

## Chapter 5

### 5 Performance Audit on “Utilisation of Thirteenth Finance Commission grants in Urban Local Bodies”

#### Executive Summary

Thirteenth Finance Commission was constituted (November 2007) by the President of India under Article 280 of the Constitution to strengthen fiscal condition of the States by way of tax devolution and grants-in-aid to the States. Ministry of Finance, Government of India, issued instruction (September 2010) for laying down guidelines for release and utilisation of grants recommended by Thirteenth Finance Commission for Rural and Urban Local Bodies. The grant consisted of two components *viz.* General Basic Grant and General Performance Grant. The annual share of State of Uttar Pradesh for General Basic Grant and General Performance Grant for ULBs was fixed at 3.427 *per cent* of the total amount of grant allocable to all the States during 2010-15. Allocation amongst various ULBs was to be made by the respective States. Government of Uttar Pradesh transferred Thirteenth Finance Commission grants of ₹ 3,130.90 crore to ULBs in the State during the period 2010-15. The grants, devolved as per recommendations of Thirteenth Finance Commission were to be utilised on the augmentation of four specified services *viz.* Water supply, Sewerage, Solid waste management and Storm water drainage, and accordingly, Government of Uttar Pradesh was to notify Service Level Benchmark targets for each ULB in respect of four services.

Performance Audit of the utilisation of Thirteenth Finance Commission grants covered 54 ULBs of the State for the period 2010-15. It revealed shortcomings in financial management, planning, execution and monitoring. Some important audit findings are highlighted below:

#### **Financial Management**

- According to the Government of Uttar Pradesh directives (September 2014), interest earned on saving bank account was to be deposited in the Government treasuries. However, during 2010-15, 54 test-checked ULBs earned an interest of ₹ 14.42 crore on deposit of funds in the saving bank account but did not deposit the same in the Government treasuries.

*(Paragraph 5.6.3)*

- General performance grants amounting to ₹ 812.83 crore was obtained by the State Government without complying with conditions prescribed by the Thirteenth Finance Commission.

*(Paragraph 5.6.4)*

- The State Government earned interest amounting to ₹ 1.05 crore by retaining the grant with it during 2010-15, but did not transfer the interest amount to ULBs for such delay.

*(Paragraph 5.6.5)*

- Funds amounting to ₹ 6.91 crore were transferred by *Nagar Nigam*, Aligarh and Lucknow, to Uttar Pradesh *Jal Nigam* during 2013-15 for execution of various works; however, the same were lying unadjusted for want of submission of utilisation certificates by *Jal Nigam* even after completion of the projects as of July 2015.

(Paragraph 5.6.8)

### Planning

- Urban Local Bodies did not prepare annual work plan for execution of works during the year, instead allocated funds, on receipt of Thirteenth Finance Commission grants, to identified works without indicating any time-frame for completion.

(Paragraph 5.7.1)

- In 33 Urban Local Bodies, an expenditure of ₹ 12.25 crore was incurred on execution of inadmissible items of works.

(Paragraph 5.7.2)

- Government of Uttar Pradesh did not notify the service standards in respect of four specified services for *Nagar Panchayats* as required under the provision of Thirteenth Finance Commission guidelines.

(Paragraph 5.7.3)

### Execution

- Proper system for Municipal Solid Waste Management was found absent in all test-checked Urban Local Bodies except *Nagar Nigam*, Aligarh and *Nagar Palika Parishad*, Etawah. Similarly, management of Bio-medical waste was also found inadequate in 12 test-checked districts of the State.

(Paragraphs 5.8.1 & 5.11.3.3)

- In *Nagar Nigams*, *Nagar Palika Parishads* and *Nagar Panchayats*, unfruitful expenditure of ₹ 2.27 crore was incurred on incomplete drains as the construction of drains was commenced without ensuring availability of dispute free land.

(Paragraphs 5.8.2.1, 5.9.4.1, 5.11.4.1 & 5.12.4.1)

- Though classified under the four Services delivery benchmarks, targets were not set for sewerage works, except in test-checked districts of Lucknow, Sitapur and Etawah districts. In *Nagar Palika Parishad*, Etawah, sewerage system was not operational due to non-connectivity with households, whereas in *Nagar Nigam*, Firozabad, it was lying idle due to non-construction of Sewage Treatment Plant.

(Paragraphs 5.9.2.1, 5.11.2 & 5.11.2.1)

- In *Nagar Nigam*, Lucknow, out of the total capacity of 675 million litres created for treatment of sewages generated per day, only 185 million litres was being treated in two Sewage Treatment Plants.

(Paragraph 5.10.1)

- In 14 Urban Local Bodies, equipments/machines amounting to ₹ 94.86 lakh, were lying idle.

(Paragraphs 5.8.2.2, 5.11.3.3 & 5.12.3.3)

### Monitoring

- Monitoring mechanism was found absent at the State as well as at the district level. High Level Monitoring Committee, instead of reviewing the execution of works and utilisation of grants, merely recommended the grants to Urban Local Bodies and demanded the Utilisation Certificates from the administrative departments.

(Paragraph 5.13)

## 5.1 Introduction

Thirteenth Finance Commission (FC-XIII) was constituted (November 2007) by the President of India under Article 280 of the Constitution to strengthen fiscal condition of the States by way of tax devolution and grants-in-aid to the States. FC-XIII recommended grant-in-aid to local bodies as a percentage of the previous year's divisible pool of taxes, after converting this share to grants-in-aid under Article 275 of the Constitution of India. The grant consisted of two components viz. General Basic Grant and General Performance Grant. The amount of General Basic Grant available to all States was equivalent to 1.5 per cent of the previous year's divisible pool, during FC-XIII award period (2010-15). General Performance Grant available to all the States for a period of four years from 2011-12 was at the rate of 0.5 per cent of the previous year's divisible pool for 2010-11 and one per cent thereafter, up to 2014-15. The annual share of State of Uttar Pradesh for General Basic Grants and General Performance Grants for Urban Local Bodies was fixed at 3.427 per cent of the total amount of grant allocable to all the States in respect of these components during 2010-15. The grants for ULBs were untied to expenditure conditions and release of instalments was subject to submission of utilisation certificates for previous instalments.

Based on the above guidelines of Government of India (GoI), the Government of Uttar Pradesh (GoUP) issued (May 2011) guiding principles for release and utilisation of FC-XIII grant to ULBs in the State. The grant devolved as per recommendations of FC-XIII was to be utilised on the augmentation of four specified services viz. Water supply, Sewerage, Solid waste management and Storm water drainage. To ensure the effective utilisation of the grants received under FC-XIII, GoI instruction required the State Government to notify or cause all municipal corporation and municipalities to notify service standards for the four specified services. The State Government was also to notify service delivery benchmarks for each ULB in respect of the four services.

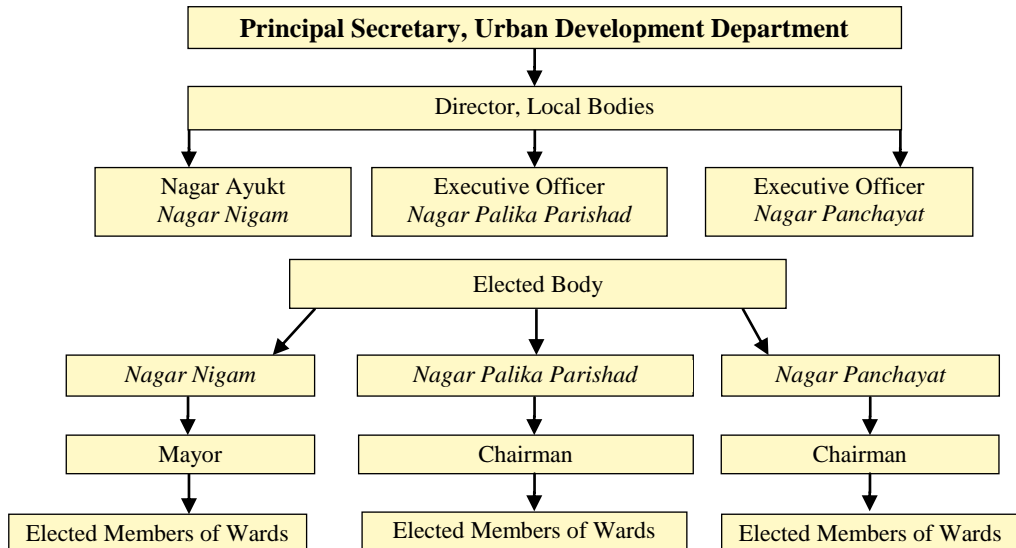
GoUP released FC-XIII grants of ₹ 3,130.90 crore to ULBs of the State covering the period 2010-15.

## 5.2 Organisational structure

Principal Secretary, Urban Development Department at the Government level and Director, Local Bodies at the department level were responsible for

implementation, supervision and monitoring of the projects/plans carried out under the grants received for ULBs. At ULBs' level, *Nagar Ayukt* for *Nagar Nigam* (NN), Executive Officer (EO) for *Nagar Palika Parishad* (NPP) and *Nagar Panchayat* (NP) were responsible for execution of works. An organogram is also given below:

**Chart 1: Organisational structure of Urban Development Department**



(Source: Uttar Pradesh *Nagar Nigam* Act, 1959, *Nagar Palika Parishad* Act, 1916)

### 5.3 Audit objectives

The audit objectives were to assess whether:

- the financial management was economical, efficient, effective and grants were being utilised for the intended purposes;
- the planning process was effective and according to the provisions of FC-XIII guidelines;
- the works/projects were executed/taken up as per the prescribed norms and specifications and developed infrastructure used for the intended purposes; and
- monitoring mechanism was in place as envisaged in the guidelines.

### 5.4 Audit criteria

The following were the sources of criteria:

- Scheme guidelines, Government Orders and directives etc.
- Provisions of Financial Rules, Public Works Department (PWD) Manual, Departmental Manuals and Acts and other extant applicable law and rules.
- Various reports and returns submitted/maintained by the Department.
- Handbook on SLBs published by the Ministry of Urban Development, Government of India.

- Municipal Solid Waste (Management and Handling), Rules, 2000.

## 5.5 Scope and methodology of audit

Performance audit on utilisation of FC-XIII grants (2010-15) by the ULBs was conducted through test check of records of 54 out of 630 ULBs (Three<sup>1</sup> out of 14 *Nagar Nigams*, 18 out of 193 *Nagar Palika Parishads* and 33 out of 423 *Nagar Panchayats*) of 12 districts (*Appendix 5.1*) between April and July 2015 and the information furnished by the Secretary, Urban Development Department and Director, Local Bodies Uttar Pradesh. The districts were selected by using Simple Random Sampling with Replacement (SRSWR) method. The Performance Audit commenced with an entry conference (16 April 2015) with Secretary, Urban Development Department wherein audit objectives, criteria and methodology were discussed. Besides, the joint physical inspection of minimum two works in each selected NNs, NPPs and NPs was also carried out.

Despite repeated requests to Principal Secretary, Urban Development Department, the date of holding exit conference was awaited. However, replies of the audited entity received, have suitably been incorporated in the report, wherever relevant.

## Audit findings

### 5.6 Financial management

#### 5.6.1 Funding pattern

The Grants under FC-XIII for local bodies were to be distributed in the State in two parts – (i) General Basic Grant (for 2010-15); and (ii) General Performance Grant (for 2011-15<sup>2</sup>). As per paragraph 6.4.1 to 6.4.11 of the guidelines, the General Performance Grant was to be released only on compliance of the nine conditions prescribed by GoI (*Appendix 5.2*).

#### 5.6.2 Financial performance

The position of receipt of FC-XIII grant and expenditure incurred thereagainst during 2010-15 is given in the **Table 1**:

**Table 1: Details showing receipt of grant and expenditure during 2010-15**

(₹ in crore)						
Years	Basic Grant sanctioned by GoI for UP	Performance Grant sanctioned by GoI for UP	Addl. Surplus Grants (ASG)	Total (Col.3 to 4)	Release to ULBs by GoUP	Expenditure
2010-11	274.92	--	--	274.92	274.92	274.92
2011-12	318.83	109.02	89.66	517.51	517.51	517.51
2012-13	372.60	255.72	128.16	756.48	756.48	756.48
2013-14	441.50	301.63	16.88	760.01	760.01	760.01
2014-15	451.55	146.46	223.97	821.98	821.98	821.98
<b>Total</b>	<b>1,859.40</b>	<b>812.83</b>	<b>458.67</b>	<b>3,130.90</b>	<b>3,130.90</b>	<b>3,130.90</b>

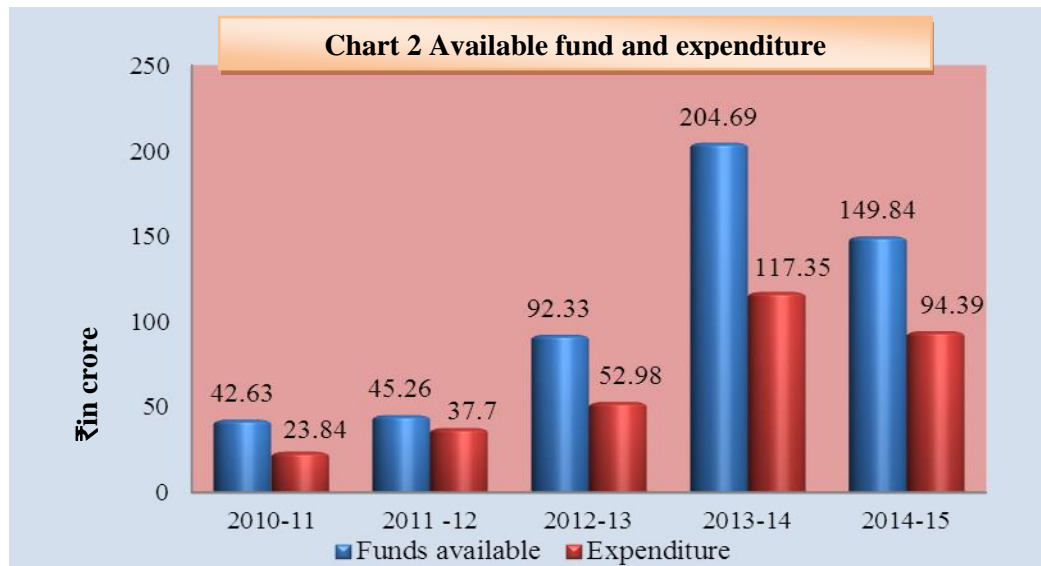
(Source: Information provided by Director, Local Bodies)

<sup>1</sup> NPP Firozabad upgraded as *Nagar Nigam* in September 2014.

<sup>2</sup> The General performance grant was available for the period 2011-15 to the States that meet the nine conditions.

According to the GoUP order (July 2010), each ULB was required to submit the utilisation certificate in respect of grants transferred to them. Scrutiny of records, however, revealed that 45 out of 54 ULBs did not submit the utilisation certificates during 2010-15 and remaining nine ULBs<sup>3</sup> submitted UCs intermittently during 2010-15.

In the sampled ULBs, the position of available fund, expenditure incurred by 54 test-checked ULBs under FC-XIII grant during 2010-15, is detailed in **Appendix 5.3** and also depicted in **Chart 2** below:



(Source: Information provided by test-checked ULBs)

As can be seen from the details given in **chart 2** above, the test-checked ULBs failed to utilise the allotted grant and the shortfall in expenditure ranged between 17 and 44 per cent as compared to the available funds during 2010-15 (**Appendix 5.3**).

It can also be seen from **Appendix 5.3** that the utilisation of FC-XIII grants by NNs ranged between 20 and 97 per cent, by NPPs it ranged between 47 and 80 per cent and by NPs it ranged between 52 and 79 per cent during 2010-15.

Further during audit of NPP, Gonda, it was observed that due to non-execution of works according to work plan, an amount of ₹ 7.51 crore was lying idle in the bank account as on 30 March 2015. Thus, the developmental works were hampered in NPP, Gonda despite availability of fund.

On this being pointed out in audit, EO accepted the audit finding and stated that the fund would be utilised on works according to work plan.

### 5.6.3 Interest not deposited in treasury

GoUP issued directives (September 2014) that the interest earned on saving bank account was to be treated as income of State Government instead of

<sup>3</sup> One ULB upto 2012-13 (NPP- Dadri, Gautam Buddha Nagar), two ULBs upto 2013-14 (NP Kopaganj, Mau and NP Jahagirpur, Gautam Buddha Nagar) and Six ULBs upto 2014-15 (NN Aligarh, NN Lucknow, NPP Mau, NPP Atarauli Aligarh, NP Mahrauni, Lalitpur, and NP Talbehat, Lalitpur).

income of institutions and was to be deposited in the Government treasury. However, scrutiny revealed that all the 54 test-checked ULBs earned interest of ₹ 14.42 crore during 2010-15 on deposit of funds in the saving bank account but did not deposit in the Government treasury and also used the same for execution of works (*Appendix 5.4*).

On this being pointed out in audit, concerned ULBs stated that instruction regarding utilisation of interest was not received. Reply is not acceptable as according to direction of GoUP *ibid*, the interest amount realised was to be deposited in the Government treasury.

#### **5.6.4 General Performance grant received without fulfilling the requisite criteria**

According to the paragraph numbers 6.4.1 to 6.4.11 of FC-XIII guidelines, apart from receiving regular General Basic Grant, the State Government was to comply with the mandatory nine conditions (*Appendix 5.2*) to qualify for receipt of the General Performance Grant from GoI. As per the paragraph number 4.3 of the guidelines, compliance with these conditions was to be maintained during the award period (2010-15), for continued eligibility for receiving General Performance Grant. Non-compliance with any of the condition at any time during the award period would render a State ineligible for receipt of the General Performance Grant until it again became compliant with all the conditions.

Scrutiny of records, however, revealed that the State Government obtained the General Performance Grant of ₹ 812.83 crore during 2011-15 without compliance report of the adherence to all the prescribed conditions. Audit examination further revealed that the compliance report sent by GoUP to GoI was not based on the factual position as many of the important conditions were not fulfilled by GoUP as discussed below:

**(i) Maintenance of accounts on double entry system** –None of the test-checked ULBs except NN, Aligarh and NN, Firozabad were maintaining their accounts on double entry system.

**(ii) Placement of CAG's Annual Technical Inspection Reports (ATIRs) as well as the Annual Report of the Director of Local Fund Audit before the State Legislature**– CAG's ATIRs have not been placed by the Government before the State Legislature as of October 2015, whereas Audit Reports of the Director, Local Fund Audit have not been placed before the State Legislature after 2009-10.

**(iii) Electronic transfer of grants to ULBs** – Cases of delayed and erroneous transfer of grants were noticed during audit due to non-reconciliation of accounts at State level.

**(iv) Constitution of Property Tax Board (PTB)** – PTB was to be constituted to see the various aspects relating to proper levy and realisation of property tax. Although PTB was constituted by the GoUP in March 2011, but it remained ineffective because the basic purpose of constituting PTB, *viz.*

streamlining the process of levy and realisation of property tax, was not fulfilled as noticed in the test check of records of ULBs as discussed below:

- In four<sup>4</sup> out of 54 test-checked ULBs, the House tax had not been imposed. In the remaining 50 ULBs, House Tax was not revised for the period ranging between three and 25 years, though this was to be revised in every two years;
- None of the sampled ULBs surveyed the land to bring it under the ambit of property tax; and
- The property tax levied was also not realised properly, as in 46 sampled ULBs, ₹ 168.59 crore was pending for recovery as of March 2015 (*Appendix 5.5*).

(v) **Evaluation of performance on State Level Benchmarks**-The mandatory State Level Benchmarks (SLBs) were not applied on NPs;

(vi) **Fire-hazard Response and Mitigation plan** - All municipal corporations with a population of more than one million (2001 census) were to set up a Fire-hazard Response and Mitigation plan for their respective jurisdictions. However, the above plan could not be made operational in NN Lucknow even after its notification and availability of fund.

**Recommendation:** Conditions for availing of specific grants must be followed stringently.

#### **5.6.5 Delayed release of grant to ULBs**

As per FC-XIII guidelines, the State Government was to transfer grant to ULBs within five days of receipt of grant from GoI. In case of delay in release of grant to ULBs, the GoUP was required to transfer the interest on account of delay to ULBs.

Scrutiny of records of 54 test-checked ULBs revealed that instalments of FC-XIII grant were received with delays up to 218 days by ULBs (*Appendix 5.6*). Besides, the State Government earned ₹ 1.05 crore interest by retaining the grant with it, during 2010-15, but the proportionate interest amount was not transferred to ULBs by GoUP.

On this being pointed out in audit, Director, Local Bodies accepted the fact and stated (June 2015) that due to shortage of staff, reconciliation with nodal bank could not be carried out.

#### **5.6.6 Unreconciled balance**

Scrutiny of records of NPP, Mohammadabad, Ghazipur revealed that during the period 2010-15, Director, Local Bodies released total 19 instalments of FC-XIII grant for NPP, out of which an amount of ₹ 2.13 crore released in 14 instalments and credited in the bank account of NPP, did not match with the amount indicated in the allotment orders (₹ 2.19 crore) (*Appendix 5.7*). Further scrutiny of the records revealed that this amount was actually to be released to NPP, Jamania (another NPP of district Ghazipur). This erroneous credit of grants resulted in

<sup>4</sup>NP-Saidpur, Ghazipur, NP-Adari, Mau, NP-Amethi and Gosaiganj, Lucknow.



short receipt of ₹ 5.47 lakh by NPP Mohammadabad. However, NPP Mohammadabad neither brought this to the notice of the State Government nor to Director, Local Bodies for reconciliation of the figures, instead, utilised these grants.

Thus, erroneous transfer of grant in the accounts of ULBs coupled with non-reconciliation of balances of bank account was fraught with the risk of misappropriation of public money.

On this being pointed out in audit, EO stated that the fact was brought to the notice of Director, Local Bodies. Reply was not acceptable as no documentary evidence was provided in support, though called for (July 2015).

### 5.6.7 Diversion of FC-XIII grant

Scrutiny of records of test-checked ULBs revealed that grants released under FC-XIII were being utilised for other schemes as discussed below:

- In NPP Khair, Aligarh an amount of ₹ 53.16 lakh was paid during October 2012 to June 2015 from FC-XIII funds for the works undertaken under State Finance Commission (SFC) (**Appendix 5.8**). On this being pointed out in audit, NPP Khair deposited back ₹ 20 lakh (July 2015) from SFC account to FC-XIII account. However, an amount of ₹ 33.16 lakh was yet to be deposited as of July 2015.
- Similarly, ₹ 86.06 lakh of FC-XIII grant was diverted by NPP Ghazipur (February 2011) for construction of three community halls by District Magistrate, Ghazipur. The work undertaken was not approved by the Board. Joint physical inspection with the officials of NPP revealed that the community halls were still lying incomplete. This resulted in unfruitful expenditure of ₹ 86.06 lakh incurred from the FC-XIII grants. On this being pointed out in audit, the EO stated that amount was transferred on the instruction of District Magistrate, Ghazipur.
- In NP Jalali, Aligarh ₹ 19.45 lakh, sanctioned in 2012-13 for construction of drains, was spent on purchase of street light equipments during 2013-14. The above procurement was also doubtful as the procured items were neither taken in the stock account nor issued for installation as of March 2015.

### 5.6.8 Non-adjustment of grant

An amount of ₹ 5.81 crore was transferred by NN, Aligarh to the Uttar Pradesh *Jal Nigam (Jal Nigam)* during 2013-15 for execution of various works (**Appendix 5.9**) but the amount was lying unadjusted for want of submission of utilisation certificate by *Jal Nigam*, even after completion of the projects (July 2015). Similarly, ₹ 1.10 crore, transferred by NN Lucknow to *Jal Nigam*, was also lying unadjusted (May 2015) (**Appendix 5.9**).

On this being pointed out in audit, the NNs accepted the audit findings and stated that the utilisation certificates would be obtained from Uttar Pradesh *Jal Nigam*.

### 5.6.9 Non-deposit of tax

Scrutiny of records of NPP Khair, Aligarh revealed that while making the payments for works sanctioned under FC-XIII grant, a sum of ₹ 4.23 lakh was deducted (June 2013 to June 2015) as Income Tax (IT) and Value Added Tax (VAT) etc. from the bills of contractors. Scrutiny further revealed that NPP issued cheques for deposit of the same in the concerned heads of the Government accounts and accordingly same was accounted for in cash book. However, these cheques were not deposited in respective heads of accounts, resulting in short- deposit of IT and VAT to that extent. On this being pointed out in audit, EO accepted the finding and stated that the deducted amount would be deposited at the earliest.

### 5.6.10 Improper accounting

In order to switch over from Single Entry Accounting System to Double Entry Accounting System (DEAS) with effect from 1 April 2011, each ULB was required to hire Field Level Consultants (FLCs)/Chartered Accountants (CAs) to start the process of preparing accounts on double entry accounting system. After imparting necessary training to regular staff by these CAs/FLCs, ULBs were to build them capable for preparing accounts on their own.

We, however, observed that:

- Thirty three sampled ULBs prepared opening balance sheets<sup>5</sup>(as on 01 April 2009); only 11 ULBs provided training to their staff for preparing accounts in new system, this resulted in ULBs not switching over to the new accounting system.
- Thirty five sampled ULBs made agreement with CAs/FLCs for preparation of their accounts on Double Entry Accounting System (DEAS). However, none of the ULBs could prepare their accounts on DEAS and the objective to migrate in new accounting system remained unachieved, despite incurring an expenditure of ₹ 1.38 crore by 47 ULBs on payment of fees to FLCs/CAs (*Appendix 5.10*). None of the ULBs placed the prepared accounts/balance sheets before their respective elected Council/Board, according to instruction issued by Director, Local Bodies (June 2011). In their reply, concerned ULBs stated that accounts will be prepared on DEAS after imparting training to accounts staff.

**Recommendation:** Timely submission of UCs should be ensured. Double Entry Accounting System should be introduced in all the ULBs at the earliest.

### 5.7 Planning

Given the multiplicity of financial resources for creation and maintenance of the assets and services in ULBs, a well-thought planning mechanism to utilise the FC-XIII grant efficiently and effectively was to be put in place. Identification of works/services, based on the actual need was imperative so

<sup>5</sup> Opening balance sheets includes updating of records and current assets register, identification of assets, valuation of assets and preparation of asset register.

that the gaps in the desired service delivery in the specified four sectors *viz.* Water supply, Sewerage, Solid waste management and Storm water drainage could be checked and service delivery improved.

### 5.7.1 Non-preparation of annual plan

The State Government ordered (May 2011) that each ULB should prepare a work plan in the beginning of the year. The plans were to be approved by a designated committee at the district level headed by the Commissioner/District Magistrate. The district level plan was to be compiled at the level of Director, Local Bodies at the State level, which in turn was required to submit the work plans before High Level Monitoring Committee (HLMC) for approval.

We observed that test-checked ULBs did not prepare annual work plan for execution of works during the year, instead it allocated funds, on receipt of FC-XIII instalments, to identified works without fixing any time-frame for completion. Consequently, no annual plan was submitted to HLMC for approval.

**Recommendation:** Annual work plans should be prepared after proper need assessment for effective execution and monitoring.

### 5.7.2 Award of inadmissible works

FC-XIII grants were untied to expenditure conditions and focused on four services i.e. water supply, sewerage, storm water drainage and solid waste management. However, while releasing first instalment of FC-XIII grant of ₹ 137.46 crore (July 2010), GoUP issued directives for utilisation of certain percentage of grant on other services *viz.* road renewal and widening, maintenance of parking place, establishment and maintenance of hand pump, street light and other civic amenities etc. contrary to the objectives envisaged in FC-XIII guidelines, which resulted in inadmissible expenditure of ₹ 2.48 crore in 31 test-checked ULBs (*Appendix 5.11*).

However, while releasing the successive (second instalment of 2010-11 onward) grants of ₹ 2,993.44 crore<sup>6</sup> to ULBs during 2011-15, GoUP issued directives to utilise grants for defined purposes as per FC-XIII guidelines. Scrutiny further revealed that an expenditure of ₹ 9.77 crore was incurred on other than specified works in 34 test-checked ULBs despite specific instruction of GoUP in this regard (*Appendix 5.11*).

Thus, an expenditure of ₹ 12.25 crore was incurred on services not covered under the FC-XIII recommendations.

### 5.7.3 Non-notification of standards for NPs

In accordance with para 6.4.10 of the FC-XIII guidelines, State Government was to notify, by end of the succeeding fiscal year, that all Municipalities and Municipal Corporations in the State would provide a specified minimum level of the service for each of the indicators for four service sectors proposed to be

<sup>6</sup>₹ 3,130.90 crore, ₹ 137.46 crore

achieved by them by the end of a fiscal year. However, scrutiny of records revealed that the State Government did not notify specified minimum level of the service for each of four service sectors for the *Nagar Panchayats*. Thus, the works in all 33 sampled NPs carried out at the cost of ₹ 30.10 crore (*Appendix 5.12*) were executed without setting any targets.

On this being pointed out in audit, Director, Local Bodies stated (July 2015) that the aforesaid standards were to be prescribed for municipalities but not for NPs. The reply is not correct, as according to Article-243Q of Constitution of India, NPs also form a part of municipalities and the aforementioned standards were to be set for them as well.

## Implementation

### 5.8 Nagar Nigam, Aligarh

#### 5.8.1 Municipal Solid Waste Management

An expenditure of ₹ 1.33 crore was incurred on five works with regard to the Municipal Solid Waste Management (MSWM) during 2010-15 by NN, Aligarh.

The task of management of MSW was outsourced to a firm. NN, Aligarh reported following achievements against the targets fixed by GoUP in respect of MSWM for the year 2014-15:

**Table 2: Details of achievement in SLBs**

(in per cent)				
Sl. No.	Proposed indicators	Benchmarks (GoI)	Target (GoUP)	Achievement
1	Household level coverage of solid waste management services	100	73	73
2	Efficiency of collection of municipal solid waste	100	100	100
3	Extent of segregation of municipal solid waste	100	100	100
4	Extent of municipal solid waste recovered	80	80	80
5	Extent of scientific disposal of municipal solid waste	100	100	100
6	Extent of cost recovery in SWM services	100	10	10
7	Efficiency in collection of SWM charge	90	38	38
8	Efficiency in redressal of customer complaints	80	80	80

(Source: Information provided by NN Aligarh)

Thus, as per the reports submitted by NN Aligarh to GoUP, 100 per cent targets in respect of all the benchmarks for management of MSW were achieved. Audit examination of the records, however, disclosed that the aforementioned status of management of MSW was not factually correct as the facts from test-checked records and joint physical inspection revealed that



Non-operational MSW processing plant at NN Aligarh (24.07.15)

door-to-door collection of MSW was being done only in four out of seven *safai* wards in the city by the firm. After collection, the MSW was dumped at a dumping site by the firm, and was not being segregated due to non-operation of MSW processing plant. Hence, processing and disposal of MSW even in respect of the four *safai* wards, was not being carried out. In remaining three *safai* wards, there was no door-to-door collection of MSW and NN Aligarh was transporting MSW from local collection sites to the dumping sites without carrying out its segregation, processing and disposal.

### **Bio-medical waste**

Bio-medical waste (BMW) means any waste which is generated in health care establishments during diagnosis, treatment or immunisation of human beings or animals. The Bio-medical wastes (Handling and Management) Rules, 1998 notified under section 6, 8 and 25 of Environment (Protection) Act, 1986, subsequently amended in 2000, have been framed to ensure protection of environment. Prescribed standards for handling and treatment and scientific disposal of Bio-medical wastes have been laid down in the rules along with responsibilities of all concerned.

Scrutiny revealed that the Chief Medical Officer (CMO) Aligarh executed agreement with a firm for management of BMW in Government hospitals of the district, which was to be renewed annually. Scrutiny, however, revealed that agreement was not renewed since March 2013, and therefore proper management of BMW was not ensured in any Community Health Centre (CHC)/Primary Health Centre (PHC) of the district. Thus, the firm was operating without renewal of agreement for last two years and providing coverage to only district hospitals, leaving CHCs/PHCs uncovered for disposal of BMW.

## **5.8.2 Storm Water Drainage**

An expenditure of ₹ 17.74 crore was incurred on 64 works with regard to the Storm Water Drainage during 2010-15 by NN Aligarh. The targets fixed by GoUP and achievement thereagainst in respect of storm water drainage for the year 2014-15 are given in the **Table 3**:

**Table 3: Details of achievement in SLBs**

Sl. No.	Storm Water Drain Benchmarks	Benchmarks (GoI)	Target (GoUP)	Achievement
1.	Coverage of Storm Water Drainage network (in <i>per cent</i> )	100	66	66
2.	Incidence of water logging/flooding	0	24	24

(Source: Information provided by NN Aligarh)

NN Aligarh reported 100 *per cent* achievement against the target set by GoUP. We during audit, however, noticed the following shortcomings:

### **5.8.2.1 Incomplete drains**

According to Rule 378 of Financial Hand Book Vol. V part I, no work should be commenced on land which has not been duly made over by the responsible

civil officers. Audit scrutiny revealed that in NN Aligarh one drain at Khair road on Nagala Masani crossing from *Bhusakitaal se Idgah* crossing was found incomplete even after incurring an expenditure of ₹ 14.39 lakh. The drain could not be completed due to a temple coming on the way and encroachment in the alignment of drain. Thus, commencement of construction of drains without ensuring clear site resulted in unfruitful expenditure of ₹ 14.39 lakh on incomplete drain. On this being pointed out in audit, *Nagar Ayukt* stated that efforts are being made for construction of drain. Reply was not acceptable because NN started work without ensuring availability of dispute free land.

### 5.8.2.2 Idle equipment

Scrutiny of records of NN, Aligarh revealed that generator and copper cables procured at a cost of ₹ 25.81 lakh were lying idle since their purchase in 2012 due to incorrect assessment of requirement, which led to avoidable expenditure and non-utilisation of equipment by the NN.

### 5.8.3 Environment aspects

MSW Rules define land filling as the disposal of residual solid waste, on a land in a facility designed with protective measures against pollution of ground water, surface water, wind-blown litter, bad odour, fire hazard, bird menace, pests or rodents and erosion. The rules have been framed to ensure protection of environment.



Drains annexing with Aligarh Drain and Japhari Drain (23.07.2015)

We during audit of NN Aligarh noticed that 66 drains were directly connected to two existing drains of Irrigation department used for irrigation (Aligarh Drain and Japhari Drain) without any prior treatment of waste water. Also, NN neither prepared any plan for storm water drainage nor established any treatment plant for drain water. Thus, due to unplanned construction of drains, disposal of untreated water of all the drains of the district into these two drains of Irrigation department resulted in polluting of water meant for irrigation and consequently affecting the environment.

Executive Engineer, Aligarh *Khand Ganga Nahar*, Aligarh (Irrigation department) accepted that drains of NN Aligarh were directly connected with Aligarh Drain and Japhari Drain, due to which pollution level of water of both of the drains had increased.

**Recommendation:** Execution of works to achieve SLBs as envisage in FC-XIII guidelines must be ensured by the Government.

## 5.9 Firozabad Nagar Nigam

### 5.9.1 Water Supply Services

An expenditure of ₹ 4.19 crore was incurred on 111 works relating to the Water Supply Services during 2010-15 by NN Firozabad. The achievements against targets fixed by GoUP in respect of Water Supply Services for the year 2014-15 are given in **Table 4**:

**Table 4: Details of achievement in SLBs**

Sl. No.	Proposed indicators for Water Supply	Benchmark (GoI)	Target (GoUP)	Achievement
1.	Coverage of water supply connections (in per cent)	100	38	39
2.	Per capita availability of water at consumer end (in lpcd)	135	70	131
3.	Extent of metering of water connections (in per cent)	100	0	0
4.	Extent of non-revenue water (in per cent)	20	9	5
5.	Continuity of water supply (in hours)	24	5	4.50
6.	Efficiency in redressal of customer complaints (in per cent)	100	80	91
7.	Quality of water supplied (in per cent)	80	100	100
8.	Cost recovery in water supply services (in per cent)	100	89	59
9.	Efficiency in collection of water supply related charges (in per cent)	90	44	11

(Source: Information provided by NN Firozabad)

We during audit noticed that only 40,148 out of 1,01,597 households (60 per cent) were connected with water supply. Metering of water connection was found absent in NN, Firozabad. Other issues noticed relating to water supply work undertaken by NN, Firozabad are discussed below:

#### 5.9.1.1 Avoidable expenditure

Scrutiny revealed that NN Firozabad had installed 185 submersible pumps (2012-14) with an expenditure of ₹ 71.03 lakh under the FC-XIII grants even after having the water supply project already established by U.P. *Jal Nigam* to cater the requirement of water supply of the area up to the year 2034, which has already been handed over to NN (August 2011). Thus, NN incurred an avoidable expenditure of ₹ 71.03 lakh on installation of these submersible pumps.

Scrutiny further revealed that NN has total 239 tubewells/submersible pumps, out of which only 189 were functional and rest 50 were out of order. Further, as per records of the NN, only 116 tubewells/submersible pumps were having electric connection. Thus, the installation and optimum utilisation of all the tubewells/ submersible pumps could not be ensured. On this being pointed out, *Nagar Ayukt* accepted the audit findings and stated that these pumps were installed due to deterioration in efficiency of pre-installed tubewells because of fall in water level. Reply was not acceptable because pumps were installed

by *Jal Nigam* for the period up to the year 2034, however, no documentary evidence was provided by NN in support, though called for (June 2015).

### 5.9.2 Sewerage works

Targets were not set for the indicators under this service. However, audit findings on execution of sewerage works undertaken by NN Firozabad are discussed below:

#### 5.9.2.1 Non-functional sewer system

A project of sewer line with sewage treatment plant was to be constructed by UP *Jal Nigam*. However, only sewer lines were constructed and handed over (August 2012) to NN, Firozabad by *Jal Nigam*. Scrutiny further revealed that NN failed to provide land for establishment of STP as of June 2015. Besides, due to non-availability of land, *Jal Nigam* could not construct STP (June 2015). Thus, in the absence of STP, the connecting sewer line could not be made functional as of June 2015.

### 5.9.3 Municipal Solid Waste Management

An expenditure of ₹ four crore was incurred on 56 works with regard to the Management of Municipal Solid Waste during 2010-15 by NN Firozabad. Targets were not set for the indicators under this service. However, during audit scrutiny, we observed that a project for Municipal Solid Waste Management was sanctioned in 2007, but NN, Firozabad failed to provide the required land for the purpose and the project could not be completed as of March 2015. Thus, door-to-door collection, processing, composting and scientific disposal of MSW in NN, Firozabad could not be ensured (June 2015).

### 5.9.4 Storm Water Drainage

The achievements against targets fixed by GoUP in respect of storm water drainage for 2014-15 are given in **Table 5**.

**Table 5: Details of achievement in SLBs**

Sl. No.	Storm Water Drain Benchmarks	Benchmarks (GoI)	Target (GoUP)	Achievement
1.	Coverage of Storm Water Drainage network (in <i>per cent</i> )	100	51	100
2.	Incidence of water logging/flooding	0	0	0

(Source: Information provided by NN Firozabad)

NN, Firozabad reported 100 *per cent* achievement against target set by GoUP. However, issues noticed during audit of records of the storm water drainage works undertaken by NN, Firozabad are discussed below:

#### 5.9.4.1 Incomplete drains

According to Rule 378 of Financial Hand Book Vol. V part I, no work should be commenced on land which has not been duly made over by the responsible civil officers. Audit scrutiny revealed that in NN Firozabad, a drain from



'Akashwani road, lane No.3 to house of Gandhi' was lying incomplete since March 2015, after incurring an expenditure of ₹ 20.23 lakh. The drain could not be completed due to an electric transformer falling in its alignment. Thus, commencement of work for construction of drains without ensuring availability of dispute free land resulted in unfruitful expenditure of ₹ 20.23 lakh on incomplete drain.

## 5.10 Nagar Nigam, Lucknow

### 5.10.1 Sewerage works

An expenditure of ₹ 4.38 crore was incurred on 122 works during 2010-15 in NN Lucknow. The status of achievement of the SLBs in respect of sewage management in NN, Lucknow is shown in **Table 6**.

**Table 6: Details of achievement in SLBs**

(in per cent)				
Sl. No.	Proposed indicators	Benchmarks (GoI)	Target (GoUP)	Achievement (2014-15)
1.	Coverage of toilets	100	76	70
2.	Coverage of waste water network services	100	63	69
3.	Collection efficiency of waste water network	100	88	84
4.	Adequacy of waste water treatment capacity	100	88	84
5.	Extent of reuse and recycling of treated waste water	100	0	0
6.	Quality of waste water treatment	100	70	67
7.	Efficiency in redressal of customer complaints	80	80	92
8.	Extent of cost recovery in waste water management	100	40	28
9.	Efficiency in collection of sewage charges	90	80	88

(Source: Information provided by NN Lucknow)

Above table indicates that NN, Lucknow could not achieve targets in respect of five indicators.

Further, audit scrutiny revealed that two STPs at Daulatganj and Bharwara were installed by NN Lucknow with working capacity of 70 Million Litre per Day (MLD) and 345 MLD respectively against total generation of 675 MLD sewage in the jurisdiction of NN Lucknow. Of these, STP Daulatganj was in operation with working capacity of 70 MLD, whereas the condition of other STP at Bharwara had deteriorated due to poor maintenance/ in-operation since its commissioning (January 2011) by a firm responsible for operation and maintenance. The plant was also not being operated efficiently. On this being pointed out in audit, *Nagar Ayukt* stated that the maintenance work of STP is under progress and a stream of 115 MLD is functional. Thus, due to ineffective/inadequate treatment facility only 185 MLD was being treated (Daulatganj 70 MLD and Bharwara 115 MLD) and untreated sewage was being flushed in river Gomti.

### 5.10.2 Municipal Solid Waste Management

An expenditure of ₹ 11.75 crore was incurred on 16 works relating to Management of Municipal Solid Waste during 2010-15 by NN Lucknow. NN Lucknow reported following achievements against the targets fixed by GoUP in respect of MSW for the year 2014-15.

**Table 7: Details of achievement in SLBs**

(in per cent)				
Sl. No.	Proposed indicators	Benchmarks (GoI)	Target (GoUP)	Achievement
1.	Household level coverage of solid waste management services	100	62	56
2.	Efficiency of collection of municipal solid waste	100	100	99
3.	Extent of segregation of municipal solid waste	100	39	68
4.	Extent of municipal solid waste recovered	80	80	47
5.	Extent of scientific disposal of municipal solid waste	100	0	0
6.	Extent of cost recovery in SWM services	100	100	82
7.	Efficiency in collection of SWM charge	90	90	92
8.	Efficiency in redressal of customer complaints	80	80	100

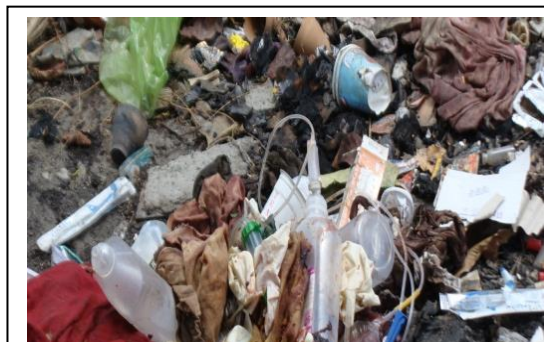
(Source: Information provided by NN Lucknow)

Thus, targets were not achieved in respect of four indicators and exceeded in three. Audit examination disclosed that the aforementioned status of management of MSW was not in line with the actual status shown under the follow-up of benchmarks. Scrutiny revealed that door-to-door collection of MSW was being done only in 57 out of 110 wards and the firm responsible for segregation of MSW was not functional since 2010 due to non-operation of MSW processing plant.

#### ***Bio-medical waste***

As per provisions discussed in the paragraphs 5.8.1 *ante*, the audit scrutiny revealed that CMO Lucknow executed an agreement with a firm for management of BMW in government hospitals of the district, which was to be renewed annually.

Audit scrutiny, however, revealed that agreement was not renewed in Lucknow district and the proper management of BMW was also not found in any CHC/ PHC of district. The firm was operating without renewal of agreements as of June 2015. Thus, the district did not have any proper system for scientific disposal of BMW.



Bio-medical waste found littered near boundary of CHC Malihabad, Lucknow. (07.06.2015)

On this being pointed out in audit, CMO accepted the findings and stated that the agreement with the firm would be renewed at the earliest.

### 5.10.3 Fire-hazard Response and Mitigation plan

All Municipal Corporations with a population of more than one million (2001 census) were required to place a Fire-hazard Response and Mitigation plan in their jurisdictions. To achieve the above objective, GoUP notified (March 2011) an action plan to facilitate supply of the equipment and execute works in six NNs in phases during 2011-15. Scrutiny revealed that out of total release of ₹ 10.56<sup>7</sup> crore from GoUP to NN Lucknow during 2011-15, ₹ 6.27 crore was provided to Director General, Fire Services, Uttar Pradesh, Lucknow for purchase of hydraulic platform and water bowser, and ₹ 2.92 crore to *Jal Sansthan*, Lucknow for construction of underground water reservoirs and hydrants. Scrutiny of records and results of joint physical inspection revealed the following:

#### 5.10.3.1 Delay in purchase of firefighting equipment

Out of total ₹ 6.27 crore provided (₹ 4.78<sup>8</sup> crore in 2013-14 and additional ₹ 1.49 crore in March 2015) to Director General, Fire Services, Uttar Pradesh, Lucknow, ₹ 5.99 crore was allocated for purchase of hydraulic platform through the State Trading Corporation of India Limited. The platform was received in January 2015 by the DG Fire services, but the same was not commissioned as of August 2015. Thus, the fire hazard system could not be put in place even after a delay of six months.

The audit finding was also confirmed by the Chief Fire Officer, responsible for overseeing the implementation of fire hazard mitigation system.

#### 5.10.3.2 Unproductive expenditure

For the purpose of providing water for firefighting, NN, Lucknow sanctioned construction of 10 static<sup>9</sup> tanks along with tubewells at a total cost of ₹ 2.92 crore in old city area of Lucknow, through Lucknow *Jal Sansthan* (December 2012).

Scrutiny revealed that due to non-availability of suitable land, the construction of two static tanks with pump house at *Satkhandra* police station and *Janana* park, Aminabad, Lucknow was abandoned after completing the work of pump houses at a cost of ₹ 9.53 lakh. These were later shifted to Zonal pumping stations, Radha gram and Suleman Khan respectively. As a result, the pump houses constructed not only remained idle but also resulted in unproductive expenditure of ₹ 9.53 lakh. On this being pointed in audit, General Manager *Jal Sansthan* stated that due to non-availability of land, construction of water tank was shifted to new sites. Reply was not acceptable as the work was commenced without ensuring the availability of dispute free land.

<sup>7</sup> Hydraulic Platform ₹ 5.99 crore, Water bowser ₹ 28 lakh, Underground water reservoirs and Fire Hydrants ₹ 2.92 crore, Ambulance with life support and Jeep Towing Vehicle ₹ 1.36 crore

<sup>8</sup> Hydraulic platform ₹ 4.50 crore and water bowser ₹ 0.28 crore.

<sup>9</sup> 100 KI capacity underground water tank for firefighting.

### 5.11 Nagar Palika Parishads

Eighteen *Nagar Palika Parishads* of 12 districts were selected for test check of records for the period 2010-15 (*Appendix 5.1*). Audit scrutiny revealed several shortcomings relating to utilisation of FC-XIII grants which are discussed below:

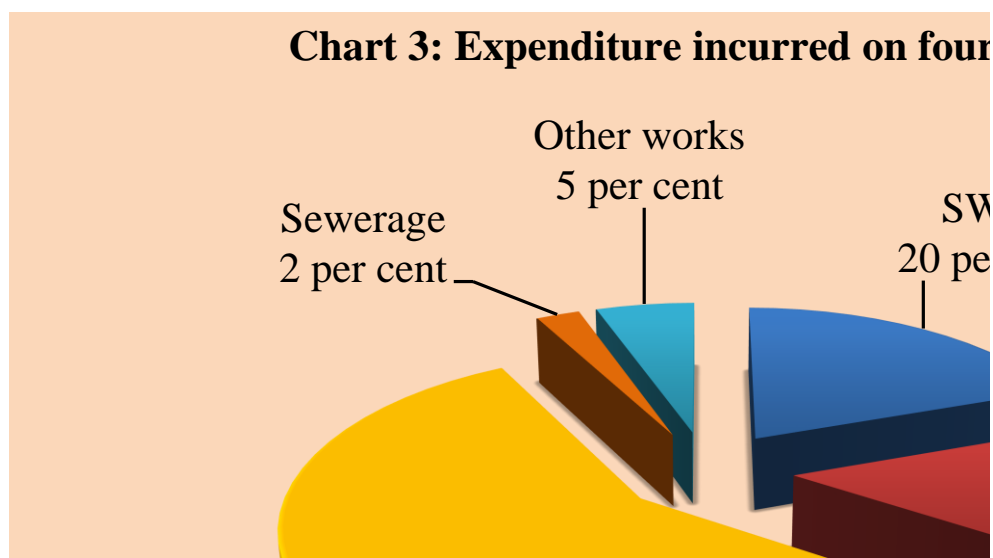
The grant for FC-XIII was to be utilised on the four service sectors *viz.* water supply, sewerage, storm water drainage and Solid Waste Management (SWM). The detail of works awarded during 2010-15 and expenditure incurred there against in the sampled NPPs is given in **Table 8**.

**Table 8: Award of works in the sampled NPPs during 2010-15**

Year	Water Supply		Sewerage		Storm Water Drainage		SWM		Other Work	
	Work	Exp	Work	Exp	Work	Exp	Work	Exp	Work	Exp
2010-11	30	84.54	4	95.13	49	217.82	38	212.68	75	195.25
2011-12	26	133.42	3	19.49	60	406.39	27	194.24	14	63.61
2012-13	28	262.32	0	0	157	1371.36	36	368.70	15	71.40
2013-14	78	486.93	3	15.82	159	1878.64	75	602.18	14	39.31
2014-15	34	181.79	3	54.21	83	633.13	15	141.74	14	51.54
<b>Total</b>	<b>196</b>	<b>1149.00</b>	<b>13</b>	<b>184.65</b>	<b>508</b>	<b>4507.34</b>	<b>191</b>	<b>1519.54</b>	<b>132</b>	<b>421.11</b>

(₹ in lakh)

(Source: information provided by test-checked NPPs)



(Source: Information provided by test-checked NPPs)

The **chart 3** shows that the maximum expenditure was incurred on Storm water drainage among four services, whereas the sewerage works were ignored in all 18 test-checked NPPs.

#### 5.11.1 Water Supply Services

An expenditure of ₹ 11.49 crore was incurred on 196 works relating to Water Supply Services during 2010-15 by the test-checked NPPs.

The status of targets set by GoUP and achievement reported by test-checked NPPs is given in **Table 9**.

**Table 9: Details of achievement in SLBs**

Sl. No.	Water Supply Indicators	Benchmark (GoI)	Target Range (2014-15)	Achievement range
1.	Coverage of water supply connections (in per cent)	100	2-73	2-68
2.	Per capita availability of water at consumer end (in lpcd)	135	30-104	30- 118
3.	Extent of metering of water connections (in per cent)	100	0-5	0
4.	Extent of non-revenue water (in per cent)	20	5-30	2-37
5.	Continuity of water supply (in hours)	24	4-17	3-17
6.	Efficiency in redressal of customer complaints (in per cent)	100	80-100	80-100
7.	Quality of water supplied (in per cent)	80	80-101	90-100
8.	Cost recovery in water supply services (in per cent)	100	9-79	11-54
9.	Efficiency in collection of water supply related charges (in per cent)	90	17-90	13-95

(Source: information provided by test-checked NPPs)

As seen from table above, targets and achievements were much below the benchmarks set by GoI in respect of most of the indicators, and metering of water connections was not found in any of the test-checked NPPs. Shortfall in water supply connection of households ranged between 21 and 98 per cent in test-checked NPPs.

#### 5.11.1.1 Un-warranted procurement

According to Rule 256 of Financial Hand Book Vol. V part I, any procurement should be made on the basis of actual requirement to avoid blockage of funds. Scrutiny of records revealed that in NPP, Gonda, ₹ 6.03 lakh was spent on purchase of *JalKal* equipment viz. elbow, pipe, dozer etc., out of FC-XIII grant which were lying unutilised since December 2011. This indicated that procurement was made without assessing the actual requirement. On this being pointed out, EO accepted the findings and stated that the items would be purchased according to requirement in future.

#### 5.11.1.2 Unfruitful expenditure

In NPP, Mahmoodabad, Sitapur, an expenditure of ₹ 32.49 lakh was incurred out of FC-XIII grants during 2011-14 on extension of pipeline, installation of generator and PVC overhead tank, to facilitate drinking water supply through pre-installed six mini tubewells constructed under Backward Region Grant Fund scheme in 2010-11 at a cost of ₹ 27.96 lakh. Scrutiny of records as well as results of joint physical inspection revealed that these tube wells were lying unutilised, as not even a single water connection was provided to any households by NPP as of April 2015. This resulted in unfruitful expenditure of ₹ 32.49 lakh.

On this being pointed out in audit, EO Mahmoodabad accepted the findings and stated that the generator and overhead tank had been installed to facilitate uninterrupted water supply to the local people.

### 5.11.2 Sewerage works

An expenditure of ₹ 1.85 crore was incurred on 13 works relating to the sewerage work during 2010-15 by 18 test-checked ULBs.

Scrutiny revealed that sewerage works were not awarded for execution in any of the sampled NPPs except NPP, Etawah, though these were lacking of sewerage facilities.

#### 5.11.2.1 Non-operational Sewerage system

In NPP, Etawah, a STP with Main Pumping Station (MPS) along with 22.15 kms. sewerage line was constructed in June 2013, but only three out of 52,130 households were connected with sewerage system till date. Further, due to non-functioning of sewerage system, the expenditure of ₹ 29.89 lakh incurred on purchase (December 2014) of sewer jetting machine from FC-XIII grant also remained unfruitful. However, in order to run the STP and MPS, a drain, already connected with another STP constructed under *Yamuna* Action Plan, was tapped and its waste water has been diverted to this new STP. On this being pointed out in audit, EO stated that efforts are being made to provide household connections with sewerage system. Reply was not acceptable because feasibility of the sewerage system was not assessed before its construction.

### 5.11.3 Municipal Solid Waste Management

An expenditure of ₹ 15.20 crore was incurred on 191 works relating to the MSWM during 2010-15 by 18 test-checked NPPs.

The status of targets set by GoUP and achievement reported in test-checked NPPs is given in **Table 10**.

**Table 10: Details of achievement in SLBs**

				(in per cent)
Sl. No.	Municipal Solid Waste Indicators	Benchmark (GoI)	Target range (GoUP)	Achievement range
1	Household level coverage of solid waste management services	100	0	0-16
2	Efficiency of collection of municipal solid waste	100	100-109	97-100
3	Extent of segregation of municipal solid waste	100	0-100	0-100
4	Extent of municipal solid waste recovered	80	0	0-55
5	Extent of scientific disposal of municipal solid waste	100	0-100	0-100
6	Extent of cost recovery in SWM services	100	0	0
7	Efficiency in collection of SWM charge	90	0	0
8	Efficiency in redressal of customer complaints	80	78-80	0-100

(Source: information provided by test-checked NPPs)

As seen from the table above, the targets for MSWM indicators fixed by GoUP were reported achieved. Audit examination of records of 18 NPPs, however, revealed that household level coverage of MSW was being done only in NPP Sitapur, through outsourcing. Further, State Pollution Control Board (SPCB) informed that out of 18 test-checked NPPs, only NPP Etawah had the MSW treatment and disposal facilities. Some of the deficiencies revealed in the execution of works have been discussed in the succeeding paragraphs:

### **5.11.3.1 Incomplete development of dumping sites**

Development of dumping sites for the disposal of MSW is one of the basic requirements for the management of MSW. Scrutiny revealed that in 12 out of 18 test-checked NPPs, dumping sites were not available due to non-availability of land. Out of six NPPs which had land for dumping sites, three NPPs incurred an expenditure of ₹ 54.61 lakh on land development works during 2010-15 for establishment of dumping sites (*Appendix 5.13*). However, none of the NPPs were using these dumping sites due to various reasons. As a result, 12,542 MT per month MSW generated in these 18 NPPs continued to be dumped at unauthorised sites in open viz. roadsides, lowlands, ponds etc. (*Appendix 5.14*). On this being pointed out in audit, EOs concerned accepted the findings and stated that due to dispute of the approach road to the sites and with the local people, the dumping sites remained unusable.

### **5.11.3.2 Absence of stock**

In NPP Gonda, 50 dustbins for disposal of garbage, amounting to ₹ 12.20 lakh, were purchased in June 2014. Scrutiny of stock register revealed that 27 out of 50 dustbins were distributed on the same day. As per stock register, 23 dustbins were shown as balance, but during joint physical inspection of stock, not a single dustbin was found in store. Scrutiny further revealed that receipt/issue of dustbins was not recorded in stock register. Thus, shortage of missing stock amounting to ₹ 5.61 lakh needs to be ascertained.

### **5.11.3.3 Idle equipment**

Scrutiny of records of 18 test-checked NPPs revealed that four NPPs procured equipments/machines costing ₹ 37.07 lakh, which were lying idle since its purchase (*Appendix 5.15*). Thus, improper planning for procurement of equipment led to under/non-utilisation of these equipments by NPPs. On this being pointed out in audit, EO accepted the facts and stated that the equipments would be used according to requirement in future.

### ***Bio-medical waste***

As per provisions discussed in the paragraphs 5.8.1 of this report, audit scrutiny revealed that only five<sup>10</sup> districts (test-checked NPPs) executed agreements with private firms for management of BMW in government

<sup>10</sup>Bahraich, Etawah, Gonda, Mau, Sultanpur

hospitals. These agreements were to be renewed annually. Scrutiny, however, revealed that agreements were not renewed except in Sultanpur district and the said firms were operating without renewal of their respective agreements. The additional/new Primary Health Centres in the above five districts did not have any system for proper disposal of BMW, as the CMOs of the respective district did not make arrangements for disposal of BMW.

Further, it was also noticed that Bio-medical waste was littered in campus of District Hospital (Male) and in pond adjacent to the boundary of the hospital in Etawah. Tri- colour bins were not found in wards of District Hospital (Female), Etawah; only one bin without colour bag was placed between four wards as depicted in the photograph:



#### 5.11.4 Storm Water Drainage

An expenditure of ₹ 45.07 crore was incurred on 508 works relating to the Storm Water Drainage during 2010-15 by 18 test-checked ULBs .

The status of targets set by GoUP and achievement reported in test-checked NPPs is given in **Table 11**.

**Table 11: Details of achievement in SLBs**

Sl. No.	Storm Water Drain Benchmarks	Benchmarks (GoI)	Target range (GoUP)	Achievement range
1.	Coverage of Storm Water Drainage network ( <i>in per cent</i> )	100	16-101	15-100
2.	Incidence of water logging/flooding	0	0-24	0-24

(Source: information provided by test-checked NPPs)

The objective of SLB target was to minimise the incidence of water logging/flooding by covering all the areas with proper construction of drains. Out of 18 test-checked NPPs, only seven<sup>11</sup> NPPs reported the achievement of the target of zero incidence of water logging/flooding.

<sup>11</sup> NPP Dadri (Gautam Budha nagar), NPP Atarauli (Aligarh), NPP Mehmoodabad (Sitapur), NPP Khair (Aligarh), NPP Bharthna (Etawah), NPP Nanpara (Bahraich) and NPP Nawabganj (Gonda).



Scrutiny of records revealed that cases of improper planning, incomplete drains, dispute with local people etc. were noticed, as discussed in the succeeding paragraphs:

#### 5.11.4.1 Incomplete drains

Audit scrutiny revealed that contrary to provisions discussed in paragraph 5.8.2.1, in nine out of 18 test-checked NPPs, 16 drains remained incomplete even after incurring an expenditure of ₹ 1.66 crore. These drains could not be completed due to various reasons *viz.*, interruptions in the alignment of drains like existence of dispute, protest of local people etc. Thus, commencement of construction of drains without ensuring availability of land, resulted in unfruitful expenditure of ₹ 1.66 crore (**Appendix 5.16**). On this being pointed out in audit, EO concerned stated that these drains would be completed and made functional in future.

#### 5.11.4.2 Drains not connected with proper head

Scrutiny of records of two out of 18 test-checked NPPs revealed that two subsidiary drains costing ₹ 42.76 lakh were constructed but could not be connected with the primary drain/water body, due to non-existence of any main drain/water body at the terminating end of the drain, site dispute and improper alignment. Thus, drains could not be made functional, and the expenditure of ₹ 42.76 lakh incurred remained unfruitful (**Appendix 5.17**). On this being pointed out in audit, EO concerned accepted the audit findings and stated that these drains would be made functional by constructing more connecting drains in future.

#### 5.11.4.3 Violation of financial ceiling

As per GoUP<sup>12</sup> order (October 2012), maximum limit for construction of drain by an NPP was decided as ₹ 25 lakh. Drains costing more than this limit were to be constructed through Construction & Design Services (C&DS), UP *Jal Nigam*.

Scrutiny revealed that NPP, Lalitpur constructed a drain from Sitapath road to house of Phoolchand exceeding its financial limits and incurred an irregular expenditure of ₹ 31.47 lakh. On this being pointed out in audit, EO accepted the fact and stated that adherence to the order would be ensured in future.

### 5.12 Nagar Panchayats

During performance audit of FC-XIII, 33 *Nagar Panchayats* of 12 districts were selected for test check of records for the period 2010-15 (**Appendix 5.1**). The deficiencies noticed during audit of NPs are discussed below:

The grant for FC-XIII was to be utilised on the four service sectors *viz.* Water supply, Sewerage, Storm water drainage and Solid Waste Management (SWM). The details of works awarded under all the four services during 2010-15 in the sampled NPs have been given in **Table 12** and **Chart 4**:

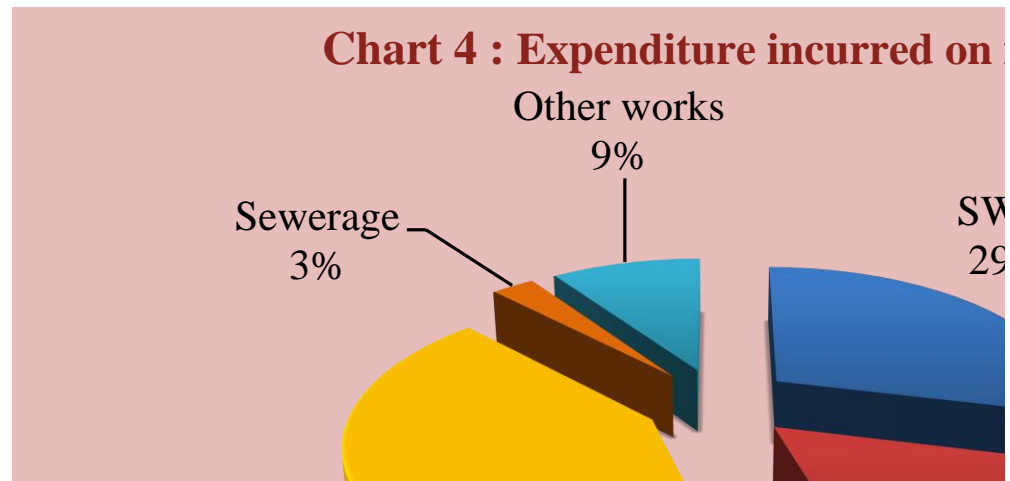
<sup>12</sup> G.O. No. 3788/9-5-2012/111 budget/2010 dated 09.10.2012

**Table 12: Award of works in the sampled NPs during 2010-15**

(₹ in lakh)

Year	Water Supply		Sewerage		Storm Water Drainage		SWM		Other Work	
	Work	Exp	Work	Exp	Work	Exp	Work	Exp	Work	Exp
2010-11	32	20.15	3	0.82	32	62.27	46	106.16	75	50.58
2011-12	32	63.68	3	3.43	44	93.32	38	77.86	29	55.74
2012-13	45	89.83	5	62.56	73	246.32	65	132.69	22	52.23
2013-14	54	208.44	1	6.08	114	452.01	55	295.36	22	63.47
2014-15	30	118.99	1	8.53	75	394.29	53	244.57	21	61.37
	<b>193</b>	<b>501.09</b>	<b>13</b>	<b>81.42</b>	<b>338</b>	<b>1248.21</b>	<b>257</b>	<b>856.64</b>	<b>169</b>	<b>283.39</b>

(Source: information provided by test-checked NPs)





(Source: Information provided by test-checked ULBs)

Above chart shows that maximum expenditure was incurred on Storm water drainage component among four services, whereas the Sewerage works were ignored in all 33 test-checked NPs.

### 5.12.1 Water Supply Services

An expenditure of ₹ 5.01 crore was incurred on 193 works relating to the Water supply services during 2010-15 by 33 test-checked NPs. Scrutiny of records revealed deficiencies in the execution of works as discussed below:

- In NP Saidpur, Ghazipur two trolley mounted transformers of 400 KVA capacity (cost: ₹ 22.43 lakh) were procured (February 2015) for providing power backup to the tubewells in the municipal area. Scrutiny revealed that the said transformers were not required as two 40 KVA generators were already purchased in 2011-12 for the same and were in operation. Consequently, one of the transformers was lying idle in store since February 2015, whereas another was connected with the main power supply line of electricity department. The facts were confirmed in the joint physical inspection and are also depicted in photograph given below:

	
<p>Transformer lying idle in store of NP Saidpur, Ghazipur(13/07/2015)</p>	<p>Transformer connected with main power supply line Saidpur, Ghazipur(13/07/2015)</p>

On this being pointed out in audit, EO stated that transformer is being used to step up the low voltage of main line whenever required. Reply was not acceptable as it was the responsibility of electricity department to ensure proper supply of power.

### 5.12.2 Sewerage works

An expenditure of ₹ 81.42 lakh was incurred on 13 works relating to the Sewerage works during 2010-15 in eight out of 33 test-checked NPs. Sewerage works were not awarded for execution in any of the sampled NPs, though these NPs were lacking of sewerage facilities.

Scrutiny of records in NP, Adari, Mau revealed that a sewer suction machine purchased at a cost of ₹ 7.80 lakh in 2012-13 was lying idle. An additional expenditure of ₹ 2.65 lakh was also incurred in 2014-15 on its maintenance. Thus, a total of ₹ 10.45 lakh spent on sewer suction machine proved unfruitful. On this being pointed out in audit, EO accepted the facts and stated that the machine would be utilised in future.

### 5.12.3 Municipal Solid Waste Management

An expenditure of ₹ 8.57 crore was incurred on 257 works relating to the Municipal solid waste management during 2010-15 by 33 test-checked NPs. Scrutiny of records revealed deficiencies in the execution of works as discussed in the succeeding paragraphs:

#### 5.12.3.1 Incomplete development of dumping sites

Development of dumping sites for the disposal of MSW is one of the basic requirements for the management of MSW. Scrutiny revealed that dumping sites were not available in 21 out of 33 test-checked NPs, due to non-availability of land. Out of 12 NPs which had land for dumping sites, nine NPs incurred an expenditure of ₹ 75.62 lakh during 2010-15 either on purchase of land or on development works for dumping sites (*Appendix 5.13*). However, none of NPs were using their dumping sites. As a result, 1,610 MT per month MSW generated in these 33 NPs continued to be dumped at unauthorised sites in open *viz.* roadsides, lowlands, ponds etc.

(*Appendix 5.14*). On this being pointed out in audit, EOs concerned accepted the findings and stated that due to dispute of the approach road to the sites with the local people, the dumping sites remained unusable.

### 5.12.3.2 Unfruitful expenditure on selection of faulty site

In NP Bakewar, Etawah district, scrutiny of records revealed that a *Kudaghar* and a *dhalao*, adjacent to each other were constructed in 2011-12 near power house along the highway, with an expenditure of ₹ 6.40 lakh<sup>13</sup>. The site was found unsuitable as the 33 KVA line was passing over the *Kudaghar*. As a result, after joint inspection by Executive Engineer, *Vidyut Vitaran Khand* and EO NP Bakewar, the constructed structure was demolished by five feet (June 2015) rendering the site unsuitable for the intended purpose. Thus, due to faulty site selection, ₹ 6.40 lakh spent on construction of the site for disposal of MSW became unfruitful as the structure was found encroached by local people as shown in the picture.



Unused *Kudaghar* and *dhalao* near power-house along the highway in NP-Bakewar, Etawah (27/06/2015)

On this being pointed out in audit, EO stated that misutilisation of fund was due to wrong decision by the then EO.

### 5.12.3.3 Idle equipment

Scrutiny of records of 33 test-checked NPs revealed that eight NPs procured equipments/machines costing ₹ 31.98 lakh relating to four services which were lying idle since purchase (*Appendix 5.15*). Thus, improper planning for procurement of equipments led to under/non-utilisation of equipments by NPs. On this being pointed out in audit, EO concerned accepted the facts and stated that equipments would be utilised in future.

## 5.12.4 Storm Water Drainage

An expenditure of ₹ 12.48 crore was incurred on 338 works relating to Storm water drainage during 2010-15 by 33 test-checked NPs. Scrutiny of records revealed deficiencies in the execution of works, as discussed in the succeeding paragraphs:

### 5.12.4.1 Incomplete drains

As per provisions discussed in paragraph 5.8.2.1 of this report, audit scrutiny revealed that in five out of 33 test-checked NPs, six drains remained

<sup>13</sup> Expenditure on *Kudaghar* ₹ 3.21 lakh and *Dhalao* ₹ 3.19 lakh),

incomplete even after incurring an expenditure of ₹ 25.76 lakh. These drains could not be completed due to various interruptions like existence of religious places, electric poles, transformers in the alignment of drains and encroachment or protest of local people etc. Thus, commencement of work for construction of drains without ensuring availability of land, resulted in unfruitful expenditure of ₹ 25.76 lakh on incomplete drains (*Appendix 5.16*).

On this being pointed out in audit, EOs concerned stated that these drains would be completed and made functional in future.

#### **5.12.4.2 Drains not connected with proper head**

Scrutiny of records of three out of 33 test-checked NPs revealed that seven subsidiary drains amounting to ₹ 32.69 lakh were constructed but could not be connected with the primary drain/water body, due to non-existence of any main drain/water body at the terminating point of the drain, site dispute and improper alignment. Thus, these drains could not be made functional and resulted in unfruitful expenditure of ₹ 32.69 lakh. (*Appendix 5.17*). On this being pointed out in audit, EOs concerned accepted the audit findings and stated that these drains would be made functional by constructing more connecting drains in future.

#### **5.12.4.3 Violation of financial ceiling**

As per GoUP<sup>14</sup> order (October 2012) maximum limit for construction of drain by a NP was decided as ₹ five lakh. Drains costing more than this limit were to be constructed through Construction and Design Services, UP *Jal Nigam*.

Scrutiny of records revealed that seven out of 33 test-checked NPs constructed nine drains exceeding their financial limit and incurred an irregular expenditure of ₹ 1.17 crore (*Appendix 5.18*). On this being pointed out in audit, EOs concerned accepted the fact and stated that adherence to the order would be ensured.

### **5.13 Monitoring**

A High Level Monitoring Committee (HLMC) constituted in July 2010, headed by the Chief Secretary, was responsible for ensuring adherence to the specific conditions in respect of each category of grant.

HLMC was required to meet at least once in a quarter every year. Scrutiny of records of Secretary, Urban Development Department Lucknow revealed that meeting of HLMC was not held regularly. HLMC met only two and three times in 2012-13 and 2014-15 respectively against the norms of minimum four meetings in a year. Against 23 meetings held during 2010-15, minutes of only six meetings were produced to audit which revealed that HLMC instead of reviewing the execution of works and utilisation of grant merely recommended the transfer of grants to ULBs and demanded the UCs from the

<sup>14</sup>G.O. No. 3788/9-5-2012/111 budget/2010 dated 09.10.2012

administrative department. Thus monitoring mechanism was found absent at the State as well as district level.

**Recommendation:** Adequate monitoring should be ensured at all three tiers of Urban Local Bodies.

#### 5.14 Limitations

It is imperative that all the activities and transactions are properly documented and adequately evidenced. However, scrutiny of records revealed that basic records relating to the execution of works such as annual plan, estimate register, work register, asset register and agreement register were either not prepared or prepared improperly in selected NPPs and NPs.

In the absence of proper documentation at ULBs level i.e., due to lack of evidencing, status of achievement of SLBs at the last tier could not be ascertained. It was also not possible to properly verify and ascertain whether the works have been actually executed or otherwise.

#### 5.15 Grievance redressal mechanism

Grievance Redressal mechanism was not put in place in the entire test-checked ULBs. Scrutiny of records at *Jal Sansthan*, Lucknow revealed that though a cell was established, no system for redressal of complaints was put in place. Only a register of complaints was maintained to attend the complaints and disposal shown on same date. It indicates that complaints were actually not being addressed properly. Scrutiny of complaint received in NPP, Bharthana revealed that six complaints regarding re-boring of hand pump were not entered in complaints register.

Similarly, in *Firozabad Nagar Nigam* complaints were not being monitored at all, as no disposal was noted against the complaints entered in the register. Moreover, complaints were not being entered in the complaint register after 2013-14.

#### 5.16 Conclusion and Recommendations

- General performance grants were released without fulfilling the preconditions, e.g. laying of CAG's Annual Technical Inspection Report, following National Municipal Accounts Manual, employing fire safety norms etc, as laid down in the Guidelines of FC-XIII.

*(Paragraph 5.6.4)*

**Recommendation:** Conditions for availing of specific grants must be followed stringently.

- Financial management was inadequate, as cases of delayed transfer, diversion of funds, non-crediting of interest were noticed in majority of the test-checked units. Prescribed Double Entry Accounting System could not be fully implemented yet.

*(Paragraph 5.6.10)*

**Recommendation:** Timely submission of Utilisation Certificates should be ensured. Double Entry Accounting System should be introduced in all Urban Local Bodies at the earliest.

- Annual plans were not prepared, however, only work plans were being prepared after receipt of funds, these were also not vetted by the competent authorities.

*(Paragraph 5.7.1)*

**Recommendation:** Plans should be prepared after proper need assessment for effective execution and monitoring.

Execution of works in four services *viz.* Water supply, Sewerage, Solid waste management and Storm water drainage was not ensured according to the benchmarks fixed by the Government.

*(Paragraph 5.8)*

**Recommendation:** Execution of works to achieve Service Level Benchmarks as envisaged in FC-XIII guidelines must be ensured by the Government.

- Monitoring mechanism was found absent at the State as well as at district level.

*(Paragraph 5.13)*

**Recommendation:** Adequate monitoring should be ensured in all the three tiers of Urban Local Bodies.

The matter was reported (September 2015) to the Government; their reply was awaited (December 2015).