
CHAPTER III

PERFORMANCE AUDITS

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Urban Development Department

3.1 Implementation of low cost housing projects under JNNURM sub-missions on Basic Services to the Urban Poor and Integrated Housing and Slum Development Programme

Basic Services to the Urban Poor (BSUP) and Integrated Housing and Slum Development Programme (IHSDP) are two sub-missions of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to provide affordable and low cost housing, basic services and other related civic amenities to the urban poor in select cities through ULBs and statutory agencies. The nodal agency in the state for these two sub-missions was Maharashtra Housing and Area Development Authority.

Performance Audit on implementation of low cost housing projects taken up under these two sub-missions for the period 2008-09 to 2012-13 revealed significant shortfalls in achievement of construction of sanctioned dwelling units (DUs) for the urban poor. The ULBs/Nodal Agency proposed detailed project reports (DPR) to the Central Government without ensuring availability of land leading to cancellation/curtailment of large number of projects and non-utilization of Central grants. There was no uniform/transparent criterion for payment of consultancy fee to project consultants. Mobilisation advances were paid to contractors in violation of contract conditions. The beneficiaries were selected and allotted DUs without capturing biometric data which was necessary as per the JNNURM guidelines. Completed DUs remained unallotted due to their unviable locations or due to construction of DUs on plots reserved for other purposes. Delays in award of sanctioned works led to cost overrun. None of the 36 ULBs conducted social audits as stipulated in JNNURM guidelines in any of the 51 test-checked projects through the designated agencies. The key findings are highlighted below.

Highlights

Of the 3.36 lakh DUs sanctioned under BSUP-IHSDP between 2006-07 and 2012-13, the ULBs took up construction of only 2.51 lakh DUs of which, 0.78 lakh DUs were completed, construction of 0.44 lakh DUs was under progress (March 2013) and construction of the remaining 1.29 lakh DUs were not taken up due to non-availability of land, encroachments of sites, delay in tendering, late receipt of grants, reluctance of beneficiaries to cluster approach of housing etc.

(Paragraph 3.1.7)

Despite creating assets valuing ₹ 3,166.96 crore by construction of 0.56 lakh DUs under BSUP, the GoM did not establish a revolving fund to be used for meeting the operation and maintenance expenses of the assets so created, in contravention of JNNURM guidelines. Similarly, no policy

was evolved or any guidelines issued for operation and maintenance of 0.22 lakh DUs constructed at a cost of ₹ 584.08 crore under IHSDP.

(Paragraph 3.2.3)

Twenty eight BSUP-IHSDP projects involving construction of 73,149 DUs at an estimated cost of ₹ 1,839.56 crore were either cancelled or curtailed by the Central Government, as the ULBs prepared the detailed project reports without ensuring the availability of land. As a result, GoI grants amounting to ₹ 865.10 crore could not be utilized by the ULBs. In 46 out of 51 test-checked projects, construction of 40,329 DUs sanctioned at a cost of ₹ 1,432.06 crore did not commence even after two to seven years due to encroachments of land, cost escalations, court cases, non-receipt of beneficiaries' contribution *etc.*

(Paragraphs 3.3.1 and 3.3.2)

The ULBs took up construction of DUs on unviable locations or on land the titles of which did not vest with them or on plots reserved for other purposes, leading to blocking of ₹ 55.81 crore in 1,960 completed DUs and 720 ongoing DUs.

(Paragraph 3.3.5)

The ULBs did not adopt a uniform/transparent criterion for payment of consultancy fee to project consultants and mobilization advances paid to the contractors and their recoveries were not regulated as per contract conditions. Selection of beneficiaries was deficient given that a large number of beneficiaries were selected and allotted DUs without capturing biometric data in violation of JNNURM guidelines. None of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies.

(Paragraphs 3.3.3, 3.4.3, 3.3.4.1 and 3.5.1)

3.1.1 Introduction

JNNURM was launched by GoI in December 2005 for fast track, planned development of identified cities with focus on efficiency in urban infrastructure/services delivery mechanism, community participation and accountability of ULBs towards citizens. The Mission was initially launched for a period of seven years beginning from 2005-06, which was extended up to 2014-15.

JNNURM among other components consists of a sub-mission named BSUP, administered by the Ministry of Housing and Urban Poverty Alleviation, GoI (MoHUPA), for providing affordable and low cost housing, basic services and other related civic amenities to the urban poor in select cities. In Maharashtra, BSUP is implemented by 14 ULBs (11 Municipal Corporations and three Municipal Councils). Another sub-mission of JNNURM *i.e.* IHSDP envisaged similar objectives and is applicable to all cities/towns, excepting those covered under BSUP sub-mission. IHSDP is implemented in the State by 93 ULBs (11 Municipal Corporations and 82 Municipal Councils). While there is no ceiling on the unit cost of Dwelling Unit (DU) under BSUP, the ceiling per DU initially fixed at ₹ 80,000 under IHSDP was increased to ₹ 1,00,000 in February 2009.

3.1.2 Organisational Set up

GoI constituted (January 2006) a Central Sanctioning and Monitoring Committee (CSMC) headed by the Secretary, MoHUPA for approval of projects under BSUP and IHSDP. A State Level Steering Committee (SLSC) headed by the Chief Minister was constituted in Maharashtra (January 2006) for approval of projects at the state level. The GoM appointed (September 2006) Maharashtra Housing and Area Development Authority (MHADA) as the State Level Nodal Agency (SLNA) which assisted the SLSC. The SLNA invites proposals from various ULBs for processing and approval by the CSMC. The SLNA also oversees the execution and monitoring of projects taken up under these two sub-missions.

3.1.3 Audit objectives

The Performance Audit was conducted with a view to assessing whether:

- planning for selection of projects was effective;
- funding was adequate and prompt;
- projects were taken up as per Detailed Project Reports (DPRs) and executed economically, efficiently and effectively; and
- monitoring mechanism to oversee the implementation of projects was effective.

3.1.4 Audit criteria

The audit criteria were derived from the following documents:

- Guidelines/modified guidelines for BSUP and IHSDP issued in December 2005 and February 2009 under JNNURM and related instructions/orders issued by the GoI and the GoM;
- DPRs and Memorandum of Agreement (MoA) between GoI, GoM and ULBs;
- Minutes of meetings of CSMC/ SLSC;
- Instructions issued by SLNA; and
- Maharashtra Public Works Account Code, 1967, Slum Rehabilitation Act, 1971 and Rules thereunder.

3.1.5 Audit scope and methodology

The Performance Audit was conducted between March 2013 and June 2013 covering the period from 2008-09 to 2012-13. For this purpose, records in the office of the SLNA (MHADA), 19 out of 71 projects under BSUP and 32 out of 130 projects under IHSDP approved by CSMC between September 2006 and March 2012 were test-checked in 14 Municipal Corporations¹, three statutory agencies² and 19 Municipal Councils³. An entry conference was held with the Principal Secretary, Housing (GoM) and the Vice President, MHADA in May 2013 wherein the audit objectives, audit criteria and scope of audit

¹ Thane, Kalyan Dombivali, Mira-Bhayandar, Nashik, Pimpri Chinchwad, Pune, Nanded, Kolhapur, Sangli, Malegaon, Dhule, Amravati, Aurangabad and Latur

² Mumbai Board of MHADA; Slum Rehabilitation Authority, Nagpur; and Nagpur Improvement Trust

³ Wai, Ashta, Dondaicha, Jamner, Amalner, Naldurg, Anjangaon surji, Chandur Railway, Murtijapur, Buldhana, Khamgaon, Lonar, Katol, Narkhed, Bhandara, Wardha, Pulgaon, Sawantwadi and Kulgaon Badlapur

were discussed. An exit conference was held in November 2013. Indian Audit and Accounts Department acknowledges the cooperation extended to Audit by the officials of the Urban Development Department, MHADA and the ULBs in conduct of the performance audit.

3.1.6 Funding pattern

The funding pattern of BSUP and IHSDP components is shown in **Table 1**.

Table1: Category of cities and funding pattern

Name of scheme	Category of cities ⁴	Fund sharing pattern in percentage			
		GoI	GoM	ULBs	Average beneficiary ⁵ share
BSUP	A and B category cities	50	30	9	11
	C category cities	80	9	0	11
IHSDP	All cities (other than those covered in BSUP sub-mission)	80	9	0	11

Source: BSUP-IHSDP guidelines (December 2005)

Central Assistance is released in four installments to ULBs for eligible components under BSUP and in two installments under IHSDP projects. The State Government and ULBs are required to release their share of grants simultaneously.

In addition, few special projects were also sanctioned by the CSMC for cities like Mumbai and Pune wherein a fixed amount of Central Assistance, on the basis of unit cost of house, was granted. These were houses for textile mill workers of Mumbai, economically weaker section (EWS), low income group (LIG), transit shelters (TS) etc.

3.1.7 Physical and financial progress

The position of receipt and release of grants through the SLNA for projects taken up under BSUP and IHSDP sub-missions during 2006-07 to 2012-13 is shown in **Table 2**.

Table 2: Receipt and release of grants (₹ in crore)

Year	BSUP						IHSDP						
	Grant received by SLNA			Grant released			Total release	Grant received by SLNA			Grant released		Total release
	GoM	GoI	Total	GoM	GoI	GoM		GoI	Total	GoM	GoI		
2006-07	78.00	0	78.00	55.49	00	55.49	50.00	0	50.00	16.59	0	16.59	
2007-08	95.44	473.17	568.61	00	230.21	230.21	0	53.76	53.76	33.11	45.31	78.42	
2008-09	0	186.91	186.91	46.36	332.90	379.26	0	242.93	242.93	0	7.94	7.94	
2009-10	0	484.45	484.45	107.92	205.18	313.10	0	293.30	293.30	23.96	297.56	321.52	
2010-11	193.27	277.28	470.55	243.97	315.68	559.65	12.24	11.30	23.54	10.91	35.70	46.61	
2011-12	209.60	329.98	539.58	227.04	229.14	456.18	107.96	89.49	197.45	84.22	383.82	468.04	
2012-13	30.53	90.09	120.62	10.84	296.17	307.01	4.38	287.79	292.17	75.79	172.39	248.18	
Total	606.84	1841.88	2448.72	691.62	1609.28	2300.90	174.58	978.57	1153.15 ⁶	244.58	942.72	1187.30 ⁶	

Source: Information furnished by SLNA

⁴ A category: Cities with 40 lakh plus population as per 2001 census; B category: Cities with 10 lakh plus but less than 40 lakh population; C category: Selected cities of religious/historic and tourist importance

⁵ 12 per cent from general category beneficiaries and 10 per cent from SC/ST/BC/OBC/PH and other weaker section beneficiaries

⁶ State Government released additional funds to the ULBs @ ₹ 25,000 per DU under IHSDP from February 2009 onwards

The physical and financial progress of the projects taken up under BSUP and IHSDP sub-missions during 2006-07 to 2012-13 as reported by the SLNA to GoI are indicated in **Table 3** and **Table 4**.

Table 3: Physical progress of DUs as of March 2013

Number of Projects	No. of DUs sanctioned	No. of DUs taken up for execution	No. of DUs completed	DUs in progress	DUs not commenced	Percentage of DUs completed	Percentage of DUs in progress
BSUP- 71	216690	143287	55738	23384	64165	38.90	16.32
IHSDP-130	119719	108167	22541	20897	64729	20.84	19.32
Total	336409⁷	251454	78279	44281	128894		

Source: CSMC minutes and monthly progress reports

Table 4: Financial progress of DUs as of March 2013

(₹ in crore)

Number of Projects sanctioned	Approved DPR cost	Grants released to ULBs (GoI and GoM)	ULB and Beneficiary contribution	Total grants available with ULBs	Grants utilized by ULBs	Percentage utilization against approved DPR cost	Percentage utilization against available grants
BSUP- 71	7245.58	2300.90	866.41	3167.38	3166.96	43.71	99.99
IHSDP-130	2717.36	1187.30	541.68	1728.97	584.08	21.49	33.78
Total	9962.94	3488.20	1408.09	4896.35	3751.04		

Source: CSMC minutes and information furnished by SLNA

Table 3 and **Table 4** show that:

- Against the sanctioned cost of ₹ 7,245.58 crore for construction of 2.17 lakh DUs under BSUP, 55,738 DUs were completed and 23,384 DUs were under construction as of March 2013 at a cost of ₹ 3,166.96 crore. Work on 64,165 DUs (44.78 per cent) had not commenced as of March 2013, due to non-availability of land, reluctance of beneficiaries to cluster⁸ approach of housing *etc.*
- Against the sanctioned cost of ₹ 2,717.36 crore for construction of 1.20 lakh DUs under IHSDP, 22,541 DUs were completed and 20,897 DUs were under construction as of March 2013 at a cost of ₹ 584.08 crore. Work on 64,729 DUs (59.84 per cent) had not commenced as of March 2013, due to non-transfer of Government land to the ULBs, encroachment of sites, non-availability of land, delay in tendering, late receipt of grants *etc.*

The physical and financial status of construction and allotment of DUs in 51 test-checked projects (19 projects under BSUP and 32 projects under IHSDP) as of February 2014 is as shown in **Table 5**.

⁷ 3,36,409 DUs are inclusive of 10,750 Transit Shelters; 10,265 Rehabilitation Units for street vendors; and 6,160 Dormitory Units

⁸ Group of residential properties situated at one place considered for development

Table 5: Physical and financial status of construction and allotment of DUs in test-checked projects

(₹ in crore)

Sub-mission	Original sanctioned DUs	DUs cancelled/curtailed	DUs taken up for execution	DUs completed (percentage with reference to Col 4)	DUs in progress (percentage with reference to Col 4)	DUs not started (percentage with reference to Col 4)	DUs allotted (percentage with reference to Col 5)	Expenditure as per Monthly Progress Report of Feb 2014
1	2	3	4	5	6	7	8	9
BSUP	110787	25141	85646	41289 (48.21)	16333 (19.07)	28024 (33.72)	25851 (62.61)	2490.34
IHSDP	32591	2197	30394	12678 (41.71)	5411 (17.80)	12305 (40.48)	5559 (43.85)	327.42
Total	143378	27338	116040	53967 (46.52)	21744 (18.74)	40329 (34.74)	31410 (58.20)	

Source: CSMC minutes, monthly progress reports and replies received from ULBs/Statutory agencies

As may be seen from **Table 5** above, even after lapse of over seven years (2006-07 to February 2014), only 62.61 per cent and 43.85 per cent beneficiaries were allotted DUs under BSUP and IHSDP respectively.

3.2 Financial management

3.2.1 Non-release of State share

The CSMC sanctioned (December 2006) three special projects involving construction of 23,011 DUs⁹ under BSUP at Mumbai at a total cost of ₹ 1,146.47 crore. The projects were to be implemented by the Mumbai Board of MHADA. As per the DPRs, the approved cost of 12,832 TS (6,000 + 6,832) was ₹ 614.43 crore to be shared by GoI (₹ 237.93 crore) and GoM (₹ 376.50 crore). In September 2008, GoM on the recommendation of SLNA, reduced the number of TS from 12,832 to 10,750 which was approved by the CSMC on the condition that the total number of DUs to be constructed would remain 23,011 (the number of DUs under LIG housing for textile mill workers was increased from 6,000 to 8,082).

Audit scrutiny revealed that in view of reduction in number of TS to be constructed, the share of GoM reduced from ₹ 376.50 crore to ₹ 291.43 crore of which, the GoM released only ₹ 58.44 crore between 2006-08. The GoM did not release the remaining funds amounting to ₹ 232.99 crore (February 2014) and the deficit was borne by Mumbai Board of MHADA. Of the 10,750 TS to be constructed, the Mumbai Board of MHADA constructed 9,753 TS and construction of 72 TS was in progress. The construction of remaining 925 TS had not been taken up (February 2014).

3.2.2 Interest on grants

With a view to ensure that unspent funds continue to earn interest, the same should be kept in interest bearing account. The CSMC, while reviewing the projects proposed for cancellation/curtailment, had been advising the States that the unutilized Central Assistance due to cancellation/curtailment be refunded with applicable interest as per provisions of General Financial Rules, 2005. The SLNA in May 2012 had fixed the rate of interest at the Prime

⁹ LIG housing for textile mill workers and transit shelters (6,000 DUs + 6,000 TS); Transit shelters for urban poor (6,832 TS); LIG housing for EWS/LIG scheme (4,179 DUs)

Lending Rate (12.50 *per cent*) to be paid by the ULBs to GoI/GoM, in the event of curtailment/cancellation of the projects. Further, based on the GoI directive of January 2013, the SLNA directed (March 2013) all the ULBs to refund the interest earned on grants received for the ongoing projects sanctioned under JNNURM to GoI/GoM as per their share contribution.

Audit observed that the ULBs did not follow the above directions leading to loss of interest, non-refund of interest, short-payment of interest *etc.* as discussed below.

3.2.2.1 Interest accrued not returned

Five Municipal Corporations and one statutory agency did not return interest amounting to ₹ 41.01 crore in respect of 11 cancelled and six curtailed projects as shown in **Appendix X**. 14 ULBs did not return accrued interest of ₹ 39.12 crore on grants received (June 2013) as detailed in **Appendix XI**. Further action taken in this regard was awaited (February 2014).

3.2.2.2 Loss of interest on funds kept in current account

The Municipal Corporation, Pune and Nanded Waghala City Municipal Corporation (NWCMC) did not keep the BSUP grants¹⁰ in interest bearing account but in current account leading to loss of interest of ₹ 11.58 crore.

3.2.2.3 Irregular diversion of interest earned

CSMC sanctioned seven DPRs in January 2009 valuing ₹ 170.36 crore for Municipal Corporation, Malegaon under IHSDP, which included an element of ₹ 6.20 crore for land leveling to be borne by GoM from its share. Audit observed that GoM/SLNA issued instructions (February and July 2012) to the Corporation to deposit the interest earned on the grants released and on mobilization advance paid to the contractor, so that the same could be released back to the Corporation against the State share towards land leveling charges. Malegaon MC deposited interest amounting to ₹ 5.71 crore (₹ 1.20 crore on mobilization advance and ₹ 4.51 crore on grants received) to the SLNA between August 2011 and August 2012 and SLNA then released ₹ 5.43 crore (out of ₹ 5.71 crore) to the Corporation between August 2011 and May 2013 towards land leveling charges. The action of SLNA was irregular as interest earned by the Corporation from the released grants was required to be refunded to the GoI and GoM (in proportion of their share of release) and the cost towards land leveling should have been met by the GoM entirely.

3.2.3 Revolving fund not set up

As per JNNURM guidelines of December 2005 and February 2009, proper maintenance of assets and upkeep of cleanliness and hygiene in housing complexes/colonies developed under BSUP and IHSDP should be given utmost importance. Under sub-mission on BSUP, whenever the SLNA releases Central and State funds to the implementing agencies, it should ensure that at least 10 *per cent* of the funds released are recovered and ploughed into a revolving fund to be utilized for meeting the operation and maintenance expenses of the assets created under BSUP. For assets created under IHSDP, it

¹⁰ (i) MC, Pune: Grant of ₹ 33.22 crore kept in current account for five BSUP projects from April 2007 to February 2012
(ii) NWCMC: Grants ranging from ₹ 10 lakh to ₹ 24.45 crore kept in current account for 11 BSUP projects from April 2007 to June 2011

was the responsibility of ULBs/implementing agencies to keep an inventory of assets created and also to maintain and operate the assets and facilities so created.

Audit observed that though the GoM has created assets valuing ₹ 3,166.96 crore by construction of 55,738 DUs under BSUP during the period 2006-07 to 2012-13, it has not created the revolving fund as of March 2014 for meeting the operation and maintenance expenses of the assets so created. Further, while 22,541 DUs have been constructed at a total cost of ₹ 584.08 crore under IHSDP during the same period, the GoM had not evolved any policy or issued any guidelines for operation and maintenance of the assets so created.

In the exit conference Principal Secretary accepted the fact and stated that since the mission is extended up to March 2015, revolving fund would be created after looking into the modalities of its usage with respect to the GoI guidelines. The SLNA stated that the responsibility for maintenance of common assets rests with the ULBs.

3.3 Planning

Under BSUP and IHSDP, DPRs were proposed by the ULBs/SLNA to CSMC without ensuring availability of land leading to cancellation/curtailment of large number of projects. Consequently, as of March 2013, the GoM could construct only 78,279 DUs under BSUP and IHSDP (23.27 per cent) as against 3,36,409 DUs sanctioned. The deficiencies observed are discussed in succeeding paragraphs.

3.3.1 Cancellation/curtailment of projects resulting in non-utilization of Central grants

Scrutiny of the monthly progress reports available with the SLNA as well as in seven ULBs¹¹ (which also included Navi Mumbai) and one statutory agency¹², revealed that 23 BSUP projects sanctioned at a cost of ₹ 1,733.25 crore and five IHSDP projects sanctioned at a cost of ₹ 106.31 crore were either cancelled or curtailed by CSMC on the recommendations of the GoM (**Appendix XII**), as the DPRs were prepared without ensuring the availability of land. As a result, grants amounting to ₹ 865.10 crore sanctioned by GoI could not be utilized by the ULBs.

3.3.2 Non-commencement of works

Audit observed that in 51 test-checked projects sanctioned between September 2006 and March 2012, the ULBs undertook construction of 1,16,040 DUs at a total cost of ₹ 3,980.38 crore. However, construction of 40,329 DUs (34.75 per cent) in 46 projects with sanctioned cost of ₹ 1,432.06 crore did not commence even after lapse of two to seven years (February 2014) as detailed in **Appendix-XIII**. The ULBs attributed the non-commencement of works to non-availability of clear site, non-transfer of Government land, non-receipt of beneficiaries' contribution, court cases *etc.* In some cases, the contractors did not agree to execute the works at fixed rates. As such, the benefits of low cost housing could not accrue to the targeted beneficiaries.

¹¹ Municipal Corporations: Navi Mumbai, Pune, Pimpri Chinchwad, Nashik and Amravati
Municipal Councils: Katol and Narkhed

¹² Statutory agency: Slum Rehabilitation Authority, Nagpur

3.3.3 Engagement of consultants for preparation of DPRs

In its meeting held on 13 September 2007, the CSMC fixed the fees for reimbursement of consultancy charges for preparation of DPRs at two *per cent* and one *per cent* of the sanctioned project cost subject to maximum of ₹ 75 lakh and ₹ 40 lakh for projects taken up under BSUP and IHSDP respectively. Where DPRs are prepared without competitive bidding or in-house by Departmental authorities, fees of two *per cent* and one *per cent* of the sanctioned project cost subject to a maximum of ₹ 10 lakh and ₹ five lakh was to be reimbursed to ULBs for BSUP and IHSDP projects respectively. Besides, CSMC also issued detailed guidelines (January 2010) for engagement of Project Management Consultants (PMC) at a fee of 2.5 *per cent* of the tendered cost of work. However, GoM did not formulate any guidelines or a model agreement for engagement of consultants/PMCs and thus, the ULBs did not adopt a uniform/transparent criteria for payment of consultancy fee. It was noticed in audit that payment made to consultants between 2008 and 2013 ranged between one *per cent* and 4.90 *per cent* in 17 of 51 test-checked projects in nine ULBs. In the exit conference Principal Secretary accepted the fact and stated that procedures for identification of consultants would be looked into so as to ensure transparency and uniformity.

Audit scrutiny revealed the following issues in payment to PMCs:

- Four¹³ ULBs appointed consultants between November 2006 and May 2008 for preparation and appraisal of 29 DPRs under BSUP at a fee of ₹ 60.04 crore, without inviting bids. Of the four ULBs, NWCMC submitted a claim of ₹ 6.70 crore to CSMC for reimbursement on account of preparation of 10 DPRs. As the consultant was engaged without competitive bidding, the CSMC restricted the claim at the rate applicable for departmentally prepared DPRs and reimbursed only ₹ 0.80 crore for eight DPRs whereas, the remaining claim for the two DPRs was not settled (February 2014). Audit observed that the other three ULBs submitted claims for reimbursement of ₹ 12.95 crore for preparation of 19 DPRs though the consultants were appointed without competitive bidding process and thus, eligible for reimbursement of only ₹ 1.90 crore (19 DPRs x ₹ 10 lakh). The claims were pending with CSMC as of February 2014.
- Three ULBs and one statutory agency cancelled 40,892 DUs¹⁴ between May 2011 and December 2013 as land was not available for construction. As availability of land was not ascertained by ULBs/consultants before preparation of DPRs, an expenditure of ₹ 5.79¹⁵ crore incurred on consultancy fees towards preparation of 13 DPRs proved to be infructuous. The benefit of affordable housing also did not accrue to the urban poor.

¹³ Nanded Waghela City Municipal Corporation (NWCMC), Pune Municipal Corporation (PMC), Pimpri Chinchwad Municipal Corporation (PCMC) and Kalyan Dombivali Municipal Corporation (KDMC)

¹⁴ Municipal Corporation: Pune (26,650 DUs), Pimpri Chichwad (6,530 DUs) and Amravati (4,251 DUs); Statutory agency: Slum Rehabilitation Authority, Nagpur (3,461 DUs)

¹⁵ PMC ₹1.23 crore (seven DPRs), PCMC ₹ 3.88 crore (one DPR), Nagpur SRA ₹ 0.56 crore, (two DPRs) and Amravati ₹ 0.12 crore (three DPRs)

- Mira Bhayander Municipal Corporation (MBMC) undertook (November 2009) an *in-situ*¹⁶ project for construction of 4,136 DUs (sanctioned DPR cost ₹ 279.55 crore) for slum dwellers on Government land at Janta Nagar and Kashi Church. Work orders were given to four contractors in December 2010 and January 2011 at a total cost of ₹ 330.55 crore with stipulation for completion by December 2012 (Kashi Church) and January 2013 (Janta Nagar). The sanctioned DPR cost included a rent component of ₹ 29.78 crore¹⁷ to accommodate all the 4,136 beneficiaries, displaced by *in-situ* construction of DUs, in other localities. The sanctioned DPR cost also envisaged construction of 2,068 TS on the assumption that the rest of the 2,068 beneficiaries may opt for rent compensation. MBMC appointed (February 2009) a consultant for the project at a cost of ₹ 5.17 crore (1.85 *per cent* of ₹ 279.55 crore) for survey, preparation of DPR, layouts, estimates *etc.*

Audit observed that the work of 2,067 out of 2,068 TS was awarded (December 2010 and January 2011), along with construction of 4,136 DUs, to the same contractors (cost of TS component was ₹ 29 crore) for completion by December 2012/January 2013. However, during execution of work, the site of TS was not found fit and MBMC had to shift the site to another location. Due to change of site, only 781 out of 2,067 TS could be constructed (February 2014). Further, of the 4,136 DUs to be completed by January 2013, construction of 1,082 commenced only in November 2013. This clearly indicated that the survey, layout and the DPR initially prepared by the consultant for the TS component of the project was deficient and payment of ₹ 45.86 lakh¹⁸ made to the consultant up to October 2013 was wasteful, besides delaying the project significantly.

3.3.4 Deficiencies in selection of beneficiaries

The GoI issued various guidelines from time to time regarding identification of beneficiaries and the contribution they are required to make for low cost DUs under BSUP and IHSDP. These are as follows:

- Contribution of 12 *per cent* of project cost by general category beneficiaries (JNNURM guidelines of December 2005).
- Contribution of 10 *per cent* of project cost by SCs/STs/BC/OBC/PH and other weaker section beneficiaries (JNNURM guidelines of December 2005).
- A token contribution of five *per cent* of the project cost to be recovered from the beneficiaries belonging to the poorest among the poor people (6th CSMC meeting held on 28 November 2006).

¹⁶ *In-situ* development/redevelopment of slums means construction of DUs at the same place after demolition of the existing structures

¹⁷ ₹ 3,000 rent compensation per month x 24 months x 4,136 beneficiaries = ₹ 29.78 crore

¹⁸ ₹ 29.78 crore x 1.85 *per cent* consultancy fee for preparations of DPR for TS component only = ₹ 55.09 lakh of which, ₹ 45.86 lakh was paid up to October 2013

- Beneficiary contribution including loan to be restricted to an upper limit of ₹ 40,000 per DU. Further, the concerned State should provide a subsidy in keeping with the intent and spirit of BSUP/IHSDP so that the loan burden on a poor EWS or LIG household does not exceed between 12 to 25 *per cent* of the total cost of the EWS or LIG DU (26th CSMC meeting held on 20 December 2007).
- Each DU should have minimum carpet area of 25 sqm with provisions of one multiple purpose room and a bedroom plus kitchen and toilet (6th CSMC meeting held on 28 November 2006).
- Biometric details of the beneficiaries to be uploaded on the website within one month of the date of approval of the projects (26th CSMC meeting held on 20 December 2007).

Audit scrutiny revealed the following:

3.3.4.1 Delay and lack of transparency in finalization of list of beneficiaries

25 ULBs and one statutory agency (out of 33 ULBs and three statutory agencies test-checked) proposed construction of 1,07,421 DUs for rehabilitation of same number of beneficiaries in respect of 31 projects sanctioned by the CSMC between 2006-07 and 2012-13. However, the ULBs and the statutory agency finalized the names of only 82,505 out of 1,07,421 beneficiaries as of February 2014.

Audit further observed that:

- Biometric data was captured only in respect of only 27,688 out of 82,505 beneficiaries. Of the 27,688 beneficiaries, biometric data was captured in respect of 6,074 beneficiaries within one month from the date of sanction of projects and for the remaining 21,614 beneficiaries, biometric data was captured after a lapse of more than one month.
- Of the 27,688 beneficiaries whose biometric data was captured, only 10,927 beneficiaries were allotted DUs (39.46 *per cent*) as of February 2014.
- Biometric data in respect of 54,817 beneficiaries has not been captured (February 2014). However, 14 out of 25 ULBs finalized the names of 19,334 out of 54,817 beneficiaries and allotted 7,358 DUs (38 *per cent*) in contravention of GoI guidelines.
- None of the 25 ULBs and the statutory agency uploaded the list of beneficiaries giving their biometric details on their official websites or State Government's website, as envisaged in the guidelines.

3.3.4.2 Application of wrong criteria for selection of beneficiaries

In Municipal Corporation, Pune, 4,000 DUs were sanctioned (February 2009) under BSUP as *in-situ* project involving eight slums. The redevelopment of these slums was prioritized as they existed on Government land in a residential belt. The DUs proposed for construction were individual DUs with ground or ground plus one storied structures with carpet area of 25 sqm. The work orders for all the DUs were issued in June 2009.

Audit observed that:

- Of the 4,000 sanctioned DUs, 1,677 DUs were targeted for the beneficiaries residing in kachha huts that existed in the eight slums and the remaining 2,323 units were meant for other slum dwellers not residing in kachha huts. The Corporation passed a resolution for providing DUs to those slum dwellers having an existing carpet area of more than 10 sqm. As a result, of the 1,677 units (kachha huts), 568 huts were not selected for redevelopment as the area of these huts was less than 10 sqm. The criterion adopted by the Corporation for identification of beneficiaries was arbitrary as it eliminated the poorest of the poor.
- All the eight slums could not be de-notified as 568 huts remained undeveloped.

3.3.4.3 Selection of beneficiaries among mill workers

The GoM under BSUP authorized (October 2006) Mumbai Board of MHADA to construct 6,000 LIG housing units for the mill workers affected by closure of 58 textile mills on the vacant mill land that was transferred to the Board. The number of housing units to be constructed was increased from 6,000 to 8,082 in August 2009. In response to an advertisement issued by the Board between September 2010 and December 2011, 1.49 lakh applications were received from the mill workers. As land from only 18 out of 58 textile mill were transferred to the Board, only 46,099 out of total 1.49 lakh applications were short-listed by the Board. As of January 2014, the Board had constructed 6,948 out of 8,082 housing units of which, 2,683 units were allotted to the mill workers through lottery. The remaining 4,265 units have not been allotted. Audit observed that:

- Each beneficiary had to pay ₹ 7.50 lakh for the house (against the construction cost of ₹ 10.34 lakh), which was significantly higher than the maximum threshold limit of 25 per cent (₹ 2.59 lakh)¹⁹ prescribed by GoI.
- The exemption orders of GoM of October 2007 to execute the sale deed on payment of stamp duty of ₹ 100 per housing unit were not adhered to. Instead, stamp duty of ₹ 37,500 per housing unit (the full rate) was insisted upon by MHADA.
- Considering the criterion fixed by GoI for LIG housing and the stamp duty exemption available, each mill worker to whom housing unit was allotted in this project, had to bear an additional financial burden of ₹ 5.28 lakh²⁰.

3.3.4.4 Deletion of names from selected list of beneficiaries

In Municipal Corporation, Dhule, 966 beneficiaries were identified at the time of approval of DPR in February 2009. Of these, 670 beneficiaries were not able to deposit their share contribution and therefore, their names were deleted in March 2011.

Audit observed that the Corporation did not make any efforts either to place

¹⁹ 25 per cent of the construction cost (₹ 10.34 lakh)

²⁰ Excess contribution charged from each mill worker of ₹ 4.91 lakh (₹ 7.50 lakh – ₹ 2.59 lakh) plus excess stamp duty charged per housing unit of ₹ 37,400 (₹ 37500 - ₹ 100)

these beneficiaries in the poorest among the poor category by allowing them to make a token contribution of five *per cent* or arrange for low cost loans for them from Housing and Urban Development Corporation Limited (HUDCO), in order to retain them.

3.3.5 Non-allotment of dwellings units leading to blocking of funds

The ULBs did not ensure construction of DUs on unencumbered land and compliance to Development Regulations resulting in non-allotment of DUs and blocking of funds, as discussed below.

3.3.5.1 Blocking of funds due to non-obtaining of No Objection Certificate

The CSMC sanctioned (September 2006) three DPRs at a total cost of ₹ 225.17 crore for construction of 11,760 *in-situ* DUs to be implemented by Pimpri Chinchwad Municipal Corporation (PCMC) for rehabilitation of beneficiaries living in slums at dangerous locations²¹. The work of 4,160 out of 11,760 DUs commenced in December 2007. Of the 4,160 DUs, 2,800 DUs were allotted as of April 2013, 640 DUs though ready for allotment in January 2012 were not allotted as of February 2014 and work on 720 DUs was in progress (February 2014).

Audit observed that the land for the project was given to PCMC by the Pimpri Chinchwad New Town Development Authority (PCNTDA) in 1976 for rehabilitation of slum dwellers and the entire land was under Red Zone *i.e.* restricted area of Defence. As the title of land did not vest with PCMC, the Bombay High Court while admitting a Writ Petition filed by an individual, granted a Stay Order in April 2012 on the construction work as No Objection Certificate (NOC) from Defence Authorities was not obtained. The Stay Order prevailed as of February 2014 and the Defence Authorities refused (February 2014) to issue the NOC. As a result, expenditure of ₹ 23.23 crore incurred on 640 completed DUs and 720 ongoing DUs remained blocked.

3.3.5.2 Blocking of funds due to construction of dwelling units on plots reserved for other purposes

A DPR for construction of 672 DUs at Link Road, Patra Shed to be implemented by PCMC was approved by CSMC (February 2009) at a total cost of ₹ 28.37 crore under BSUP. The Building Plan for execution of work was sanctioned (May 2010) by the PCMC on two plots reserved for Sewerage Treatment Plant and Vegetable Market, without de-reserving the same as required under Maharashtra Regional Town Planning Act, 1966. As of April 2013, 560 out of 672 DUs were completed at a cost of ₹ 25.27 crore. Meanwhile, a Writ Petition was filed before the Bombay High Court (October 2012) against issue of commencement certificate by PCMC without changing the nature of reservation.

As a result, occupation certificate could not be issued by the Town Planning Department of PCMC till February 2014 and 560 DUs completed at a cost of ₹ 25.27 crore could not be allotted to the beneficiaries.

²¹ Slums located beside the river belts, nallas, railway tracks, hill slopes *etc.*

3.3.5.3 Construction of dwelling units at unviable locations leading to blocking of funds

The CSMC sanctioned a project (February 2008) under IHSDP involving construction of 1,430 *in-situ* DUs in five slums in Khamgaon Municipal Council at a total cost of ₹ 27.37 crore. The work orders were issued between January 2009 and January 2010 with completion period of 15 months.

However, in two out of the five designated slums, the council faced resistance from other beneficiaries who had already been accommodated in pucca houses through other schemes. As a result, the Council had to construct (April 2013) 922 out of 1,430 DUs at other distant locations.

Audit observed that of the 922 completed DUs, 162 DUs were allotted to the beneficiaries and the remaining 760 DUs constructed at a cost ₹ 7.31 crore could not be allotted till February 2014 due to reluctance of the identified beneficiaries to leave their present settlements and accept the DUs constructed at distant locations. The construction of remaining 508 DUs (1,430 DUs – 922 DUs) was in progress.

The Council stated (March 2014) that though consent of the beneficiaries had been taken at the time of preparation of DPR but, they were not willing to move into the completed DUs. Now the Council was considering beneficiaries from other slums who were willing to move into the completed DUs.

The reply is not acceptable because in the changed scenario, the Council did not take the consent of the identified beneficiaries before constructing 922 DUs at distant locations. If prior consent of the beneficiaries had been obtained, the number of DUs constructed in the changed locations could have been rationalized.

3.3.6 Transit tenements built under BSUP sold in open market

The CSMC sanctioned (December 2006) construction of 6,832 permanent transit tenements (PTT) in Mumbai to be implemented by Mumbai Board of MHADA at a cost of ₹ 245.53 crore to accommodate the beneficiaries staying in dilapidated cessed buildings²² in Mumbai. After renovation of the cessed buildings, they were to be shifted back from PTT to their renovated houses. Of the 6,832 PTT, Mumbai Board of MHADA constructed 682 PTT in Malwani at a cost of ₹ 25.01 crore.

Audit observed that instead of accommodating the beneficiaries affected by renovation of cessed buildings, the Mumbai Board of MHADA sold 423 of the 682 PTT in the open market during 2010-11 at a total cost of ₹ 23.09 crore, on the ground that there was no requirement of PTT at Malwani. The sale process of the remaining 259 PTT was in progress as of March 2014. In October 2011 and October 2012, the SLNA approved another proposal of Mumbai Board of MHADA for construction of 739 PTT at three locations.

This clearly showed that construction of 682 PTT at Malwani at a cost of ₹ 25.01 crore was not justified as proper assessment of requirements was not carried out. It was also not clear if the further proposal for construction of 739 PTT was justified as even the 682 PTT constructed were sold/being sold in the open market.

²² A cessed building in Mumbai is one that was built before 1 September 1940 and up to 30 September 1969. A cess known as the Mumbai Repair and Reconstruction cess, is contributed by tenants of these buildings for maintenance of these buildings

3.4 Implementation of Projects

Audit observed various deficiencies in execution of 51 test-checked projects under BSUP-IHSDP such as, time and cost overruns, non-availability of clear sites, irregularities in granting of mobilization advances, infructuous expenditure on inferior quality of work *etc.* as discussed in succeeding paragraphs.

3.4.1 Cost overrun due to delay in award of sanctioned works

The CSMC had fixed a timeline of 12 to 18 months for completion of work sanctioned under BSUP and IHSDP. Audit however, observed that there was delay of six to 17 months in award of 31,592 works in six²³ out of 33 test-checked ULBs leading to cost overrun of ₹ 460.95 crore as detailed in **Appendix XIV**. The ULBs attributed the delays in awarding of works to delays in finalization of work sites, unsuitability of land for construction due to uneven landscape, re-tendering *etc.*

3.4.2 Cost overrun due to non-availability of clear site

The CSMC sanctioned (December 2007) DPR involving 8,142 DUs under BSUP in Kalyan Dombivali Municipal Corporation (KDMC) at a total cost of ₹ 322.74 crore scheduled for completion by December 2009. The work was divided into 12 parts and work orders were issued in June 2008 at the tendered cost of ₹ 400.60 crore. In the DPR, KDMC had committed that it possessed clear sites for construction of all the 8,142 DUs. The contractors completed 307 DUs by February 2013, work for 3,650 DUs were under progress and construction of 4,185 DUs had not commenced (February 2014) due to encroachments and non-availability of clear sites which led to demand for price escalation from the contractors for ongoing and held up works. KDMC recalculated (July 2012) the cost of 8,142 DUs at ₹ 514.02 crore due to price escalation and submitted (July 2012) a revised proposal to the SLNA and the MoHUPA, GoI for additional fund of ₹ 113.42 crore²⁴, which was not sanctioned. KDMC forwarded (February 2014) a proposal to the GoM for cancellation of 3,551 DUs on account of time and cost overruns and site problems.

Thus, due to time and cost overruns and site problems the Corporation not only had to scale down the number of DUs for construction from 8,142 to 4,591²⁵ but could take up construction of only 3,957 DUs (48.60 *per cent*)²⁶ after a delay of four years²⁷ at a cost of ₹ 146.66 crore²⁸ (February 2014). Further, if construction of the remaining 634 DUs²⁹ is taken up in 2014, the

²³ Municipal Corporations: Kalyan-Dombivali; Mira-Bhayander; Pimpri-Chinchwad; Nashik and Latur

Municipal Council: Kulgaon-Badlapur

²⁴ ₹ 514.02 crore - ₹ 400.60 crore

²⁵ 8,142 DUs - 3,551 DUs

²⁶ 307 completed DUs + 3,650 DUs in progress = 3,957 DUs
(3,957 DUs ÷ 8,142 DUs) x 100 = 48.60%

²⁷ From January 2010 to December 2013

²⁸ Expenditure incurred on 307 completed DUs = ₹ 11.26 crore

Expenditure incurred on in-progress 3,650 DUs as of February 2014 = ₹ 135.40 crore

²⁹ 4,591 DUs - 3,957 DUs

estimated cost would work out to ₹ 35.76 crore³⁰ against their base price of ₹ 21.30 crore³⁰ in 2008 (considering a price escalation of nine *per cent per annum*).

3.4.3 Regulation of mobilization advance

As per GR issued (February 1996) by the GoM, mobilization advance (MA) is to be restricted to five *per cent* of tendered cost and recovered within a stipulated period along with interest at prevailing lending rate of banks. Audit observed that there was no transparency and uniformity in tender conditions to regulate payment of MA as indicated below.

- In Municipal Corporation, Nashik a contractor was granted MA of ₹ 15.60 crore for construction of 6,000 DUs under BSUP. The contractor completed only 1,280 DUs, construction of 2,480 was in progress and the construction of remaining 2,240 DUs had not commenced (February 2014). The excess MA paid to the contractor was ₹ 5.82 crore³¹ as construction of 2,240 DU had not commenced. As of March 2014, against the MA of ₹ 15.60 crore, the Corporation had recovered MA of ₹ 10.25 crore from the contractor.
- Municipal Corporation, Malegaon awarded the work of construction of 15,840 DUs to a contractor in August 2009/March 2012 under IHSDP at a total cost of ₹ 443.85 crore and paid MA aggregating ₹ 36.94 crore between November 2009 and March 2012, as against the admissible advance of ₹ 22.19 crore at five *per cent* of total cost as stipulated in the contract. This resulted in excess grant of MA of ₹ 12.69 crore to the contractor (after adjustment of ₹ 2.06 crore). Grant of excess MA beyond the conditions of contract was irregular.
- Three ULBs³² under IHSDP paid MA of ₹ 8.96 crore to three contractors between August 2008 and August 2010 for execution of 3,806 DUs, though there were no such provision in the contracts. The ULBs also short-recovered interest amounting to ₹ 64.01 lakh³³ from the contractors.
- Mira Bhayander Municipal Corporation (MBMC) granted MA of ₹ 5.73 crore to three contractors in May 2011 for construction of 4,136 DUs under BSUP. The MA was to be recovered from the first four running account bills of the contractors. The work orders were issued in December 2010 and January 2011 with due date of completion being December 2012 and January 2013. Audit observed that the contractors commenced the work of 1,082 DUs only in November 2013 against the target date of completion of all the 4,136 DUs by

³⁰ As thumb rule, the Corporation considers an escalation at nine *per cent per annum* to arrive at the current cost of construction for any particular year. The base price of one DU in 2008 was ₹ 3.36 lakh and considering an annual price escalation of 9%, the price of one DU in 2014 (after six years) will be ₹ 5.64 lakh. Thus, while the cost of 634 DUs in 2008 was ₹ 21.30 crore (₹ 3.36 lakh x 634), their cost after 9% price escalation in 2014 will be ₹ 35.76 crore (₹ 5.64 lakh x 634)

³¹ (₹ 15.60 crore ÷ 6,000 DUs) x 2,240 DUs

³² Municipal Corporation, Dhule; Municipal Councils, Kulgaon Badlapur and Naldurg

³³ Municipal Corporation, Dhule: ₹ 33.38 lakh; Municipal Council, Kulgaon Badlapur: ₹ 17.33 lakh; Municipal Council, Naldurg: ₹ 13.30 lakh

January 2013. As a result, MA amounting to ₹ 5.73 crore remained blocked and the purpose for which MA was given *i.e.* to expedite the work was also not achieved.

In all the above cases financial benefits were granted to contractors which was irregular.

3.4.4 Implementation of a project through Public Private Partnership

The CSMC sanctioned (February 2009) construction of 6,357 DUs at a cost of ₹ 402.29 crore through Public Private Partnership (PPP) for slum relocation and rehabilitation in Nagpur City under BSUP. Under the PPP model, private partners were required to submit proposals along with title of land available with them for the project. In turn, the private partners were to be compensated with incentives in the form of Transfer of Development Rights (TDR). However, Slum Rehabilitation Authority (SRA), Nagpur could not implement the project due to lack of response from private entrepreneurs and the target was downsized by the CSMC in July 2012 to 1,694 DUs (revised cost ₹ 116.72 crore).

Audit observed that four entrepreneurs were short-listed for the revised work of 1,694 DUs after calling for expression of interest and they were given one third of admissible TDR after transfer of land in the name of the SRA, Nagpur. However, work order was issued (June 2012) for construction of only 544 out of 1,694 DUs to an entrepreneur for completion by June 2014. Of the 544 DUs, work on 160 DUs was in progress (February 2014). The work order for the remaining 1,150 DUs was not issued due to lack of response from other entrepreneurs and failure of SRA to obtain environment clearance from Maharashtra Pollution Control Board (MPCB) and approval of layout plan from Nagpur Municipal Corporation (NMC). However, TDRs granted to other entrepreneurs were not cancelled.

During joint site visit (April 2013) by Audit with officials of SRA, Nagpur, it was observed that the site was far away from the city and was not connected by road. It also lacked infrastructure facilities such as, education, health, water supply, sewerage and electricity. The possibility of cancellation of work of the remaining 1,150 DUs, due to abnormal delay in getting approvals from MPCB and NMC and remote site location, cannot be ruled out. Further, in the absence of basic infrastructure facilities, it is not clear whether the beneficiaries would move to the new remote location once the construction of 544 DUs is completed.

3.4.5 Infructuous expenditure on inferior quality of works

Anjangaon Surji Municipal Council undertook construction of 816 DUs under IHSDP (₹ 19.92 crore) at two locations. The work was awarded (December 2009) to M/s Krishna Buildcon (contractor) with stipulated period of completion of 15 months (March 2011).



Dilapidated condition of DUs

The contractor was paid ₹ 71.76 lakh up to July 2010 for constructing 124 out of 816 DUs. Upon receipt of complaints (August 2010) from the local leaders on the quality of the work executed by the contractor, the Council stopped the work in September 2010. The poor quality of work was also confirmed by MHADA (September 2010), Sub-Divisional Officer, Daryapur (October 2010) and TPIMA³⁴ (November 2010). The contractor was asked (November 2010) by the Council to remove the deficiencies.

Audit observed that despite the poor quality of work executed by the contractor, the Bank Guarantee of ₹ 19.93 lakh which was valid up to November 2010 was neither en-cashed nor renewed by the Council. On joint field visit by Audit with Council officials (May 2013), the DUs were found to be in a dilapidated condition.

Thus, expenditure of ₹ 71.76 lakh incurred by the Council on construction of 124 DUs proved to be infructuous. The PMC who was appointed in February 2009 for supervision of the project also failed to monitor the project effectively.

The Council stated (April 2014) that an FIR had been lodged against the contractor and the PMC for poor quality of work.

3.4.6 Avoidable expenditure on construction of ramps

Under Kalyan Dombivali Municipal Corporation (KDMC), 33 'A' type buildings were sanctioned (December 2007) by the CSMC at a total cost of ₹ 338.88 crore which included lifts and staircases up to seventh floor. Audit observed that in 11 out of 33 buildings, in addition to lifts and staircases, ramps admeasuring 3,321 sqm up to seventh floor were also constructed, though no provisions were included in the standard building design under BSUP for the same.



Photograph showing ramp in addition to lift and staircase

KDMC stated (June 2013) that provision of ramps were not initially submitted with the DPR. However, during discussion in CSMC meeting it was suggested

³⁴ Third Party Inspection and Monitoring Agency

to provide ramp to the buildings and accordingly, the plans were submitted and sanctioned by the CSMC.

The construction of ramps was not justified as lifts and staircases had been constructed. The expenditure of ₹ 4.09 crore incurred on construction of ramps in 11 buildings was avoidable.

3.5 Monitoring

3.5.1 Social audit of projects

The BSUP-IHSDP sub-missions provided for social audit with a view to ensure transparency and accountability in implementation of the projects, participation of all stakeholders including community participation to help them realize their rights and entitlements and identify and resolve gaps with a view towards curbing mismanagement. The GoM issued instructions (June 2007) for getting social audits done by ULBs through Tata Institute of Social Sciences (TISS), Yashwantrao Chavan Academy of Development Administration (YASHDA)³⁵ or any other Non Government Organisation (NGO).

Audit observed that none of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies (TISS and YASHDA) or any NGO.

3.5.2 Structural stability of buildings

The design and scope of estimates of any building specify the intended life of the buildings under normal use and maintenance with an appropriate degree of safety. The National Building Code of India, 2005 prescribed the mean probable design life of general buildings and structures at 50 years.

Audit observed that only Mumbai Board of MHADA had mentioned the intended life of the buildings at 50 years in respect of DUs constructed for textile mill workers and TS for which RCC designs were duly verified from Engineering Institutes. Of the 36 test-checked ULBs, 15 ULBs procured Structural Stability Certificates (SSC) either from engineering colleges, structural engineers, consulting firms *etc.* indicating life expectancy of the buildings up to 75 years. Twelve ULBs did not procure SSC and the remaining nine ULBs did not furnish any information to Audit.

3.6 Conclusion

Of the 3.36 lakh DUs sanctioned under BSUP-IHSDP between 2006-07 and 2012-13, only 2.51 lakh DUs were taken up for construction of which, 0.78 lakh DUs were completed, construction of 0.44 lakh DUs was under progress as of March 2013 and construction of remaining 1.29 lakh DUs were not taken up due to non-availability of land, encroachments of sites, delay in tendering, late receipt of grants, reluctance of beneficiaries to cluster approach of housing *etc.* Interest accrued on the grants received by the ULBs were not refunded to GoI/GoM. A revolving fund envisaged for meeting the operation and maintenance expenses of the assets created under BSUP was not established by the GoM. The ULBs did not adopt a uniform/transparent criterion for payment of consultancy fee to project consultants and

³⁵ A state training institute at Pune, Maharashtra

mobilization advances paid to the contractors and their recoveries were not regulated as per contract conditions. Selection of beneficiaries was deficient given that a large number of beneficiaries were selected and allotted DUs without capturing biometric data. Construction of DUs was taken up on unviable locations or on land the title of which did not vest with the ULBs or on plots reserved for other purposes, leading to blocking of funds. There were cost overruns due to delay in award of works and non-availability of clear sites. None of the 36 ULBs conducted social audits in any of the 51 test-checked projects through the designated agencies.

3.7 Recommendations

- ULBs should initiate detailed project reports only after ascertaining availability of clear sites for implementation of projects effectively and efficiently;
- The Government should frame guidelines regulating engagement of project consultants;
- The ULBs should ensure adherence to the Government directives on survey/identification of beneficiaries and payment of mobilisation advance;
- The Government should establish the revolving fund for meeting the operation and maintenance expenses of the assets created under BSUP;
- Timeline for award of sanctioned works should be fixed to avoid cost overruns and their possible cancellation/curtailment at later stage;
- ULBs should conduct social audits with a view to ensuring transparency and accountability in implementation of the projects; and
- An action plan may be drawn up to complete the construction of the 3.36 lakh DUs sanctioned up to 31 March 2013 so that the targeted poor beneficiaries avail of the benefits under these two sub-missions.

The matter was referred to the Government in September 2013; their reply was awaited as of March 2014.