

Executive Summary

This Report includes audit findings in two chapters. **Chapter-I** includes ‘Overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies and Urban Development and Housing Department, Government of Rajasthan’ and **Chapter-II** includes seven Compliance Audit observations including audit on Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and audit on Financial and Performance Reporting in Urban Local Bodies (ULBs).

A synopsis of Key findings contained in this report is presented below:

Chapter-I: An Overview of Urban Local Bodies and Urban Development and Housing

As of January 2022, there were 213 ULBs i.e. 10 Municipal Corporations (M Corps), 34 Municipal Councils (MCs) and 169 Municipal Boards (MBs) in Rajasthan. Despite implementation of Rajasthan Municipal Act 2009, several statutory committees were either not constituted (e.g Metropolitan Planning Committee for Jaipur Jodhpur and Kota) or were not functioning effectively. District Planning Committees (DPC) did not meet regularly and there was a shortfall of one to four meetings every year. Moreover, the DPCs in meetings did not take up matters of common interest between Panchayats and Municipalities and draft development plans were not prepared in accordance with the codal provisions. Further, in the absence of Metropolitan Planning Committees the people of the metropolitan cities were deprived of the benefits of integrated development of the area.

Departments of Local Self Government and Urban Development and Housing exhibited less than desired sensitivity to audits. Meetings of Audit Committee were to be organized every quarter by the Department. During the year 2020-21 only one meeting of the Audit committee was held. The Director, Local Fund Audit Department, as primary auditor for ULBs audited only 51 units (23.94 *per cent*) out of 213 units of ULBs during 2020-21. It was also noticed that as of 31 March 2021, 68912 paragraphs of 5949 Inspection Reports issued by Director, LFAD were pending for settlement. These observations included 36 embezzlement cases for the period 2016-17 to 2020-21 involving monetary value of ₹ 119.98 lakh.

The State Government constituted (February 2011) State Level Property Tax Board. However, the Board met only once till completion of its tenure in April 2014. Thereafter, the State Government did not reconstitute the Board.

Audit further noticed that 15.49 *per cent* and 15.50 *per cent* Utilisation Certificates were pending against the grants released under V State Finance Commission and XIV Finance Commission respectively which indicated poor utilisation of grants by the implementing agencies and ineffective monitoring by the Director Local Bodies Department.

Due to poor documentation regarding the financial data of the ULBs, audit was unable to arrive at any conclusion on the status of financial management of ULBs. This further reflects the weakness of the Management Information System at Government-level. Further, the Director, LFAD and Director, LSGD could not provide details indicating the number of ULBs who were maintaining the accounts on the Accrual Based (Double Entry) Accounting System, as required in Rajasthan Municipal Accounting Manual (RMAM).

Chapter-II: Compliance Audit Observations

Atal Mission for Rejuvenation and Urban Transformation

Government of India (GoI) launched (June 2015) Atal Mission for Rejuvenation and Urban Transformation (AMRUT) initially for five years and extended it twice (March 2020 and October 2021) up to March 2021 and March 2023.

The main objectives of AMRUT are to (i) ensure that every household has access to a tap with assured supply of water and a sewerage connection; (ii) increase the amenity value of cities by developing greenery and well-maintained open spaces (e.g. parks); and (iii) to reduce pollution by switching to public transport or constructing facilities for non-motorized transport (e.g. walking and cycling).

It was found that out of 93 sanctioned projects with revised eligible cost of ₹ 3142 crore, 41 projects of ₹ 685.38 crore were completed with expenditure of ₹ 700.72 crore. 30 out of 41 projects got delayed by one to 37 months. Remaining 52 projects have not been completed even after incurring an expenditure of ₹ 1712.99 crore and delay of two to 37 months (June 2021). The main reasons for delay in completion of works were selection of sites without clear land title, deficient monitoring of the progress of works and non-release of funds.

Audit noticed that due to non-functioning of the Supervisory Control and Data Acquisition (SCADA) system and improper maintenance of installed equipment, project was not being monitored by SCADA. These instruments became out of service/defective although these equipment were within the operation & maintenance period envisaged in the work order and therefore the contractor was responsible for their timely repair/maintenance. This has resulted in unfruitful expenditure of ₹ 4.85 crore as no benefits were achieved from the SCADA system.

Instance like violation of guidelines and technical approvals of SLTC due to charging price escalation claims of ₹ 5.93 crore to AMRUT funds; payment of ₹ 10.71 crore to contractors by the Municipal Corporation and RUDSICO without certifying the beneficiary details; undue benefit to contractors by not deducting Liquidated Damages of ₹ 23.49 crore from bills of contractors, were

noticed. Further, the work of drainage construction (Nehru Park to Jojari River, Jodhpur) remained incomplete even after 19 months due to non-receipt of clearances and site hurdles. Due to non-completion of work, expenditure of ₹ 11.45 crore incurred on incomplete drainage proved unfruitful.

Financial and Performance Reporting in Urban Local Bodies

With infusion of huge amounts of public money and devolution of important civic functions to the ULBs, timely Financial and Performance Reporting with adequate accuracy is necessary to satisfy the need of accountability of the ULBs. This is also necessary to provide a window to stakeholders for ensuring working of ULBs in the right direction and with expected effectiveness.

Audit noticed that ULBs were neither maintaining the Accounts as per requirements of RMAM, nor the same were being prepared in time. The certification of the Financial Statements was not being done in accordance with the codal requirement. There was no system in place to monitor financial and performance reporting by the ULBs at the Government level. The information/data on financial and performance reporting was also not being uploaded in public domain to provide easy access to the stakeholders. Thus, the system of financial and performance reporting by ULBs was far from being satisfactory and presented a big scope for improvement.

Individual Audit Observations

- The ULBs irregularly retained both the employees and employer's share of the pension contribution under New Pension Scheme amounting to ₹ 57.53 crore resulting in loss of ₹ 8.19 crore to the concerned employees.
- Non-issuance of demand notice to the successful bidder in the e-auction of Advertisement Boards within the stipulated time period resulted in loss of revenue of ₹ 149.20 lakh to Municipal Corporation, Jaipur.
- Municipal Council Bundi suffered a loss of ₹ 128.20 lakh due to non-deposit of EPF contribution by the contractors. Moreover, the Council utilized the grant of XIV Finance Commission amounting to ₹ 162.85 lakh for purposes other than those specified.
- Urban Improvement Trust, Bikaner failed to recover Labour Cess amounting to ₹ 72.01 lakh.
- There was short recovery of betterment levy by Urban Improvement Trust, Bikaner amounting to ₹ 1.42 crore.

Main recommendations

Chapter-I: An Overview of Urban Local Bodies and Urban Development and Housing

1. *The Government should strengthen the LFAD to cover the pending audits and to conduct audits timely.*
2. *Efforts should be made by LSGD to conduct Audit Committee meetings regularly to settle the pending paragraphs. ULBs should also take prompt action for settlement of pending paras pointed out by AG/LFAD.*
3. *The State Government should comply the recommendations of Finance Commission in true spirit, reconstitute Property Tax Board and make it functional to enable the ULBs to collect property tax efficiently.*
4. *The Urban Local Bodies should take effective steps to strengthen their financial position by focusing on collection of own tax and non-tax revenue to decrease their dependency on grants provided by GoI and State Government.*
5. *DLB should put in place a system to have updated information on receipts and expenditure of ULBs through a report or database.*
6. *ULBs should follow the prescribed accounting system and make sincere efforts for timely finalization/certification of accounts.*
7. *Efforts should be made by UDH for early settlement of the pending paragraphs.*

Chapter-II: Compliance Audit Observations

Atal Mission for Rejuvenation and Urban Transformation

8. *The State Government and nodal agency should ensure effective monitoring and timely completion of projects as per AMRUT Guidelines.*
9. *The State Government and nodal agency should ensure timely release of funds and their economical and efficient utilisation.*
10. *The State Government should fix responsibility for cases where AMRUT funds were used for inadmissible activities.*
11. *The assets created should be properly maintained to yield benefits on a long-term sustainable basis.*

12. *The State Government and nodal agency should ensure availability of complete beneficiary details before releasing payments and should safeguard financial interest of the Government during execution of projects.*
13. *The State Government and nodal agency should monitor the metering issues such as non-installation of meters, installation of non-AMR meters and non-issue of water bills on the basis of metered consumption.*
14. *The State Government and nodal agency should ensure proper utilisation of funds, implementation of GIS system, adequate training and capacity building and timely issuance of completion certificates.*

Financial and Performance Reporting in Urban Local Bodies

15. *The State Government should ensure accurate and timely Financial and Performance Reporting, maintenance of the Accounts as per RMAM requirements, timely certification of the Financial Statements, uploading of information/data in the public domain and compliance of the directions given by the Finance Commissions from time to time.*