

CHAPTER-V

COMPLIANCE AUDIT OF TRANSACTION OF URBAN LOCAL BODIES

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AUDIT ON TRANSACTIONS OF URBAN LOCAL BODIES

5.1 Non completion of project within stipulated time led to loss of second instalment amounting to ₹1.25 crore

Implementation of challenge fund by Gangtok Municipal Corporation (GMC) was characterised by slow pace of work leading to non-completion of project, loss of ₹1.25 crore on second instalment from GOI and deprivation of rehabilitation facilities to 51 vendors who could have been provided with vending stalls to earn their livelihood.

The Ministry of Housing and Urban Poverty Alleviation (MOHUPA), Government of India established (March 2012) 'Challenge Fund' for promoting the innovation and replication of 'Best Practices' in the area of urban poverty alleviation by supporting the Urban Local Bodies (ULBs) to take up proper project within the thematic areas. Human Settlement Management Institute (HSMI) under Housing & Urban Development Corporation Ltd. (HUDCO) was designated as the administrator for operationalisation of the Challenge Fund. The proposals were accordingly invited (February 2013) by HSMI, HUDCO from 40 ULBs including Gangtok Municipal Corporation (GMC).

The GMC submitted (March 2013) the proposal for creation of vendors zone and upgradation of footpath from MG Marg to Denzong Cinema Hall at Gangtok involving a cost of ₹ 250 lakh. The proposal were discussed in the meeting (3 December 2014) of Steering Committee under the chairmanship of Joint Secretary and Mission Director (JNNURM & RAY). Token approval was accorded in consideration that 87 vendors will be rehabilitated by constructing 6ft. X 4 ft. or 6 ft. X 6 ft. shopping kiosks alongwith associated infrastructure to help in improving the informal trade and making it better managed public space.

The GMC submitted (January 2015) Detailed Project Report (DPR) alongwith a Memorandum of Understanding (MoU) with assurance that all suggestions and observation of Steering Committee would be taken care of during execution of project and the project will be completed in time. The MoU inter-alia included that the final instalment shall be claimed before the due date (June 2015). In case of delay, beyond 30th June 2015, GMC will complete the project at its own without asking for any fund from Government of India (GoI) or Challenge Fund.

Based on the MoU and other details, GoI sanctioned the project (28 January 2015) for ₹ 2.50 crore for setting up of vendor zone in Gangtok. The Ministry simultaneously released ₹ 1.25 crore as 1st instalment subject to the conditions that the (i) financial assistance shall be utilised for the purpose for which it has been sanctioned and strictly as per the details given in the proposal; (ii) subsequent installment shall be released after utilisation of 70 per cent of earlier release and submission of utilisation certificates duly supported by audited statement; and (iii) financial assistance shall be utilised within the period of six months from the date of release.

Audit scrutiny revealed (January 2017) that the GMC could not complete the project within the stipulated time (30 June 2015). The project was completed, that too partially, by August 2016, recording a delay of more than a year at a cost of ₹ 1.39 crore. Audit analysis disclosed that none of the three components were completed in full as detailed below:

<i>(₹ in lakh)</i>			
Component	Sanctioned cost	Amount released	Expenditure
Construction of 45 nos. of vending stalls in the open space of Super Market, Gangtok	53.48	26.74	50.05
Construction of 42 no. of vending stalls, ducts, and flower beds along the footpaths from Denzong Cinema Hall to MG Marg	107.67	53.83	47.87
Upgradation and beautification of footpaths from Denzong Cinema Hall to M G Marg	88.85	44.43	41.42
Total	250	125	139.34

The GMC completed construction of 36 vending stalls (out of 45 stalls) in the open space of Super Market, Gangtok at a cost of ₹ 50.05 lakh as against the sanctioned fund of ₹ 26.74 lakh thereby exceeding the sanctioned limit by ₹ 23.31 lakh and less construction of nine stalls. This excess expenditure was met from savings of other two components i.e., construction of 42 vending stalls, ducts and flower beds along the footpath from Denzong Cinema Hall to MG Marg (₹ 5.96 lakh) and upgradation and beautification of footpaths from Denzong Cinema Hall to MG Marg (₹ 3.01 lakh) and partly from Municipal Fund (₹ 14.34 lakh). This excess expenditure on one component and meeting of deficit from other component was against the spirit of the terms of sanction, which stipulated that financial assistance should be utilised strictly as per the details given in the proposal.

Audit observed that as against the project objectives of providing rehabilitation to 87 vendors, only 36 vendors could be provided with stalls for rehabilitation, leading to deprivation of rehabilitation facilities to 51 vendors.

The GMC stated (June 2017) that full completion of the project was not possible as the second instalment was not released by the Ministry. The delay in implementation of project was due to disturbances by the local youth of the area, resistance by the existing shop owners for construction of vendors market along the footpath from Denzong Cinema Hall to M.G. Marg, and excavation of duct along the heavily used footpath, etc.

The reply is not convincing as all these issues should have been factored in before submission of the project and drawing up of MoU which clearly stated that the project would be completed in scheduled time (June 2015) failing which the GMC will complete the project of its own cost without asking for any fund from GoI or Challenge Fund.

Thus, due to slow pace of work by the engineers, inadequate monitoring by the Commissioner and other officers in GMC, full fund made available by the Ministry through first instalment could not be utilised within the stipulated time frame. As a result, GMC could not avail ₹ 1.25 crore on second instalment which could have been utilised for completion of project and providing rehabilitation opportunities to 51 more vendors. The GMC had also not taken suitable initiatives to complete the project with its own fund as agreed to in the MoU and instead left it half done as of March 2017.

5.2 Irregular expenditure of ₹ 1.19 crore from BSUP Funds

The Gangtok Municipal Corporation (GMC) irregularly incurred the Basic Services for Urban Poor (BSUP) Funds of ₹1.19 crore during 2014-16 and adversely affecting the programme objective as identification of target area having substantial population of urban poor was not carried out and perspective plan was not drawn up for integrated development of target area.

The GoI launched (February 2009) the programme 'Basic Services for Urban Poor Fund' with the objectives to provide basic services of water supply and sanitation, improved housing at affordable prices and ensure delivery of social services of education, health and social security to urban poor, secure effective linkages between asset creation and asset management to make it self-sustaining over time. The programme guidelines (para 4) enjoined upon the State Government to ensure adequate investment of funds to fulfil deficiencies in the Basic Services to the Urban Poor.

The State Government (UDHD) notified (July 2011) for creation of 'Basic Services for Urban Poor Fund' in all the Local Bodies and envisaged for appropriate budgetary mechanism to ensure that funds allocated for urban poor get spent on urban poor. The ULBs were also required to submit yearly progress report to the State Government for review. The main thrust of the BSUP was integrated development of slums through projects for providing shelter, basic services and other related civic amenities with a view to provide utilities to the urban poor.

To fulfill the objectives of BSUP, urban poor were to be identified using credible methods, especially those that lead to better targeting and preparing poverty alleviation action plans starting from neighbourhood level to community level to city level. Detailed Project Reports (DPRs) were to be prepared by the implementing agencies for funding under the mission including specific project components viz. health, education, etc. social security etc.

Audit observed that fund of ₹ 1.19 crore was released to GMC during 2015-16 (₹ 60.02 lakh) and 2014-15 (₹ 59.29 lakh). The GMC executed the projects with the fund in almost equal proportion in all the 17 wards. However, the identification of urban poor ward wise as required in the programme guidelines was not done. The poverty alleviation programme was also not kept in perspective by the GMC and therefore no Action Plan in this regard was prepared. Yearly Progress Report to State Government as required in the BSUP guidelines was also not sent by GMC to enable the State Government to review the appropriateness of programme execution. The segregation of nature of works by Audit revealed that the works pertained to payment of rent, construction of footpath, protection wall, drain, manholes, etc. without any perspective plan and without identification of urban poor which was irregular and against the BSUP guidelines.

Thus, the main thrust of BSUP to ensure integrated development of slums by providing basic services to urban poor was not achieved, even after incurring a substantial fund of ₹ 1.19 crore during 2014-16 by GMC.

In reply, the Commissioner, GMC stated (June 2017) that due to meagre fund availability, the Corporation could not prepare Action Plan and assured that the norms and procedure pointed out by Audit would be followed in future by the Corporation in implementation of BSUP.

The Corporation could have utilised the available fund of ₹ 1.19 crore during 2014-16 in self-sustaining assets rather than on scattered activities to ensure integrated development of the targeted area having substantial population of urban poor, which was not done. Thus, the programme objectives of providing integrated development by providing basic services to urban poor was not achieved.

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