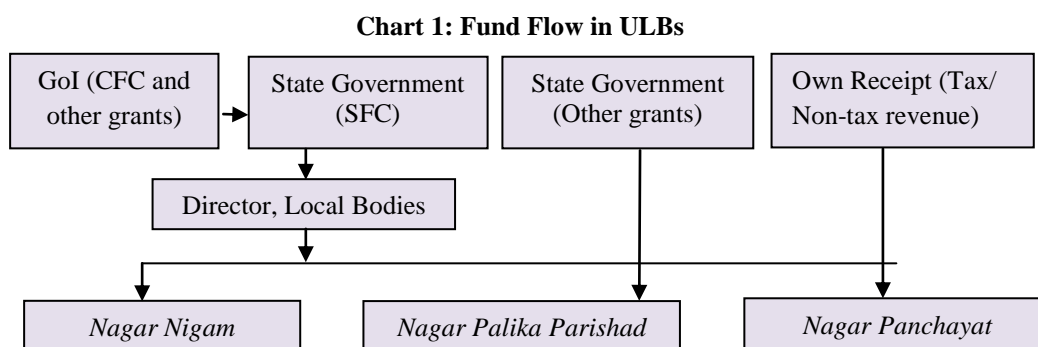
We noticed in audit that neither activities nor funds in respect of six functions *i.e.*, Urban forestry; Protection of environment and promotion of ecological aspects; Safeguarding the interest of weaker sections of society including handicapped and mentally retarded; Slum improvement and up-gradation; Urban planning including town planning and Regulation of land use and construction of buildings, were devolved to KNN by the State Government as envisaged by the Act even after lapse of more than 20 years from 1994. As a result, despite constitutional provisions, these functions of KNN were being carried out by Development authorities and different departments of the State Government.

4.1.7 Financial management

4.1.7.1 Sources and application of funds

Financial resources of ULBs comprise grants under the State Finance Commission (SFC) and the Central Finance Commission (CFC) recommendations, levy² and collection³ of obligatory tax and non-tax revenues. Besides, the State Government, GoI also releases grants to ULBs for implementation of State plan schemes and centrally sponsored schemes respectively.

Fund flow chart of ULBs is given in **Chart 1**.



Year-wise details of receipt and expenditure of KNN and *Jal Kal Vibhag* are given in **Table 1**.

Table 1: Receipt and expenditure of KNN and *Jal kal Vibhag* during 2009-14

(₹ in crore)

Year	Opening balance	Govt. grants	Own revenue	Total available fund	Expenditure	Closing Balance
Kanpur Nagar Nigam						
2009-10	169.14	395.75	61.80	626.69	440.39	186.30
2010-11	186.30	301.30	82.55	570.15	388.00	182.15
2011-12	182.15	604.52	87.44	874.11	756.29	117.82
2012-13	117.82	625.81	97.72	841.35	681.00	160.35
2013-14	160.35	643.29	97.78	901.42	572.58	328.84
<i>Jal Kal Vibhag, Kanpur</i>						
2009-10	25.89	Nil	57.82	83.71	76.86	06.85
2010-11	06.85	Nil	80.34	87.19	75.59	11.60
2011-12	11.60	Nil	77.08	88.68	74.16	14.52
2012-13	14.52	Nil	76.32	90.84	75.96	14.88
2013-14	14.88	Nil	78.51	93.39	73.00	20.39
Total	195.03	2,570.67	797.36	3,563.06	3,213.83*	349.23

(Source: Information furnished by KNN) (*Including ₹ 1.69 crore transferred to suspense accounts.)

It would be seen from the **Table 1** that ₹ 3,213.83 crore was utilised (90 per cent) against the total available funds of ₹ 3,563.06 crore by KNN and *Jal Kal Vibhag* during 2009-14.

² Under the provisions of Section 172 of MCA and 145 of MA.

³ Under the provisions of section 503 of MCA and 168 of MA, recovery of revenue was to be made through issue of bills, serving written notice of demand.

We during audit also observed that:

- For implementation of six projects under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), KNN transferred ₹ 387.23 crore to the implementing agencies with delays upto 730 days (**Appendix 4.1.2**) as against prescribed three days as per Guidelines of JNNURM;
- In violation of Government order (February 2012), regarding deposit of interest amount earned on funds received from the Government into treasuries, interest of ₹ 5.87 crore earned from the bank account of 13th Finance Commission Grant during 2009-14, was not deposited into treasuries as of November 2014; and
- As per provisions of section 57(3) of *Lekha Niymawali* 1960, temporary advances was to be adjusted before the closer of the financial year in which they were made and no fresh advance was to be made to an officer unless the previous one had been adjusted. However, temporary advance of ₹ 4.55 crore sanctioned during 1999-2014 were not adjusted (**Appendix 4.1.3**) even after lapse of periods upto 15 years. Contrary to the provisions, fresh advances were granted to same officials for various purposes⁴ even though previously sanctioned advances were lying unadjusted.

In reply, KNN stated that necessary action will be taken to deposit interest earned into treasuries and adjust the outstanding advances.

4.1.7.2 Levy and realisation of tax and non-tax revenue

Scrutiny of records of KNN revealed that there was shortfall of ₹ 373.07 crore (41 *per cent*) against the total demand of ₹ 919.05 crore on account of realisation of tax and non-tax revenue during 2009-14 (**Appendix 4.1.4**). Besides, in *Jal Kal Vibhag* there was also shortfall of ₹ 465.67 crore (61 *per cent*) against the total demand of ₹ 768.52 crore on account of realisation of water tax and charges during 2009-14 (**Appendix 4.1.4**). However, KNN and *Jal Kal Vibhag* did not take any action for realisation of outstanding dues with cost of recovery by issuing warrant, selling of movable property of the defaulters, filing civil suits against the defaulters in the courts of law under the procedures mentioned in sections 507-516 of MCA.

Further, in order to make KNN self-reliant levy, demand and realisation of tax and non-tax revenue was to be made effectively. However, scrutiny revealed that KNN realised only ₹ 545.98 crore during 2009-14 through tax and non-tax revenue, which was not sufficient even to meet its establishment and recurring expenditure of ₹ 1,229.60 crore⁵. As a result, KNN was largely dependent on Government Grants for its establishment and recurring expenditure. Further, we also observed shortcomings in levy, demand and realisation of tax and non-tax revenue, as discussed in succeeding paragraphs:

⁴ For maintenance of vehicles, procurement of solar lights, bulk SMS and call forwarding services *etc.*

⁵ Establishment and recurring expenditure, 2009-10: ₹ 152.93 crore; 2010-11: ₹ 190.62 crore; 2011-12: ₹ 220.46 crore; 2012-13: ₹ 232.95 crore and 2013-14: ₹ 256.13 crore.

Tax revenue receipts

- ***Property Tax***

As per section 174 (2) B of MCA and 4 (A) of UP *Nagar Nigam* Property Tax Rules 2000, Annual Rental Value⁶ (ARV) was to be revised in every two years according to the circle rates declared by District Magistrate (DM) for levy of property tax. The details of demand raised, revenue realised and short realisation of property tax, are given in **Table 2**.

Table 2: Details of demand and realisation of property tax during 2009-14

(₹ in crore)				
Year	Demand	Realisation	Short realisation	Percentage of realisation
2009-10	96.80	43.86	52.94	45
2010-11	136.58	57.97	78.61	42
2011-12	169.65	69.21	100.44	41
2012-13	213.15	91.64	121.51	43
2013-14	254.41	82.39	172.02	32
Total	870.59	345.07	525.52	40

(Source: Information furnished by KNN)

It would be seen from the above that only ₹ 345.98 crore was realised (40 *per cent*) during 2009-14, against the total demand of ₹ 870.59 crore. KNN did not furnish the reason for short realisation of ₹ 525.52 crore.

Scrutiny revealed that KNN revised the ARV in 2013-14 after the last revision of 2007-08. Thus, the revision in ARV was not done as per the prescribed periodicity of every two years. Moreover, the revised ARV was also not based on the applicable circle rates.

No reply was furnished by KNN regarding non revision of ARV in prescribed intervals.

- ***Show tax/ theatre tax***

In pursuance of section 172 of MCA, Show tax was imposed on theatres since 1979. Scrutiny of records revealed that ₹ 23.80 lakh was received against theatre tax during 2009-14. However, it was noticed during audit that KNN did not assess and raise demands for collection of theatre tax. As a result actual status of levy and collection of theatre tax could not be ascertained.

- ***Additional Stamp Duty***

Under the provisions of Uttar Pradesh Urban Planning Development Act, 1973 and the Government order (February 2008), ULBs were to be transferred an additional stamp duty of two *per cent* levied by the Deputy Inspector General, Stamp on transfer of immovable properties for development of infrastructure.

⁶ As per section 174 of MCA, ARV is 12 times of minimum monthly rate of rent per unit area of the carpet area for every group of building within a ward.

Scrutiny revealed that due to non-raising of demands by KNN against the due amount of ₹ 90.55 crore during 2009-14, only ₹ 70.17 crore (77 per cent) was received from Deputy Inspector General, Stamp, leaving a short receipt of ₹ 20.38 crore (*Appendix 4.1.5*).

In reply, KNN stated that correspondence would be made for realisation of outstanding additional stamp duty.

Non-tax revenue receipts

- *License fee*

The State Government directed (December 1997), to impose license fee on 39 items (*Appendix 4.1.6*) to make KNN self-reliant. However, license fee was imposed on only 17 items⁷ and ₹ 5.27 crore was realised during 2009-14.

Audit scrutiny revealed that KNN did not assess and raise demands for collection of imposed license fee. As a result actual status of levy and collection of license fee could not be ascertained.

In reply, KNN accepted the audit observation however, efforts made for assessment and accordingly raising the demand thereon was not intimated by KNN.

The Government may ensure levy of taxes at prescribed rates and deterrent action should be taken against the defaulters.

4.1.7.3 Budgeting

According to section 146 and 147 of MCA, original budget estimates for the succeeding year were required to be laid by MC before EC on 10 January and EC had to submit the budget to the Corporation by 15 February of each year. The Corporation was required to approve the budget by 31 March. The revised budget estimates was to be laid before EC and Corporation on or before 10 September and 15 September respectively and required to be approved by the Corporation earliest after 1st October.

Scrutiny of records revealed that the original budget estimates of KNN for the year 2009-10, 2011-12 and 2012-13 were not laid by MC before EC and Corporation for approval. During 2010-11 and 2013-14, the original budget estimates were submitted to EC with delays of 81 days and 70 days respectively, which was further submitted to Corporation with delays of 301 days and 71 days respectively (*Appendix 4.1.7*).

Similarly, revised budget estimates of KNN for the year 2011-12 was not laid by MC before EC and Corporation for approval. Further, revised budget estimates of 2010-11 and 2012-14 of KNN were submitted to EC and Corporation with delays ranging from 105 to 175 days (*Appendix 4.1.7*). The revised budget of 2009-10 was submitted to EC after expiry of financial year.

⁷ Which includes mainly mechanical commercial vehicles as auto rickshaw, buses, taxi etc.

Scrutiny also revealed that in respect of *Jal Kal Vibhag*, only original budget estimates for 2010-11 and 2013-14 were submitted to EC and Corporation with delays ranging between 70 and 348 days (*Appendix 4.1.7*). The revised budget estimates were not submitted to EC and Corporation during 2010-14.

This indicated that provisions of MCA in preparation and submission of budget estimates were not followed in KNN and expenditure were incurred without budget during 2009-10 and 2011-12.

In reply, KNN stated that provisions of MCA regarding budget will be followed in future.

4.1.7.4 Accounting framework

Preparation of Accounts

The State Government decided (2008) to adopt the accrual based double entry accounting system in the ULBs alongwith single entry system in ULBs for maintenance of financial accounts to present a true and fair picture of assets and liabilities in the balance sheet. We observed that accrual based double entry accounting system was adopted since 2008-09. The following shortcomings were noticed in preparation of annual accounts.

- No manual was prepared by the State Government for accrual based double entry accounting system due to which classification of assets & liabilities and depreciation rates were not defined.
- Annual accounts of KNN for 2009-10⁸ were finalised in September 2012 with the delay of 27 months. However, the actual of receipt and expenditure for the year 2009-10 (as depicted in budget of 2010-11) did not match the corresponding receipts and expenditure figures of finalized accounts for the period (*Appendix 4.1.8*). Further, Receipt & Payment account was also not prepared with Annual Accounts, though it was required to be maintained under the prescribed format of accounting.
- Only provisional annual accounts of KNN were prepared for the period 2010-14, which were not finalised as of November 2014. Due to non-finalisation of annual accounts, actual receipt and expenditure incurred by KNN could not be ascertained in audit.
- Annual accounts for the period 2010-13 of *Jal Kal Vibhag* were finalised with the delays⁹ upto 22 months. Further, the annual account for the year 2013-14 was not prepared as of September 2014.

Irregular operation of bank accounts

As per the Government order (March 2012), municipal funds are required to be kept in saving bank accounts of State Bank of India (SBI) and other public sector banks.

⁸ Required records related to opening balance sheet were not produced to audit.

⁹ Accounts for 2010-11, 2011-12 and 2012-13 were prepared in April 2013, July 2013 and April 2014 respectively.

Scrutiny of records revealed that 15 bank accounts were opened (2011-14) by Municipal Commissioner in different branches of four private banks for keeping the funds received under various schemes/activities. Moreover, bank accounts operated (before 2011) in SBI and other nationalised banks were closed during 2012-14 and balances of these accounts of ₹ 1.48 crore were also transferred to accounts of the private banks (*Appendix 4.1.9*).

In reply, KNN accepted the audit observation and assured that required action for adherence of the Government order will be made in future.

Improper maintenance of cash book

As per section 5.3 (a) and 30.7 of National Municipal Accounts Manual (NMAM), separate cash book was to be maintained for each bank account and reconciliation of balances of Zonal/Departmental cash book with the main cash book and with the bank statement were required on monthly basis. We observed that:

- only cash transactions were recorded in the cash book of KNN and its Zonal offices¹⁰ and transactions made through cheques/draft/online were not recorded. As a result, transactions (March 2014) of receipts of ₹ 85.09 crore and payment of ₹ 117.70 crore were not recorded in cash book;
- even all cash transactions were also not entered in cash book viz., rent from civic amenities, park etc. As a result, ₹ 3.71 crore received in cash during 2009-14 was deposited directly in the concerned bank accounts without corresponding entries in the cash book;
- to avoid depicting the cash balance in cash books, entries of receipts and cash deposited in the bank accounts were made on the same date and even on sundays, although cash was actually deposited in the bank on later dates ranging between two and four days (*Appendix 4.1.10*);
- there was a difference of ₹ 3.75 crore¹¹ between closing balance of cash books and bank accounts as on 31 March 2014. However, reconciliation of difference in balances of cash books and bank accounts was not carried out;
- cash books of only four bank accounts, out of 59 accounts, were provided to audit, which revealed *minus* closing balances (*Appendix 4.1.11*); and
- there was a difference of ₹ 33.96 crore (*Appendix 4.1.12*), related to property and advertisement tax realised during 2009-14, between Zonal/Departmental cash book and main cash book of KNN.

In reply, KNN while accepting the audit observations stated that required adjustments will be carried out for minus closing balances.

The Government should ensure proper maintenance of cash books for recording update transaction of bank accounts.

¹⁰ KNN was divided into six zones for performing its duties effectively.

¹¹ Closing balance of cash book and bank accounts were ₹ 325.25 crore and ₹ 329.00 crore respectively.

4.1.8 Planning

Under the provisions of the District Planning Committee Act, 1999, enacted pursuant to the 74th constitutional amendment, the District Planning Committee (DPC) at the district level was to consolidate Annual Development Plans (ADPs) of Rural/Urban Local Bodies of the district for the formulation of District Development Plan (DDP).

Audit scrutiny revealed that KNN did not prepare ADPs during 2009-14, as required under section 383 'A' of MCA for further submission to DPC.

Further, section 383 of MCA envisages preparation of a *Maha Yojana*¹² for the KNN, which was to be revised in every ten years, indicating current and proposed status of arterial streets, residential areas, commercial and industrial areas, educational institutions etc., alongwith their general layout. However, KNN did not prepare *Maha Yojana* upto 2013-14 as Urban planning including Town planning was implemented by Kanpur Development Authority.

In reply, KNN stated that ADPs and *Maha Yojana* could not be prepared as no directives were issued by Mayor/Municipal Commissioner. During Exit Conference (February 2015) Secretary, UDD, however, intimated that the power to prepare *Maha Yojana* was suspended and given to Development Authorities.

Reply was not acceptable as Urban planning including Town planning was to be performed by ULBs as per the 74th Constitutional Amendment Act, 1992.

Fact remained that ADPs and *Maha Yojana* of the KNN were not prepared as of February 2015. As a result, holistic development of KNN was not planned, which showed lackadaisical approach towards planning activities.

The Government should ensure preparation of Annual Development Plan according to the provisions of the Acts.

4.1.9 Procurements and Execution of works

The works and procurements were to be executed adhering to provisions of various rules, Government orders and regulations framed under MCA. Following deficiencies were noticed in procurements and execution of works.

4.1.9.1 Procurements

Bureau of Indian Standards (BIS) code (1981) envisaged that wattage of the lamps in the street light should be decided according to the category of road (*Appendix 4.1.13*). KNN, however, purchased and installed street lights of different wattages (40 to 400) without any categorisation of roads. Further, it was also noticed that KNN had 78,022 street light points as of March 2014, but it did not have ward-wise details of installed street light points.

¹² Detailed Plan.

In reply, KNN stated that arrangements of street lighting were based on reports of Lighting Inspectors. Reply was not acceptable as lamps were installed without categorisation of roads.

4.1.9.2 Execution of works

4,726 works¹³ related to construction and maintenance of roads/ streets, drains, culverts etc., were executed during 2009-14. Scrutiny of records of randomly selected 200 works revealed deficiencies at various stages of execution, as discussed below:

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, as required under orders of Public Works Department. No traffic survey was conducted to ascertain the traffic density, traffic load and drainage¹⁴ though required for strengthening and widening of State road; District road and other District roads. Besides, control records such as road register and renewal cycle register were also not maintained due to which it could not be ascertained as to when these roads were constructed/ repaired. Further, scrutiny of records of randomly selected 200 works revealed that no record measurements/levels etc. were taken into consideration before preparing the estimates.

In reply, KNN assured to maintain the requisite records.

Irregular sanction of estimates

Section 135 and 136 of MCA provides different financial powers to authorities, MC upto ₹ 10 lakh; Mayor more than ₹ 10 lakh but less than ₹ 15 lakh; EC ₹ 15 lakh and above but less than ₹ 20 lakh; Corporation ₹ 20 lakh and above but less than ₹ 30 lakh; and the State Government ₹ 30 lakh and above, for sanction of estimates to execute works and procurements.

Contrary to the above provisions, 57 works¹⁵ of estimated cost of ₹ 33 crore relating to roads and street works were executed during 2009-14 without approval of Executive Committee/ Corporation/ Government though these were required to be approved by these authorities as estimated cost of each work was more than ₹ 15 lakh.

In reply, KNN accepted the audit observation for compliance.

Weak contract management

Financial rules, Government's orders and CVC instructions governed the process for tendering and contracting. Scrutiny revealed that the extant

¹³ KNN did not provide work-wise expenditure despite repeated requests.

¹⁴ As per provisions of section 228 of MCA and Indian Road Congress guidelines (IRC SP-50-1999, Chapter-1).

¹⁵ Costing more than ₹ 15 lakh and less than ₹ 20 lakh: two works; costing ₹ 20 lakh or more but less than ₹ 30 lakh: three works and costing ₹ 30 lakh or more: 52 works.

mandatory instructions, orders and guidelines were violated by KNN while executing agreements. We observed that:

- in contravention of the Government order (April 2001), only single bidding system was followed in randomly selected 200 agreements even though the works required valuation of technical specifications in form of two bid system;
- during 2009-14, 150 agreements were executed for 150 works amounting to ₹ 13.74 crore with the contractors after the commencement of the works (*Appendix 4.1.14*). 75 agreements (₹ 5.15 crore) was executed after the completion of the works (*Appendix 4.1.15*); and
- as per the Government order (May 2009), if the contractors arranged the bitumen by his own resources, Consignee Receipts Challan (CRC) in respect of procurement of bitumen from the authorised agency were to be submitted at the time of final payment. We noticed in 11 works, 8,083 MT bituminous macadam and semi dense bituminous concrete (₹ 2.56 crore) were claimed to have been consumed. However, KNN made payments without obtaining CRCs from the contractors (*Appendix 4.1.16*).

Thus, transparency in procurement and use of the bitumen in the works executed could not be ascertained.

In reply, KNN accepted the audit observations though no remedial action was intimated by KNN.

Absence of quality control mechanism

The KNN neither had any mechanism of quality testing for road works nor did it carry out technical inspection through departmental/inter-departmental committees. Thus, quality of works executed by KNN was not ensured.

In reply, KNN accepted the audit observation though no remedial action was intimated by KNN.

Improper execution of cleaning of drains

Cleaning of drains was to be done during April-June every year prior to monsoon and measurement of work was to be recorded prior to and after execution.

Scrutiny revealed that KNN did not have any firm recorded data regarding number of drains¹⁶ available under its jurisdiction. It was also noticed that 19 drains were cleaned during 2009-14 in the month of July to March after incurring an expenditure of ₹ 10.15 lakh.

Further, scrutiny revealed that measurement was recorded neither prior to work nor after execution. Payment of ₹ 2.33 crore was made during 2009-14 on the basis of man days for execution of work due to which actual quantity of work executed could not be ascertained.

¹⁶ 449 drains required for cleaning in 2009-10 which was subsequently increased to 678 during 2013-14.

In reply, while accepting the audit observations, KNN stated that cleaning of drains in the month of July to March was carried out in public interest. Reply was not acceptable as cleaning of drains should be carried out prior to monsoon.

4.1.10 Unfruitful expenditure on freehold fee

The KNN applied (March 1995) for freehold title of 3,598.37 sq. meter of land¹⁷ under its possession since 1904 and paid ₹ 6.48 lakh (December 1998) to district administration on the basis of self-assessment as freehold fee. However, district administration made (December 2008) revised demand of ₹ 89.36 lakh as freehold fee of the land. As KNN failed to deposit the freehold fee by due time, the demand was subsequently revised (May 2011) to ₹ 112.22 lakh after including penal interest of ₹ 92.47 lakh. Against it, KNN made payment (December 2008) of ₹ 62 lakh only to the district administration. Consequently, required land could not be made freehold in favour of KNN, despite making payment of ₹ 68.48 lakh as of November 2014.

In reply, KNN stated that required freehold fee could not be deposited as directives were not issued by higher authorities. Reply was not acceptable as required land could not be freehold in favour of KNN despite incurring expenditure.

4.1.11 Protection of environment

Protection of environment is one of the most important functions of ULBs. Following shortcomings were noticed in management of environmental issues during audit of KNN.

4.1.11.1 Management of Municipal Solid Waste

For Management of Municipal Solid Waste (MSW) generated in the city a processing plant was established (October 2010) under JNNURM at a cost of ₹ 56.02 crore. An agreement for 30 years period was executed (October 2010) among KNN, UP *Jal Nigam* and a private firm (Firm) for operation and maintenance of processing plant alongwith door to door collection and transportation of generated MSW.

As per agreement, Firm was responsible for collection and transportation of Assured Incoming Waste¹⁸ (AIW) and realisation of user charges according to threshold limit (target of collection of user charges against total billable amount) prescribed¹⁹ by KNN. Further, in case of short realisation of user charges, the same amount was to be withheld from the tipping fee payable to the firm. Tipping fee was payable to the Firm at the rate of ₹ 456 to 479 per MT during 2010-14 for transportation of MSW from primary storage station to processing plant. In case of non-maintenance of AIW by the Firm, penalty at the rate of 50 *per cent* of tipping fee, for short transported MSW, was also to be imposed by KNN. We observed that:

¹⁷ Plot no-2 of block 96, Parade market.

¹⁸ Firm has to collect 80 *per cent* of total generated MSW (1500 MT) *i.e.*, 1200 MT per Day.

¹⁹ January to December 2011: ₹ 38.79 lakh per month; January to December 2012: ₹ 51.72 lakh per month and January 2013 and onwards: ₹ 64.65 lakh per month.

Short collection and disposal of MSW

Position of generation, collection and disposal of MSW in KNN during 2010-14 is given in **Table 3**.

Table 3: Details of generation, collection and disposal of MSW

(In thousands MT)

Year	Generated MSW	Collected MSW	Uncollected MSW (col. 2-col. 3)	Processed MSW	Unmanaged MSW	
					At Plant site (col. 3-col. 5)	In KNN area (col. 4+col.6)
1	2	3	4	5	6	7
2010-11(from October 2010)	282.10	155.73	126.37	161.03	(-)5.30 ²⁰	121.07
2011-12	565.75	425.11	140.64	254.66	170.45	311.09
2012-13	565.75	331.24	234.51	276.22	55.02	289.53
2013-14	565.75	320.41	245.34	114.90	205.51	450.85
Total	1,979.35	1,232.49	746.86	806.81	425.68	1,172.54

(Source: Information collected from KNN)

It would be seen from the **Table 3** that even the collected MSW (1,232.49 thousand MT) was not processed fully by the Firm and 425.68 thousand MT remained dumped at plant site. Besides, 746.86 thousand MT of the uncollected MSW was also lying unmanaged in the city during 2010-14. The generated MSW as that Firm was not operating processing plant and transporting MSW according to provisions of agreement.



Heap of the MSW dumped at the processing plant site

In reply, KNN accepted the audit observation, however, action taken to ensure proper transportation and disposal of MSW was not intimated by KNN.

Irregular payment to Firm

Scrutiny revealed that the Firm did not maintain the AIW during November 2010 to May 2014 but the penalty from the tipping fee of the Firm of ₹ 11.32 crore was not imposed by KNN. Besides, the Firm though failed to realise ₹ 7.68 crore during November to December 2010 and January 2013 to June

²⁰ Some MSW were dumped at plant site prior to functioning (October 2010) of processing plant.

2014 as user charges from the house holds upto threshold limit however, the Firm was paid full tipping fee on the basis of bills alongwith weighment slip of transported MSW produced by the Firm (*Appendix 4.1.17*).

In reply, KNN stated that decision for imposing penalty was to be taken at higher level. Reply was not acceptable as penalty was to be imposed by KNN as per agreement signed among KNN, UP *Jal Nigam* and the Firm on 16 October 2010. No reply was made by KNN regarding not withholding the amount from the tipping fee for short collection of user charges by the Firm.

In-sufficient arrangement for segregation and storage of MSW

As per provisions of schedule-II of Municipal Solid Waste (Management and Handling) Rules, 2000, collected MSW should be segregated into biodegradable, recyclable and other wastes and should be stored in bins/containers of green, white and black colors respectively.

Scrutiny revealed that only green bins/containers were being used for storage of all types of MSW. It indicated that facility for segregation and storage of MSW was not maintained.

In reply, KNN accepted the audit observation though remedial action taken to ensure segregation of MSW was not intimated.

4.1.11.2 Improper management of Common Effluent Treatment Plant

Common Effluent Treatment Plant (CETP) was established (1993) at Jajmau, Kanpur with a view to keep river *Ganga* pollution free. Its designed capacity was for treatment of nine million litre *per day* (mld) tanneries effluents, restraining chromium level upto two mg *per litre* muddled with 27 mld of sewerage. Further, CETP was designed to treat tanneries effluents having Total Suspended Solids (TSSs) upto 1,200 mg *per litre*. It was required to maintain chromium within the permissible limit in tanneries effluent, so that presence of chromium could be avoided in digested sludge which was to be utilised as manure. UP Pollution Control Board (UPPCB) was responsible to monitor functioning of Primary Effluent Treatment Plant (PETP) and Chrome Recovery Plant (CRP) of tanneries, so that level of chromium and TSS in tannery effluent could be kept within permissible limits.

Scrutiny revealed that tanneries effluents of chromium levels upto 194.40 mg (97 times more than norms) *per litre* were transported to CETP through tannery waste pumping stations and rising main (main drain). Due to excessive level of chromium in tanneries effluents, digested sludge could not be utilised as manure for it contained chromium. As a result, an avoidable expenditure of ₹ 15.91 crore (upto May 2014) was incurred on transportation and disposal of hazardous waste sludge.

It was also noticed that, TSSs in tanneries effluents were found upto 13,868 mg *per litre* which was beyond the permissible limit and being flown in CETP through tannery waste pumping stations and rising main. As a result, performance of plant and machinery of CETP and pumping stations were

reduced, and rising main also got choked resulting in an avoidable expenditure of ₹ 5.71 crore on renovation²¹ of CETP, pumping stations and laying of new rising main.

In reply, KNN stated that reports regarding non-adherence of design parameters of CETP are being sent to the Government on regular basis. However, the fact remains that the quality of tanneries effluents was not kept as per the designed parameters of CETP.

4.1.11.3 Improper management of sewage

Out of the total generation of 426 mld of sewage in KNN, only 171 mld sewage were being treated with three Sewage Treatment Plants (STPs)/CETP leaving 255 mld sewage waste unmanaged.

To augment the facility four STPs of 310 mld capacity (*Appendix 4.1.18*), proposed and sanctioned under three projects of JNNURM, were still incomplete (August 2014) for want of land and necessary permission from Cantonment Board and Army authorities. As a result, untreated sewage was being discharged in river *Ganga*.

In reply, KNN stated that due to non-completion of work of new STPs, untreated sewage is being discharged in river *Ganga*.

4.1.11.4 Unauthorised operation of slaughter houses

As per the provisions of Water (pollution prevention and control) Act, 1974, No Objection Certificate (NOC) from UPPCB is required for establishing a slaughter house. Section 433 of MCA prescribes that regular inspection of slaughter houses was to be done by Municipal Commissioner to check illegal slaughtering of animals.

Scrutiny revealed that five slaughter houses²² were operated in the city without obtaining NOC from UPPCB. These slaughter houses also did not have facility for treatment of generated effluents. As a result, on the instructions of UPPCB slaughter houses were closed, in 2010-11(one) and in 2013-14 (four). However, examination of the minutes of meeting of EC dated 30 August 2014 revealed that these slaughter houses were still operating unauthorisedly. This indicated slackness on the part of Municipal Commissioner in carrying out inspections.

In reply KNN stated that due to vacant post of Veterinary officer, no action was taken for obtaining NOC and treatment of generated effluents. Reply was not acceptable as slaughter houses were established without obtaining NOC.

4.1.11.5 Management of harmful gases

An action plan of ₹ 22.65 lakh was prepared (October 2013) by IIT, Kanpur for study²³ of harmful gases being released from the STPs at Jajmau of Kanpur

²¹ Under JNNURM Sewerage part-I project.

²² Situated one each at Bakarganj, Bakarmandi & Cornelganj and two slaughter houses at Fazalganj.

²³ Which includes sampling in various locations and sample analysis, health based survey, data analysis and interpretation for remedial suggestions.

and for making recommendations of safety measures on which decision/action is still pending (November 2014) by KNN. This showed lackadaisical approach of KNN towards health of employees working in STPs and people of nearby areas, which were badly affected due to emission of harmful gases from STPs.

In reply, KNN stated that due to non-availability of funds, no decision was taken on the action plan of IIT, Kanpur.

The Government should ensure proper functioning of Municipal Solid Waste processing plant, Common Effluent Treatment Plant, Primary Effluent Treatment Plant and Chrome Recovery Plant of tanneries for the safety of environment and human health.

4.1.12 Management of other municipal services

4.1.12.1 In-sufficient facility of drinking water

Against the total requirement of 520 mld of drinking water for KNN, *Jal Kal Vibhag* was providing only 424 mld (82 *per cent*) to the citizens though it had established capacity of 638 mld. Further, analysis revealed that:

- Dr. Ram Manohar Lohia Ganga Water Supply Scheme with an established capacity of 200 mld was handed over to *Jal Kal Vibhag* by UP *Jal Nigam* after incurring an expenditure ₹ 82.88 crore during 2008-10 to provide drinking water facility to western district of Kanpur city. Against the established capacity of 200 mld, only 35 mld (18 *per cent*) were utilised, as *Jal Kal Vibhag* failed to provide water connections to the households/bulk consumers as of July 2014; and

- to augment the drinking water facilities two projects comprising of construction of raw water intake house, water treatment plant, feeder main, zonal pumping stations, distribution system etc. were sanctioned in October 2007 (₹ 270.95 crore) and January 2009 (₹ 393.93 crore) under JNNURM, with the schedule date of completion of the projects by October 2010 and January 2012 respectively. As per records made available to audit, none of the projects was completed as of November 2014, though ₹ 672.91 crore have been spent (June 2014). Details are given in **Appendix 4.1.19**.

Thus, due to under utilisation of established capacity and incomplete projects, *Jal Kal Vibhag* failed to provide drinking water facilities to citizens of Kanpur.

In reply, KNN accepted the audit observations though no remedial action was intimated by KNN.

The Government should ensure utilisation of established capacity of Dr. Ram Manohar Lohia Ganga Water Supply Scheme and early completion of JNNURM projects.

4.1.12.2 Improper management of hospitals

Forty three hospitals/dispensaries²⁴ were established (since 1964) under the jurisdiction of KNN. The State Government decided (January 1995) to abolish the medical service cadre of KNN and instructed to fill the vacant posts from the Government hospitals. Scrutiny revealed that 24 hospitals/dispensaries were non-functional (*Appendix 4.1.20*) due to vacant post of doctors. Despite that, KNN did not make any efforts to fill the vacant post of doctors. Due to non-functioning of hospitals/dispensaries, expenditure of ₹ 5.27 crore incurred on the salaries of supporting staff²⁵ during 2009-14 remained infructuous and its objective for providing treatment to patient was also not achieved.

In reply, KNN accepted the audit observation though no remedial action was intimated by KNN.

4.1.12.3 Irregular system for registration of birth and death

As per the provisions of “Registration of Birth and Death Act, 1969” and “Uttar Pradesh birth and death rules, 2002”, registration of each birth and death was to be recorded by the Registrar of KNN and it was the duty of individuals, Government/private hospitals and nursing homes to inform the Registrar regarding birth and death which took place in hospitals, nursing homes etc.. However, Registrar was also empowered to obtain information regarding birth and death from concerned persons/institutions.

We observed that 324 out of 672 private hospitals and all Government hospitals in the city did not furnish information regarding births and deaths that took place during 2009-14. KNN neither made any efforts to get the information from the private/Government hospitals nor initiated any action against them. So, factual status of births and deaths could not be ascertained.

In reply, KNN accepted the audit observation though no remedial action was intimated by KNN.

4.1.12.4 Improper implementation of e-Governance

With a view to improve delivery of services to the people of KNN and quality of internal local government operations, GoI sanctioned (December 2010) an e-Governance project of ₹ 23.61 crore²⁶ for KNN under JNNURM scheme.

Accordingly, against the released amount of ₹ 5.90 crore, KNN utilised ₹ 5.29 crore for procurement (April 2013) of 200 Computers and 218 printers including development of required modules through National Informatics Centre (NIC). Scrutiny further revealed that out of 14 envisaged e-services²⁷,

²⁴ Hospitals: three, Maternity centers: eight, Homeopathic dispensaries: 14, Allopathic dispensaries: five and Ayurvedic dispensaries: 13.

²⁵ Pharmacists, Nurses, Ward boys, Aaya, Peon and Chowkidar.

²⁶ 50 per cent central share: ₹ 11.81 crore, 20 per cent state share: ₹ 4.72 crore and 30 per cent ULB share: ₹ 7.09 crore.

²⁷ (i) Birth and death registration (ii) Payment of property tax (iii) Water supplies and other utilities (iv) Grievances and suggestions (v) Building approvals (vi) Monitoring of project/ward works (vii) Licenses (viii) Estates (ix) Works flow management (x) Accounting system (xi) Personnel Information system (xii) Stores management (xiii) Procurement and (xiv) Centralised administration module.

modules of only four services *i.e.*, birth & death registration, centralised administration, public grievance and e-procurement were operational and being utilised by KNN and required modules for remaining services were not provided by NIC (upto November 2014). Physical verification of stock also revealed that out of above procurement, 70 computers and 109 printers remained unpacked and were lying in store since April 2013. As a result, KNN failed to provide prescribed quality services to the people and also internal control in operation even after incurring an expenditure of ₹ 5.29 crore on e-Governance project.

In reply, KNN accepted the audit observation though no remedial action was intimated by KNN.



Monitors, CPUs and printers lying unpacked at store of KNN

4.1.12.5 Encroachment of land

Section 296 of MCA empowered MC to remove any encroachment of land under its jurisdiction without giving prior notice. The State Government also issued (December 2012) order to remove encroachments over the Government properties. Scrutiny revealed that 17 out of 675 parks within jurisdiction of KNN were encroached by local peoples and permanent structures were erected illegally on the encroached parks (*Appendix 4.1.21*). It was also noticed that houses were built by the illegal occupants on the vacant land of Fahimabad dumping station in Chamanganj. Similarly, shops and houses were illegally built by occupants on the land of Sisamau market of KNN. Land of two cattle pounds, Deputy Ka padav and Kalyanpur of KNN was also illegally occupied. However, no action was initiated by KNN to get encroachment evicted as of November 2014.

In reply, KNN accepted the audit observation and stated that necessary action will be taken in this regard.

4.1.13 Establishment

Following issues of establishment were noticed during audit. We observed that:

- Against the total sanctioned posts of 3,560 in all cadres (excluding *safai* staff), only 2,171 employees (61 *per cent*) were posted (*Appendix 4.1.22*) in KNN. Shortage in key functionaries viz., tax realisation functionaries, drivers etc., affected the functioning of KNN adversely.

In reply, KNN accepted the facts though no remedial action was intimated by KNN.

- KNN had 190 vehicles (178 heavy & medium vehicles and 12 light vehicles) in its fleet as of July 2014, which included 20 vehicles procured at the cost of ₹ 3.39 crore during 2009-14 (*Appendix 4.1.23*). However, KNN did not have sufficient drivers/technicians (*Appendix 4.1.24*) for operation and maintenance of these vehicles as shortage ranged between 41 and 100 *per cent* in the cadre of drivers, mechanics, fitter man and foreman. Due to shortage of drivers, 16 heavy and medium vehicles were lying unutilised²⁸ as on July 2014 and 125 vehicles of KNN were being operated by fitter, cleaner, peon etc.

In reply, KNN stated that vehicles were purchased on the basis of requirement. Reply was not acceptable as KNN did not ensure availability of trained man power for operation of vehicles before procurement.

- As per the Government order (December 1991), new appointment of daily wager or work charge employees were not allowed and recovery of wages paid to irregularly appointed employees was to be made from the appointing authority responsible for violating the orders. Scrutiny revealed that 137 employees were irregularly appointed on daily wages after issue of Government order (December 1991).

In reply, KNN accepted that no action was taken for recovery of wages paid from the responsible officers.

4.1.13.1 Provident Fund

As per the Government order (November 1995), amount of Provident Fund (PF) deducted from the salary of employees was to be deposited into PF account of concerned employee opened in bank without any delay. We observed that:

- Out of 4,532 PF subscribers, KNN did not open PF account of 542 employees (12 *per cent*) as of July 2014. Scrutiny revealed that amount, deducted for PF, was being deposited (March 2014) in saving bank account of KNN named as base account. As a result, balance of ₹ 8.89 crore (including interest) was accumulated in the base account;

²⁸ Records of unutilised vehicles were not provided by KNN.

- Further, in case of employees having PF accounts, amounts were transferred to PF accounts with delays ranging between 11 and 231 days during 2009-14 due to shortage of staff and non-availability of computers. As a result, an accrued interest ₹ 1.53 crore was accumulated in base account during 2009-14. However, no amount against interest accrued was transferred to concerned employee's account, hence, employees were deprived of the interest on PF amount deducted; and

In reply, KNN accepted the audit observations though no remedial action was intimated by KNN.

4.1.14 Non-maintenance of records

In compliance with the Government order (June 2008), ULBs were required to maintain various records viz. Loan register, Government grants register, Investment register, Deposit register, Suit and decree register etc. in the prescribed formats of *Lekha Niyamavali*, 1960. We observed that:

- Sixteen records required to be maintained were either not maintained or maintained improperly (*Appendix 4.1.25*); and
- The CAG of India, on the recommendation of the 11th Finance Commission, prescribed (June 2003) the budget and accounting formats on accrual basis for ULBs. However, KNN did not maintain its accounts on formats, prescribed by the CAG.

In reply, KNN accepted the audit observations though no remedial action was intimated by KNN.

4.1.15 Monitoring

According to section 88 of MCA, six meetings of Corporation and 12 meetings of EC were necessarily required to be held in a year.

Scrutiny revealed that in KNN only 10 meetings (33 *per cent*) of Corporation and 12 meetings (20 *per cent*) of EC were held during 2009-14. Further, minutes of meetings of Corporation and EC were issued with the delays of up to 35 and 172 days respectively (*Appendix 4.1.26*).

Further, as per section 142 of MCA, *Mukhya Nagar Lekha Parikshak* (MNLP) was responsible for audit of *Nigam's* accounts and preparation & submission of audit reports to EC. Scrutiny of records revealed that neither the accounts of KNN were audited by MNLP nor audit reports were prepared and submitted to EC during 2009-14.

Thus, monitoring of activities of KNN by public representatives could not be ensured as required meetings of Corporation & EC were not held.

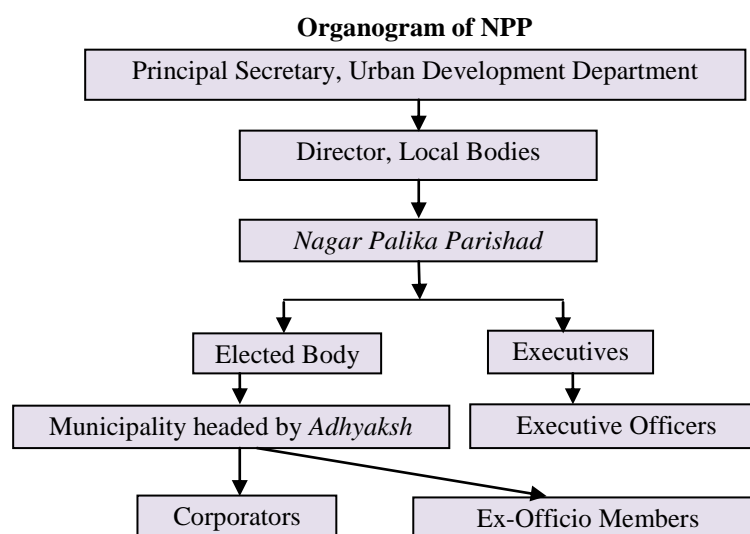
In reply, KNN stated that meetings of EC and Corporation were organised on the instructions of Mayor and assured that action will be taken for audit of accounts.

The Government may ensure meetings of Corporation and Executive Committee as per norms for proper monitoring of the activities.

Section B - Nagar Palika Parishads

NPPs are constituted with wards for providing municipal services to the people. NPPs Ghatampur, Kannauj and Kayamganj (each NPP constituted with 25 wards) of Kanpur *Mandal* were selected for performance audit. *Nagar Palika Parishads* are administered under provisions of MA. Municipality, headed by *Adhyaksh*, is responsible for policy decisions related to municipal services; approval of budget and works; levy and realisation of tax/ non-tax revenue etc. Besides, Executive Officer is executing authority and is responsible for execution of works, schemes etc.

Organogram of NPP is given below:



4.1.16 Financial management

4.1.16.1 Sources and application of funds

Source and application of funds of NPPs were earlier discussed in Paragraph 4.1.7.1. Detail of total available fund alongwith expenditure (*Appendix 4.1.27*) of test-checked NPPs during 2009-14 is summarised in **Table 4**.

Table 4: Total available fund and expenditure of test-checked NPPs during 2009-14

Name of NPP	Opening balance	Own revenue	Govt. grants	Total available fund	Expenditure	₹ in crore	
						Closing Balance	Percentage of utilisation
Kannauj	07.57	09.07	49.00	65.64	57.31	8.33	87
Kayamganj	00.96	01.49	20.57	24.87	24.04	0.83	97
Ghatampur	01.49	02.90	20.48	23.02	20.18	2.84	88
Total NPPs	10.02	13.46	90.05	113.53	101.53	12.00	89

(Source: Test-checked NPPs)

It would be seen from the **Table 4** that ₹ 101.53 crore was utilised (89 *per cent*) against the total available funds of ₹ 113.53 crore by test-checked NPPs during 2009-14. We during audit also observed that:

Under Urban Infrastructure Development scheme a sewerage project (₹ 38.66 crore) for NPP Kannauj was sanctioned (November 2008) by the State Government and ₹ 3.87 crore was released (February 2009) to the NPP, which was subsequently transferred to Construction division, UP, *Jal Nigam*, Kannauj. However, the project was not approved by GoI. No reasons for non-sanction of the project were on record. Further, it was also noticed that instead of refund of released amount to the Government, UP; *Jal Nigam* parked ₹ 3.87 crore in the fixed deposit receipt since 2012-13 to till date.

No reply, in this regard, was furnished by the Government as of February 2015.

4.1.16.2 Levy and realisation of tax and non-tax revenue

As per provisions of section 166-173 of MA, realisation of outstanding tax/non-tax revenue was to be made by NPPs/NPs by issuing warrant, selling of movable property of the defaulters, filing civil suits against defaulters etc.

Scrutiny of records of test-checked NPPs revealed that, only ₹ 12.68 crore was realised, against the total demand of ₹ 13.84 crore, on account of realisation of tax and non-tax revenue during 2009-14 (**Appendix 4.1.4**), leaving a shortfall of ₹ 1.16 crore (8.38 *per cent*). However, no action was taken by test-checked NPPs for realisation of outstanding tax/non-tax revenue as required under provisions of MA.

Following shortcomings are also noticed in levy, demand and realisation of tax/non-tax revenue during audit. We observed that:

Tax revenue receipts

- **Property tax**

As per section 145 of MA, a new assessment list indicating all buildings and lands under municipal area, was to be prepared in every five year period for imposing property tax.

Detail of demand raised; revenue realised and short realisation of property tax of test-checked NPPs during 2009-14 is given in **Table 5**.

Table 5: Detail of demand and realisation of property tax during 2009-14

(₹ in lakh)

Name of NPPs	Demand	Realisation	Shortfall	Percentage of realisation
Kannauj	522.62	59.20	463.42	11
Ghatampur	25.92	09.47	16.45	37
Kayamganj	95.12	30.09	65.03	32
Total of NPPs	643.66	98.76	544.90	15

(Source: Test-checked NPPs)

It would be seen from the **Table 5** that only ₹ 98.76 lakh was realised (15 *per cent*) against the total demands of ₹ 643.66 lakh in test-checked NPPs during 2009-14, leaving a short realisation of ₹ 544.90 lakh.

Further, assessment list was not prepared as per prescribed periodicity in NPPs Ghatampur²⁹, Kannauj and Kayamganj. Consequently, property Tax was being levied in these NPPs on the basis of assessment list of the years 1979-80, 2003-04 and 2008-09 respectively. Thus, due to non-preparation of periodical assessment list, NPPs could not increase its property tax base.

In reply, test-checked NPPs accepted the audit observation, however, efforts made for revision of assessment lists were not intimated.

- ***Water tax***

As per provisions of section 128 of MA, NPPs/NPs were empowered for levy³⁰ and realisation of water tax on ARV of lands/buildings. Scrutiny revealed that Water Tax was not levied in NPP, Ghatampur during 2009-14.

- ***Additional Stamp Duty***

As per the provisions discussed in Paragraph 4.1.7.2 *ante*, due to non-raising of demands, only ₹ 3.22 crore (69 *per cent*) was received from Deputy Inspector General; Stamp, in NPP Kannauj, on account of additional stamp duty, leaving a short receipt of ₹ 1.46 crore (***Appendix 4.1.5***).

In reply test-checked NPP accepted the audit observations though no remedial action was intimated by NPP.

Non-tax revenue receipts

- ***Water charges***

The Government suggested (January 1997), NPPs and NPs to fix minimum water charges at the rate of ₹ 50 *per month per connection* and ₹ 30 *per month per connection* respectively, for meeting the expenditure incurred on water supply.

Scrutiny of records revealed that water charges were never levied in NPP Kannauj upto 2013-14. In NPP, Ghatampur water charges were fixed at the rate of ₹ 25 *per month per connection* and not revised according to the Government suggestion even after lapse of 17 years.

In reply, test-checked NPPs stated that efforts will be made to impose and revise the water charges.

- ***License fee***

The State Government directed (December 1997), to impose license fee on 39 items (***Appendix 4.1.6***) to make NPP self-reliant. However, no license fee was imposed by any of the test-checked NPPs during 2009-14.

²⁹ Only 3,040 houses were under taxation instead of total available houses of 7,800 up to 2013-14.

³⁰ Rates of water tax, in certain percentage of ARV, were to be decided by Municipality.

4.1.16.3 Budgeting

According to section 99 and 103 of MA, complete account of actuals of preceding year and budget estimates of succeeding year of NPP/NP was to be laid before Municipality for approval.

Scrutiny of records of NPP, Kayamganj revealed that budget estimate for 2012-13 was not submitted to Municipality for approval.

In reply NPP, Kayamganj accepted the audit observation though no remedial action was intimated by NPP.

4.1.16.4 Accounting framework

Preparation of Accounts

As per provisions discussed in Paragraph 4.1.7.4 *ante*, test-checked NPPs though adopted accrual based double entry accounting system since 2008-09, however, no manual was prepared by the State Government for accrual based double entry accounting system due to which classification of assets & liabilities and depreciation rates were not defined in any of the test-checked NPPs.

Scrutiny revealed that in NPPs Kannauj and Kayamganj, annual accounts including balance sheets were not prepared for the period 2010-14 and 2009-14 respectively and only cash books were prepared for maintenance of accounts.

In reply, test-checked NPPs accepted the facts though no remedial action was intimated by NPPs.

4.1.17 Planning

In compliance of provisions of DPC (as discussed earlier in Paragraph 4.1.8), ADPs were required to be prepared by NPPs and NPs for further submission to DPC after getting it approved by Municipality under the provisions contained in section 127 B of MA.

Scrutiny of records of test-checked NPPs revealed that though ADPs were prepared but not presented before Municipalities for approval and sent directly to DPC. Besides, ADPs also did not include proposal for Central/State plan schemes. Scrutiny further revealed that in NPPs, Kannauj and Kayamganj, ADPs were prepared only for the year 2012-14 and 2012-13 respectively.

Thus, provisions of MA were not followed in test-checked NPPs for proper planning.

In reply, test-checked NPPs accepted the audit observations though no remedial action was intimated by NPPs.

4.1.18 Procurements and Execution of works

Execution of works without approval

As per the provisions of section 111 of MA, executions of works were to be carried out after approval of the Municipality. Contrary to the provisions, 18 works related to construction of roads and drainage of ₹ 1.51 crore (**Appendix 4.1.28**) were executed by EO without approval of Municipality in NPP, Kannauj during 2013-14.

In reply, NPP accepted the audit observation though no remedial action was intimated by NPP.

4.1.19 Unfruitful expenditure

Scrutiny of records of NPP, Kannauj revealed that two auto three-wheelers amounting to ₹ 5.59 lakh were purchased during June 2010 for transportation of MSW without assessing requirement of vehicles. As a result vehicles were lying idle since December 2011, rendering expenditure of ₹ 5.59 lakh unfruitful. Further, scrutiny revealed that registration and insurance of vehicles were also not carried out by NPP.

In reply, test-checked NPP accepted the audit observations though no remedial action was intimated by NPP.

4.1.20 Unauthorised operation of slaughter house

As per the provisions discussed in Paragraph 4.1.11.4 *ante*, in NPP Kayamganj, one slaughter house was operational (since last 15 years) without having facility for treatment of generated effluents and required NOC from UPPCB.

In reply, NPP, Kayamganj accepted the audit observation though no remedial action was intimated by NPP.

4.1.21 Monitoring

According to section 86 of MA, 12 meetings of Municipality were necessarily required to be held in a year in NPPs and NPs.

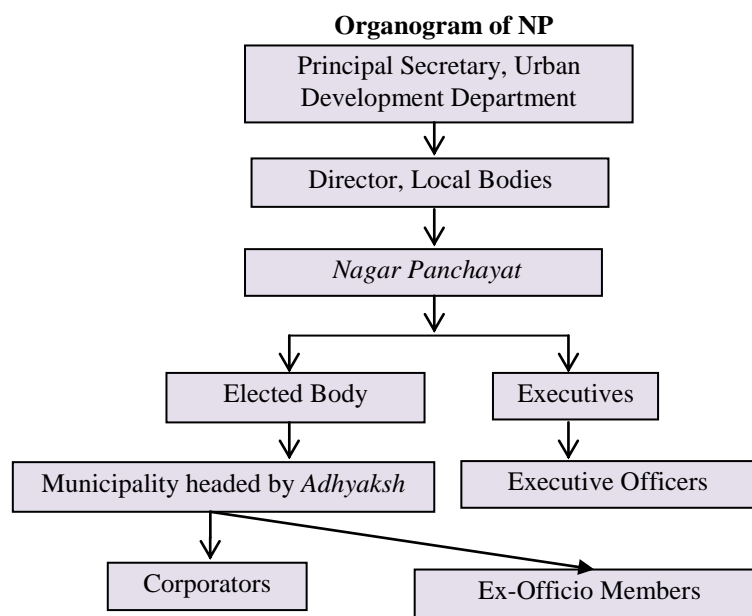
Scrutiny revealed that in test-checked NPPs, shortfall in meetings of Municipalities ranged from 67 to 75 *per cent* as detailed in **Appendix 4.1.29**. Further, in NPP Ghatampur, minutes of meetings of Municipality were not issued during 2009-14 and in NPPs Kannauj and Kayamganj, minutes of meetings of Municipality were issued with delays upto five days.

Test-checked NPPs accepted the audit observations though no remedial action was intimated by NPPs.

Section C- Nagar Panchayats

NPs are constituted with wards for providing municipal services to the people. Seven NPs of Kanpur *Mandal* i.e., Atsu (with 11 wards); Ekdil (with 10 wards); Kamalganj (with 12 wards); Shivli (with 10 wards); Shivrajpur;

Talgram (with 11 wards) and Tirwaganj (with 15 wards), were selected for performance audit. However, no records were provided by NP Shivrajpur. *Nagar Panchayats* are also administered under provisions of MA. Municipality, headed by *Adhyaksh*, is responsible for policy decision related to municipal services; approval of budget and works; levy and realisation of tax/non-tax revenue etc. Besides, Executive Officer is responsible for execution of works, schemes etc. Organogram of NP is given below:



4.1.22 Financial management

4.1.22.1 Sources and application of funds

Source and application of funds of NPs were discussed earlier in Paragraphs 4.1.7.1. Detail of total available fund alongwith expenditure (*Appendix 4.1.27*) of test-checked NPs during 2009-14 is summarised in **Table 6**.

Table 6: Total available fund and expenditure of test-checked NPs during 2009-14
(₹ in crore)

Name of NPs	OB	Own revenue	Govt. grants	Total available fund	Expenditure	CB	Percentage of utilisation
Talgram	00.05	00.62	6.87	7.54	5.10	2.44	68
Tirwaganj	00.22	01.46	11.84	13.52	11.80	1.72	87
Shivali	00.03	00.36	06.91	7.30	5.96	1.34	82
Atsu	00.02	00.40	07.45	7.87	5.60	2.27	71
Ekdil	00.04	00.30	06.61	6.95	5.58	1.37	80
Kamalganj	00.15	01.23	10.98	12.36	9.56	2.80	77
Total of NPs	00.51	04.37	50.66	55.54	43.60	11.94	79

(Source: Test-checked NPs)

It would be seen from the **Table 6** that ₹ 43.60 crore was utilised (79 per cent) against the total available funds of ₹ 55.54 crore by test-checked NPs during 2009-14.

In reply test-checked NPs accepted the facts.

4.1.22.2 Levy and realisation of tax and non-tax revenue

As per provisions discussed in Paragraph 4.1.16.2 *ante*, no efforts were made by test- checked NPs for realisation of outstanding tax/non-tax revenue.

Scrutiny of records of test-checked NPs revealed that, only ₹ 3.87 crore was realised, against the total demand of ₹ 6.15 crore, on account of tax and non-tax revenue during 2009-14 (*Appendix 4.1.4*), leaving a shortfall of ₹ 2.28 crore (37 per cent).

Following shortcomings are noticed in levy, demand and realisation of tax/non-tax revenue during audit. We observed that:

Tax revenue receipts

● *Property tax*

As per the provisions discussed in Paragraph 4.1.16.2 *ante*, no property tax was levied during 2009-14 in NP, Talgram and realisation of property tax of ₹ 5.37 lakh pertaining to the period prior to 2009-10 was outstanding as of March 2014. Besides, in NP, Kamalganj property tax for the years 2009-12 were imposed during 2009-14 and property tax for the years 2012-14 were not imposed upto November 2014.

It was also noticed that in NPs Atsu and Ekdil, records of demands and realisation of property tax were not maintained. Further, details of demand raised; revenue realised and short realisation of property tax of other test-checked NPs during 2009-14 is given in **Table 7**.

Table 7: Details of demand and realisation of property tax during 2009-14

(₹ in lakh)

Name of NPs	Demand	Realisation	Shortfall	Percentage of realisation
Kamalganj	30.74	06.92	23.82	23
Shivli	08.75	02.31	06.44	26
Tirwaganj	27.76	08.26	19.50	30
Total of NPs	67.25	17.49	49.76	26

(Source: Test-checked NPs)

It would be seen from **Table 7** that in NPs, Kamalganj; Shivli and Tirwaganj, only ₹ 17.49 lakh was realised (26 per cent), against the total demand of ₹ 67.25 lakh during 2009-14, leaving a short realisation of ₹ 49.76 lakh.

In reply test-checked NPs accepted the audit observations, however, efforts made for levy and realisation of outstanding property tax were not intimated by NPs.

● *Water tax*

As per the provisions discussed in Paragraph 4.1.16.2 *ante*, Water Tax was not imposed in NPs Atsu, Ekdil, Shivli and Talgram during 2009-14 as required under provision of MA.

- ***Additional Stamp Duty***

As per the provisions discussed in Paragraph 4.1.7.2 *ante*, due to non-raising of demands, only ₹ 0.71 crore (75 *per cent*) was received from Deputy Inspector General; Stamp, in NPs Talgram and Tirwaganj, on account of additional stamp duty, leaving a short receipt of ₹ 0.24 crore (***Appendix 4.1.5***).

In reply test-checked NPs accepted the audit observations, however efforts made for recovery of short-realised additional stamp duty were not intimated by NPs.

Non-tax revenue receipts

- ***Water charges***

As per the provisions discussed in Paragraph 4.1.16.2 *ante*, in NPs Ekdil and Atsu, water charges were not fixed according to the Government suggestion even after lapse of 17 years and levied at the rate of ₹ 15 *per month per* connection and ₹ 20 *per month per* connection respectively.

In reply, test-checked NPs stated that efforts will be made to revise and realise the outstanding water charges.

- ***License fee***

The State Government directed (December 1997), to impose license fee on 39 items (***Appendix 4.1.6***) to make NP self-reliant. However, no license fee was imposed by any of the test-checked NPs during 2009-14.

4.1.22.3 Budgeting

As per the provisions discussed in Paragraph 4.1.16.3 *ante*, budget estimate for 2012-13 was not submitted to Municipality for approval in test-checked NPs Kamalganj, Talgram and Tirwaganj.

Further scrutiny revealed that in NP, Ekdil budget estimates for 2010-11 and 2013-14 were not prepared. In NPs, Kamalganj, Talgram and Tirwaganj actuals of preceding year were not laid before municipality alongwith budget estimates. Thus, provisions of MA regarding budget were not followed in test-checked NPs.

In reply test-checked NPs accepted the audit observation. However, NPs did not inform the reasons for non-adherence to the provisions of MA.

4.1.22.4 Accounting framework

Preparation of Accounts

As per provisions discussed in Paragraph 4.1.7.4 *ante*, test-checked NPs though adopted accrual based double entry accounting system since 2008-09, however, no manual was prepared by the State Government for accrual based double entry accounting system.

Scrutiny revealed that in NPs, Kamalganj, Talgram and Tirwaganj only cash books were prepared; however, annual accounts including balance sheets were not prepared for the period 2010-14, 2009-14 and 2009-14 respectively.

In reply, test-checked NPs accepted the facts though no remedial action was intimated by NPs.

4.1.23 Planning

As discussed earlier in Paragraph 4.1.17 *ante*, ADPs were also not presented before Municipalities for approval in test-checked NPs (Atsu, Ekdil, Shivli, Talgram and Tirwaganj) and also did not include proposal for Central/State plan schemes. Further, in NPs Tirwaganj, Talgram and Ekdil, ADPs were prepared only for the year 2011-14, 2013-14 and 2009-11 & 2012-14 respectively. Scrutiny further revealed that in NP Kamalganj, ADPs were not prepared during 2009-14.

In reply, test-checked NPs accepted the audit observations though no remedial action was intimated by NPs.

4.1.24 Procurements and execution of works

Following instances of unfruitful expenditure were noticed during scrutiny of records of test-checked NPs. We observed that:

- In NPs, Talgram and Tirwaganj, three submersible pumps were purchased during 2011-12 at a cost of ₹ 6.86 lakh without assessment of requirement. These submersible pumps were lying idle as of May 2014, rendering expenditure of ₹ 6.86 lakh unfruitful.
- In NP, Kamalganj, one drain cleaning machine of ₹ 8.98 lakh and one sewer suction machine of ₹ 6.46 lakh was purchased at a total cost of ₹ 15.44 lakh during March 2014. For operation of both machines, a tractor of 35 Horse Power (HP) was required. However, NP purchased these machines without prior arrangement of required capacity of tractor. Due to non-availability of tractor, both machines were lying idle as of November 2014, rendering expenditure of ₹ 15.44 lakh unfruitful.
- Ward-wise maps of Class-I town were to be prepared upto October 2008 for the purpose of census 2011. Scrutiny revealed that NP, Tirwaganj (Class-IV town) incurred expenditure of ₹ 8.53 lakh for preparation (2012-13) of ward-wise maps even after completion of census 2011, which was unjustified.

In reply, test-checked NP accepted the audit observations and stated that work was carried out on the instructions of the Directorate.

- In NP Shivli, construction of a *Barat Ghar* under *Sangathit Vikas Yojana* was approved (April 2007) at a cost of ₹ 32.09 lakh. Accordingly, ₹ 18.04 lakh was to be provided under scheme funds and remaining ₹ 14.05 lakh was to be arranged by NP from own sources. Scrutiny revealed that construction of *Barat Ghar* was started in August 2007 after receiving funds from the State

Government. However, construction work was stopped (November 2008) in mid-way after utilising the released amount of ₹ 18.04 lakh as NP Shivli failed to provide its share of ₹ 14.05 lakh (upto July 2014), rendering an expenditure of ₹ 18.04 lakh unfruitful.

In reply, test-checked NP accepted the audit observation though no remedial action was intimated by NP.

4.1.25 Monitoring

As per provisions discussed in Paragraph 4.1.22 *ante*, shortfall in meetings of Municipalities in test-checked NPs ranged between 17 and 70 *per cent* as detailed in **Appendix 4.1.29**. Further, in NPs, Atsu, Ekdil, Shivli, Talgram and Tirwaganj, minutes of meetings of Municipalities were not issued during 2009-14 and in NP, Kamalganj minutes of meetings of Municipality were issued with delays upto 12 days.

Test-checked NPs accepted the audit observations though no remedial action was intimated by NPs.

4.1.26 Conclusion

Kanpur Nagar Nigam

- Kanpur Nagar Nigam failed to take recourse to the provisions of Municipal Corporation Act, in levy, demand, revision and realisation of tax and non-tax revenues. There was shortfall of 41 and 61 *per cent* in collection of own revenue against demands of ₹ 919.05 crore and ₹ 768.52 crore raised respectively by Kanpur Nagar Nigam and Jal kal Vibhag during 2009-14. Annual rental value, in respect of property tax, was not revised at the prescribed intervals.
- Budget was either not prepared in time or not submitted to Executive Committee and Corporation for approval in Kanpur Nagar Nigam.
- Annual accounts for the period 2010-14 were not finalised and annual accounts for the year 2009-10 were finalised with delays upto 27 months.
- Annual Development Plans were not prepared, though it was required to be prepared as per the provisions of the Municipal Corporation Act.
- Extant mandatory instruction, orders and guidelines were violated during execution of agreements for implementation of works in Kanpur Nagar Nigam. Agreements for execution of 150 works amounting to ₹ 13.74 crore were not signed before commencement of works and 75 agreements of ₹ 5.15 crore were signed after completion of the works.
- Management of environmental issues and municipal services were inadequate in Kanpur Nagar Nigam. Municipal Solid Waste remained uncollected in the city as well as lying dumped at processing plant site.

- Mandatory meetings of Corporation and Executive Committee were not held as per prescribed norms and accounts were not audited by *Mukhya Nagar Lekha Parikshak* during 2009-14.

Nagar Palika Parishads

- Against the total available funds of ₹ 113.53 crore, only 89 *per cent* funds were utilised by three test-checked NPPs. There was shortfall of eight *per cent* in collection of own revenue against the demands of ₹ 13.84 crore. Further, the assessment lists of property tax were also not revised at the prescribed intervals of five years.
- Annual accounts were not prepared in test-checked *Nagar Palika Parishads*.
- Annual Development Plans were prepared but these were not presented to Municipality for approval in test-checked NPPs as required under Municipalities Act, 1916.
- Mandatory meeting of Municipalities was not held as per prescribed norms in test-checked *Nagar Palika Parishads*.

Nagar Panchayats

- Against the total available funds of ₹ 55.54 crore, only 79 *per cent* funds were utilised by test-checked NPs. There was shortfall in collection of own revenue (37 *per cent*) against the total demand of ₹ 6.15 crore in test-checked NPs.
- Annual accounts were not prepared by three NPs Kamalganj, Talgram and Tirwaganj out of seven test-checked *Nagar Panchayats*.
- Annual Development Plans were not prepared according to provisions of the Municipalities Act, 1916 in test-checked *Nagar Panchayats*.
- Procurements were made without assessment of requirement as a result three submersible pumps of ₹ 6.86 lakh (procured during 2011-12) were lying idle in NPs Talgram and Tirwaganj. One drain cleaning machine and one sewer suction machine of ₹ 15.44 lakh were also lying idle in NP, Kamalganj for want of tractor of required capacity.
- Monitoring was lax as mandatory meetings of Municipalities were not held as per prescribed norms in test-checked *Nagar Panchayats*.

The matter was reported (October 2014) to the Government and reply is awaited. However, the facts and figures of the Performance Audit report were confirmed by Government in Exit Conference (February 2015).



4.2 Compliance Audit

4.2.1 Blockade of fund

Blockade of fund of ₹ 35.61 lakh under the 12th Finance Commission grants due to absence of proper planning.

Twelfth Finance Commission (TFC) recommends grants for urban local bodies is to be provided to improve civic facilities viz. Solid Waste Management, Roads, Water Supply, Street lights, Computerisation of data base and other development works like traffic improvement work, maintenance of crematorium/ burial grounds, parks, gardens and play grounds etc.

The Government of Uttar Pradesh (GoUP) released grant of ₹ 19.05 crore during the period 2005 to 2010 to *Nagar Nigam, Meerut* (**Appendix 4.2.1**) as per the recommendations of 12th Finance Commission, for solid waste management ₹ 9.52 crore (50 per cent), improvement/ widening of roads, development of parking lots, construction/ maintenance of drainage system ₹ 4.76 crore (25 per cent), Water Supply arrangements ₹ 1.90 crore (10 per cent), Street lights ₹ 0.95 crore (five per cent), Computerisation and maintenance of data base ₹ 0.38 crore (two per cent), and other development works ₹ 1.53 crore (eight per cent) for utilisation during the relevant financial years. The utilisation certificate was to be provided to the Government in the same financial year.

Scrutiny of the records of *Nagar Nigam, Meerut* (April 2013) revealed that out of ₹ 19.05 crore, only ₹ 12.50 crore was spent³¹ by the *Nigam* as of March 2010 but due to laxity of the department, ₹ 7.70 crore (including interest) remained unspent³² and was lying in the bank (₹ 5.18 crore) and in Personal Ledger Account (PLA) of the treasury (₹ 1.37 crore) during 2005-06 to 2014-15 (August 2014) (**Appendix 4.2.2**). The interest of ₹ 1.15 crore was accrued in the bank account. Thus, the *Nagar Ayukta* failed to create infrastructure as approved by the 12th Finance Commission for benefit of public and for which the fund was made available by the Government of India.

On this being pointed out in audit, the *Nagar Ayukta* of *Nagar Nigam Meerut* stated (April 2013) that due to non-sanction of works and specific instructions from the Government, amount remained unspent in PLA/bank account. Further, it stated (October 2014) that ₹ 7.34 crore (including interest) was transferred in relevant heads between September 2014 and October 2014. The reply was not acceptable as the sum of ₹ 7.34 crore had been surrendered to the State Government after four to nine years as the department failed to get the development works executed though it had already been sanctioned prior to the release of fund. The specific instruction for execution should have been obtained from the Government by the competent authority. We further noticed that ₹ 35.61 lakh was still lying unutilised in PLA.

³¹ SWM: ₹ 6.47 crore; Roads: ₹ 3.26 crore; Drinking water: ₹ 0.96 crore; Street lights: ₹ 0.56 crore; Computerisation: ₹ 0.30 crore; and other development works: ₹ 0.95 crore.

³² SWM: ₹ 3.06 crore; Roads: ₹ 1.50 crore; Drinking water: ₹ 0.95 crore; Street lights: ₹ 0.39 crore; Computerisation: ₹ 0.08 crore; and Other development works: ₹ 0.58 crore (₹ 1.37 crore in PLA and ₹ 6.33 crore in Bank accounts of Punjab National Bank).

Thus, due to improper planning of the department, TFC grant could not be utilised for intended purpose as it was lying unspent up to nine years and ₹ 35.61 lakh was still blocked.

During discussion (February 2015), the Government, while accepting the facts and figures assured that necessary action would be taken.

4.2.2 Unfruitful expenditure and revenue loss

Construction of shops without assessment of requirement resulted in unfruitful expenditure for six to nine years due to non-allotment and subsequent allotment of shops without collecting premium resulted in loss of revenue of ₹ 21.35 lakh.

With a view to generate income from its own sources by providing market place to the local shopkeepers, *Nagar Panchayat* (NP), Hariharpur, District Sant Kabir Nagar decided (2001-02) to construct 23 shops in Indira Nagar Commercial *Yojana*, 20 shops in Meat and Fish Market. The decision for construction of 10 shops in *Jalkal* Compound Commercial *Yojana* was taken in October 2004 under Integrated Development of Small and Medium Towns (IDSMT) schemes. Before construction of shops, survey was to be conducted to ascertain the feasibility and assess the requirement of shops in the area. These shops were to be allotted to the shopkeepers after realisation of the premium and monthly rent to be fixed by the NP.

Scrutiny of the records (September 2013) revealed that the Urban and Rural Planning Department (URPD) sanctioned (March 2002) two schemes under IDSMT for NP, Hariharpur, namely (i) Meat and Fish Market at the cost of ₹ 6.16 lakh and Indira Nagar Commercial *Yojana* at cost of ₹ 15.27 lakh. The State Government released (March 2002) 1st instalment of ₹ 16.67 lakh to NP Hariharpur under IDSMT schemes with a condition that after completion of Meat and Fish market, certain number of shops should be constructed in Indira Nagar Commercial *Yojana* from the balance amount of ₹ 10.51 lakh. The sanction envisaged that any excess amount incurred shall be adjusted from the premium received from allotment of shops. We noticed that eight shops of Meat and Fish Market were constructed (December 2002) at a total cost of ₹ 3.92 lakh and 23 shops were constructed (March 2003) in Indira Nagar Commercial *Yojana* at a total cost of ₹ 13.99 lakh.

Further, N.P. Hariharpur decided (October 2004) for construction of 10 shops in *Jalkal* Compound Commercial *Yojana* under IDSMT schemes. The URPD sanctioned (January 2005) ₹ 8.78 lakh for this *Yojana*. The State Government released ₹ 33.20 lakh in 2nd instalment (October 2004) which included ₹ 10.24 lakh for *Jalkal* Compound Commercial *Yojana*. The construction of 10 shops was done (October 2005) at a total cost of ₹ 9.59 lakh under this *Yojana*.

We noticed (September 2013) that the premium of ₹ 62,740 and ₹ 71,000 per shops was fixed respectively for Meat and Fish Market and Indira Nagar Commercial *Yojana* respectively and no premium was fixed for the shops of *Jalkal* Compound Commercial *Yojana*. Rent for the shops was also not decided. It was further revealed that none of the shops constructed in these

schemes were allotted to the shopkeepers. This resulted in unfruitful expenditure of ₹ 27.50³³ lakh incurred on the construction of aforesaid 41 shops during 2002-03 to 2005-06.

On this being pointed out in audit, the Executive Officer (EO), NP, Hariharpur intimated (September 2014) that all the shops were allotted during 2012-13 but no premium was collected. The reply of the EO confirms that shops remained un-allotted for six to nine years and no premium was collected.

Thus, expenditure incurred on construction of shops without assessment of the demand remained unfruitful for six to nine years and allotment of shops without collecting premium also resulted in loss of revenue amounting to ₹ 21.35 lakh³⁴.

During discussion (February 2015), the Government, while accepting the facts and figures assured that necessary action would be taken.

4.2.3 Unfruitful expenditure

Unfruitful expenditure of ₹ 62.42 lakh, due to non-completion of work for improving street lights, in Nagar Palika Parishad, Ayodhya, Faizabad.

The Government of Uttar Pradesh (GoUP) sanctioned³⁵ (July 2010) interest free loan of ₹ 5.45 crore under Manyavar Kanshi Ram Nagar Development Scheme for the construction/ improvement of roads including ₹ 65.21 lakh for improving street lights³⁶ in *Nagar Palika Parishad* (NPP), Ayodhya, Faizabad.

Scrutiny of the records (November 2013) of NPP, Ayodhya, Faizabad revealed that contract for construction/ improvement of road light work was awarded (November 2010) to the contractor on the basis of lowest bid in tender. The work order was issued (November 2010) to the contractor with scheduled period of completion of three months. The bill for ₹ 64.34 lakh presented by the contractor for payment, out of which ₹ 62.42 lakh³⁷ was paid (March 2011) without assessing the actual quantity of work done. However the EO deducted ₹ 1.91 lakh for incomplete items of work. After receiving the payment, contractor did not complete the work.

The Light Inspector (March 2013) reported that incomplete works included 185 poles not been grouted, 11 Mini High Mast Platforms unconstructed, cabling of 66 poles was not done and 15 poles alongwith cables had not been erected. Accordingly, the matter was reported to the District Magistrate in June 2013. The NPP, Faizabad also issued notices³⁸ to the contractor through newspaper etc., (June 2011) to complete the works failing which the Contractor was also blacklisted by NPP (February 2014).

³³ ₹ 3.92 lakh (Eight shops) + ₹ 13.99 lakh (23 shops) + ₹ 9.59 lakh (10 shops) = ₹ 27.50 lakh (41 shops).

³⁴ 23 shops * ₹ 71,000 = ₹ 16,33,000; 08 shops * ₹ 62,740 = ₹ 5,01,920; Total: ₹ 21,34,920 or ₹ 21.35 lakh.

³⁵ Government order 5235/Nao-5-2010-42 Sa /09 dated 15 July 2010.

³⁶ Mini high mast 11 number (₹ 1.40 lakh per mast) - ₹ 15.40 lakh; Erection of 200 new electric poles - ₹ 36 lakh; and 200 Sodium light fittings complete 250 watt - ₹ 13.81 lakh.

³⁷ Bill no. 527: ₹ 14.59 lakh; Bill no. 528: ₹ 13.63 lakh; and Bill no. 529: ₹ 34.20 lakh.

³⁸ Four notices (April 2011, May 2011, June 2011 and July 2011).

On this being pointed out by audit, EO stated (November 2013) that ₹ 1.91 lakh was deducted before making the payment from the bills of the contractor in lieu of incomplete work, it further stated that the work is still incomplete (September 2014) and a sum of ₹ 10.11 lakh³⁹ has been deducted from the earlier dues of the contractor on account of incomplete works. The reply was not acceptable as the payment was made without verification of work executed.

Fact remained that the expenditure of ₹ 62.42 lakh incurred on road light work has been rendered unfruitful and the beneficiaries have also been deprived of the intended benefits.

During discussion (February 2015), the Government, while accepting the facts and figures assured that necessary action would be taken.

ALLAHABAD

THE **15 MAY 2015**



(BHAVIKA JOSHI LATHE)
Deputy Accountant General
General and Social Sector Audit
Uttar Pradesh

COUNTERSIGNED

ALLAHABAD

THE **15 MAY 2015**



(MUKESH P SINGH)
Principal Accountant General
General and Social Sector Audit
Uttar Pradesh

³⁹ Details of incomplete work: Grouting of poles: ₹ 0.39 lakh; High mast platform: ₹ 0.88 lakh; Non-cabling of poles: ₹ 6.14 lakh; and Poles with cables ₹ 2.70 lakh.