CHAPTER-II
Compliance Audit Observations

*This chapter has three major parts. First part deals with findings of Compliance Audit of '**Atal Mission for Rejuvenation and Urban Transformation' (AMRUT)**', a GoI scheme launched in June 2015 with an objective of assured supply of water and a sewerage connection to every household, increasing the amenity value of cities and to reduce pollution by switching to public transport or constructing facilities for non-motorized transport. Second part is about **'Financial and Performance Reporting in Urban Local Bodies'** and finally there are **five individual audit observations** relating to Urban Local Bodies and Urban Development & Housing Department.*

Audit noticed that Physical progress of AMRUT projects and outcome therefrom were not satisfactory due to delay in completion of works and deficient monitoring. There were delays in release of funds to ULBs and projects were sanctioned without linking with funding. Provision of Operation & Maintenance of projects was not included in work orders and payment to contractors was made without certifying the beneficiary details. Water meters procured were not installed to start meter-based billing, sewerage projects remained incomplete and green spaces were not maintained properly to give sustainable benefits. Despite huge expenditure on SCADA system, it was not utlised for effective monitoring. Expenditure on many inadmissible works were charged on Mission funds led into irregular diversion on the mission funds.

Financial and Performance Reporting in Urban Local Bodies was found deficient as the ULBs were neither maintaining the Accounts as per requirements of RMAM nor the certification of the Financial Statements was being done in accordance with the codal requirement. No system was devised 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 the public domain

It was found that ULBs irregularly retained both the employees and employer's share of the pension contribution under New Pension Scheme. Further, instances like non-issuance of demand notice to the successful bidder in the e-auction of Advertisement Boards within the stipulated time period; utilization of grants of XIV Finance Commission for purposes other than those specified and non/short recovery of labour cess and betterment levy, were also noticed.

Local Self Government Department

2.1 Atal Mission for Rejuvenation and Urban Transformation' (AMRUT)

2.1.1 Introduction

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).

The mission also aimed at improving governance through a set of reforms[1] and capacity building. Indicators and standards were prescribed by the Ministry of Urban Development (MoUD) in the form of Service Level Benchmarks (SLBs).

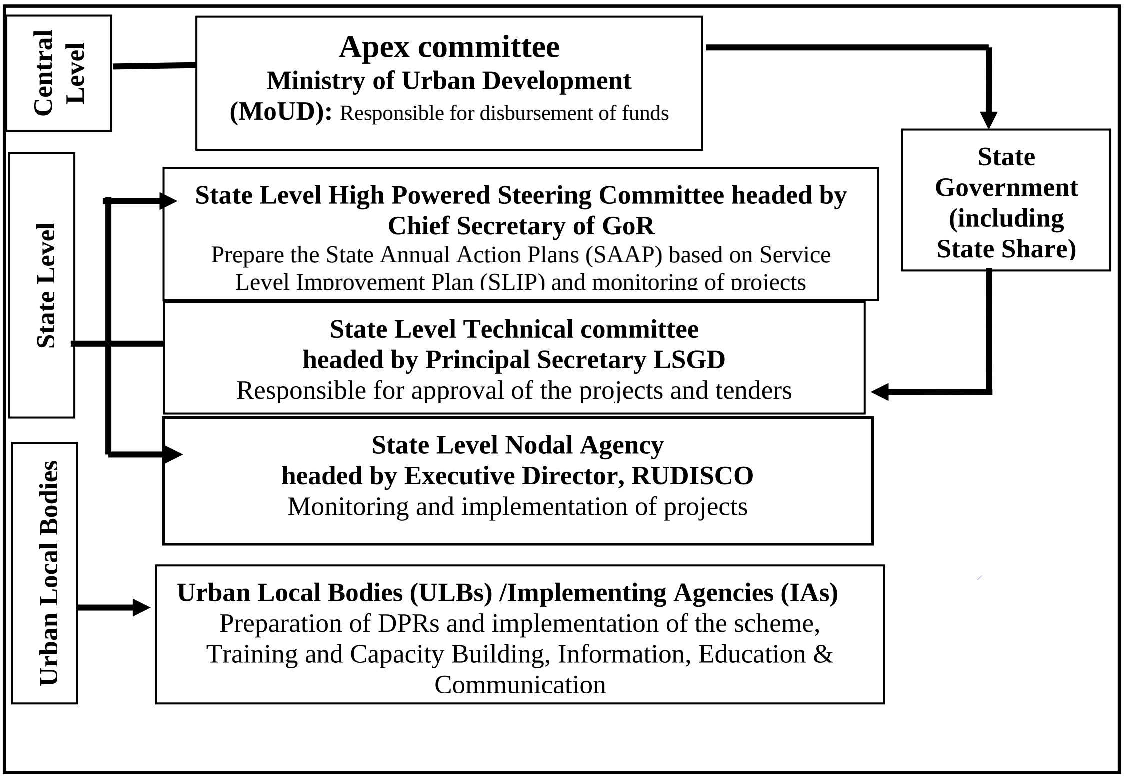
The mission was launched in 500 cities of India, out of which 29 cities were selected in Rajasthan. Local Self Government Department (LSGD) appointed (September 2015) Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited (RUDSICO) as State Level Nodal agency for implementation of AMRUT scheme. As a nodal agency, RUDSICO is responsible for monitoring the AMRUT projects, correspondence with Government authorities and transfer of funds received from GoI and State Government to ULBs. The works under the mission are executed by the Urban Local Bodies (ULBs)/Urban Improvement Trusts (UITs)/Rajasthan Urban Infrastructure Development Project (RUIDP), Public Health Engineering Department[2] (PHED) and parastatals. The AMRUT projects are mainly

1. Such as e-governance, double accounting system, urban planning etc.
2. As per para 8.1 of AMRUT Guideline "Projects were to be executed by ULBs. However, in cases wherein the ULBs do not have adequate capacity to handle projects, the projects can be executed by specialized agencies of the State or Central Governments. Thus, it was decided (April 2016) to implement water supply projects through PHED (State Specialised Agency for water supply projects).

classified as Sewerage projects, Drainage Projects, Green Space Projects, and Water Supply Projects.

2.1.2 Organizational set up

The State Level High Powered Steering Committee (SHPSC) is responsible for planning, implementation and monitoring of AMRUT projects. RUDSICO is functioning as State Level Nodal Agency (SLNA) for AMRUT. ULBs, UITs, PHED and RUIDP are responsible for implementation of projects. An organisational chart combining the State Government administrative machinery with ULBs is given below:



2.1.3 Audit objectives

The audit objectives were to assess whether:

- Proper planning was made in accordance with the project guiding principles;
- Tendering and contract management was fair, transparent, and consistent best practices in the sector;
- Execution of work and utilisation of funds was efficient and effective for achieving the objectives of AMRUT.

2.1.4 Audit Criteria

The audit criteria were derived from the following:

- Guidelines issued by GoI on AMRUT;
- Minutes of meetings of the State Level High Powered Steering Committee (SHPSC)
- Directions and Instructions issued by the State Finance Department at the time of releasing central and state share to implementing agencies;
- Detailed Project Reports (DPR) of selected projects;
- Public Works Financial and Accounts Rules (PWF&AR); RTPP Act and General Financial and Accounts Rules (GF&AR).

2.1.5 Scope and Methodology

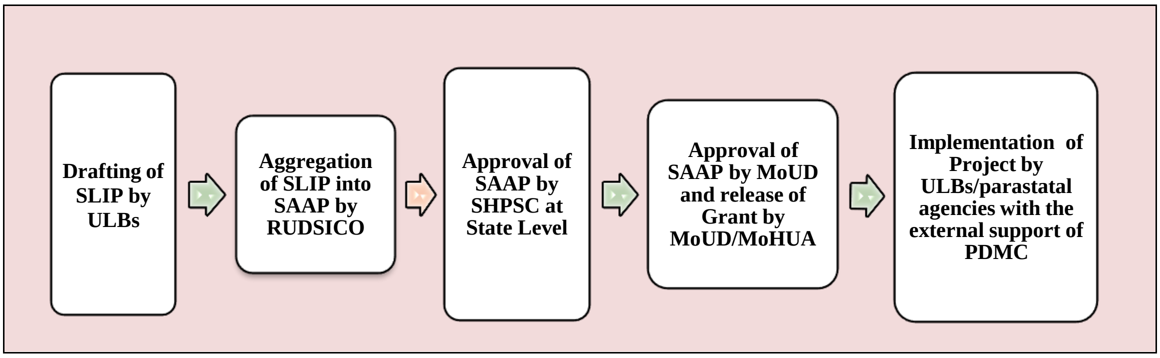
Audit selected eight cities[3] (28 *per cent*) out of 29 cities for detailed review of AMRUT scheme activities covering the period 2015-16 to 2020-21. The sample was selected on random basis using IDEA software. 32 projects[4] out of 93 projects in the scheme were selected for test check. Test check of records was carried out during July 2021 to October 2021 in the office of Director Local Bodies, RUDSICO, ULBs, Jodhpur Development Authority and PHED. To ascertain status and quality of works in selected projects, audit also conducted Joint physical verifications.

2.1.6 Project Management

2.1.6.1 State Annual Action Plan (SAAP)

MoUD/Ministry of Housing and Urban Affairs (MoHUA) provides project fund through State Governments based on State Annual Action Plan (SAAP). The basic building blocks for the SAAP are the Service Level Improvement Plans (SLIPs) prepared by the ULBs. At the State level, the SLIPs of all Mission cities are aggregated into the SAAP.

Process flow chart showing implementation of AMRUT projects



3. Baran, Churu, Jodhpur, Udaipur, Beawar, Bikaner, Jhalawar and Sikar.
4. Drainage (Five projects), Green Space (10 Projects), Sewerage (Nine Projects) and Water supply (Eight Projects).

During the period 2015-20, SHPSC and MoUD approved three SAAPs and total approved project cost was ₹ 3,223.94 crore[5]. Approved cost of contract awarded was ₹ 3,057.94 crore and a sum of ₹ 2,413.70 crore (Up to June 2021) was spent on AMRUT projects in the state. SAAP wise duration and fund details are given in **Table 2.1**.

Table 2.1: Details of SAAP wise duration and funds

(₹ in crore)

SAAP	Duration	Amount	Water Supply	Sewerage	Drainage	Green Space
SAAP-I	2015-16	879.61	313.48	548.51	00	17.62
SAAP-II	2016-17	1033.50	232.35	773.25	11.50	16.40
SAAP-III	2017-20	1144.83	382.87	709.01	30.80	22.15
Total		**3057.94**	**928.70**	**2030.77**	**42.30**	**56.17**

Source: Information provided by RUDSICO

In addition to SAAP funds, ₹ 89.15 crore and ₹ 57.65 crore were also received on account of Incentive for Reforms and Administrative and Office Expenses (A&OE) respectively.

2.1.6.2 Physical progress

Elaborate planning and preparatory framework are necessary to ensure timely completion of projects. Sector-wise break-up of 93 sanctioned projects[6] with sanctioned/eligible project cost, expenditure incurred and status of projects are given in ***Appendix-I (a to d)***. Out of 93 sanctioned projects with revised eligible cost of ₹ 3,142 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 ₹ 1,712.99 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. The cases of delay are discussed in subsequent paragraphs.

RUDSICO (State Level Nodal Agency) accepted (May 2022) the facts and reasons of delay and added that main reason for delay in completion of work was covid-19 pandemic. This is not acceptable as 81 out of 93 projects had scheduled completion dates prior to commencement of the pandemic.

2.1.6.3 Lack of effective monitoring of projects due to discontinuation of Project Development and Management Consultants services during execution of projects

Para 8.3 AMRUT mission guidelines identified factors for the slow implementation of projects such as project design, process of tendering, cost

5. SAAP I- ₹ 919 crore, SAAP II- ₹ 1072.80 crore and SAAP III- ₹ 1232.14 crore.
6. Sewerage Projects: 32 (₹ 2045.15 crore), Water Projects: 24 (₹ 977.85 crore), Drainage Projects: 06 (₹ 68.05 crore) and Green Space Projects: 31 (₹ 50.95 crore).

escalation due to delays and delay in calling and settling tenders and difference in approved cost and cost shown in Detailed Project Reports (DPRs) etc. To overcome these constraints, it was provided in para 8.3 and annexure 8 of AMRUT guidelines that States/ULBs should take the services of external entities which would be called Project Development and Management Consultants (PDMCs). The scope of PDMC under the mission was divided into four broad components namely Planning, Design, Supervision and Project Management. The PDMC was to identify projects on the basis of SLIP framework, and carry out required investigation, design, procurement, and implementation. PDMC was to assess existing levels of coverage of water supply and sewerage and to check the plans to cover the gap. During the process of SAAP, PDMC was to explore the possibility of Public Private Partnership (PPP) and for mid-course correction, engage with citizens to get feedback.

RUDSICO executed (April 2016) a PDMC agreement with M/s Shah Technical Consultants Private Limited at a cost of ₹ 38.29 crore. The agreement period was from 4 April 2016 to 31 March 2020 which was extendable for further period of 12 months on mutual agreement. The contract value was revised (February 2019) to ₹ 29.98 crore and a sum of ₹ 26.77 crore was paid (up to May 2020) to PDMC. The scheduled completion date of the contract was 31 March 2020. However, since some of the AMRUT project works were incomplete, there was a requirement of proper technical assistance and monitoring of projects. Audit observed that decision on the PDMC contract by RUDSICO was based on information related to completion of works (May 2020) which was found to be deficient when ascertained by audit (June 2021) as shown in **Table 2.2.** RUDSICO allowed (June 2020) to extend the contract only up to 21 July 2020 and thereafter it came to an end.

Audit reviewed the actual position of completed works and observed that 32 (34.41 *per cent)* out of 93 projects were completed up to June 2020. Thus, the decision not to extend the contract beyond 21 July 2020 was not prudent. The position of projects as on 30 June 2021, is given in **Table 2.2.**

Table 2.2: Details of AMRUT projects remained incomplete

S. No.	Sector	No. of project approved	No. of Complete works	No. of Incomplete works	Percentage of physical progress as shown at the time of decision to end the contract (May 2020)	Percentage of complete work as on June 2021	
1	Sewerage	32	08	24	79.00	25.00	
2	Water Supply	24	05	19	69.00	20.83	
3	Drainage	06	04	02	39.00	66.67	
4	Green Space	31	24	07	83.00	77.42	
	Total	**93**	**41**	**52**			

Source: Information provided by RUDSICO

Decision to terminate the PDMC contract and self-monitoring of projects was neither judicious nor in line with AMRUT guidelines. This is evident from the facts that only nine projects were completed after expiry of the PDMC contract and this shows that self-monitoring by RUDSICO was not sufficient.

State Government replied (June 2022) that continuous monitoring of projects was being done by ULB & RUDSICO staff in absence of PDMC, quality check was ensured through Independent Review and Monitoring Agency (IRMA[7]) & third party inspections conducted by Govt. Engineering colleges as required. The reply is not acceptable as the fact remains that projects could not be completed even till June 2021 and AMRUT guidelines provide for PDMC supervision till completion of projects. Further, IRMA did not conduct final (eighth) visit till now (June 2022) and no reports with respect to commissioning-trial run-testing stage and post construction stage were submitted.

Recommendation 8: *The State Government and nodal agency should ensure effective monitoring and timely completion of projects as per AMRUT Guidelines.*

2.1.6.4 Non utilisation of SCADA system and lack of online monitoring

Supervisory Control and Data Acquisition (SCADA) is a system that allows organizations to (a) Control processes locally or at remote locations (b) Monitor, gather, and process real-time data (c) Directly interact with devices such as sensors, valves, pumps, motors etc. through human-machine interface (HMI) software and (d) Record events into a log file. SCADA systems help significantly in mitigating downtime.

Audit test checked the SCADA system in eight[8] PHED offices and shortcomings noticed in two PHED offices are given below:

(a) PHED DPR Churu (August 2016) stipulated for establishment of SCADA System. The SCADA System was to: (a) Display status of all the items of the water transfer system (b) Display analogue values on the appropriate graphic screen and (c) Annunciate alarms along with time of occurrence of alarm including details of when the alarm occurred, when it was acknowledged and when it returned to normal.

In Churu City, a Project in favour of a contractor under AMRUT Scheme was awarded at a cost of ₹ 18.15 crore. The work was completed on 15 March 2019. Bill of quantity (BOQ) of this project *inter alia* included SCADA system for control and monitoring of water supply. PHED incurred ₹ 4.85 crore on SCADA system. During joint physical inspection of the system, it was observed that due to non-functioning of the system and improper maintenance of installed equipment, project was not being monitored by

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7. External agency to monitor the mission projects independently.
8. Beawar, Churu and Sikar (Completed projects) and Baran, Bikaner, Udaipur, Jhalawar and Jodhpur (Projects under progress).

SCADA. It was observed that most of the tube wells were not attached with SCADA system and due to this SCADA was showing zero results.

Audit further observed that ₹ 1.62 crore out of ₹ 4.85 crore was related to supply and installation of Remote Terminal Units (RTU)/Programmable Logic Controller (PLC) panel, General Packet Radio Service (GPRS) modem and Battery backup/ Uninterruptible Power Supply (UPS) inverter on nine Elevated Service Reservoir (ESR) and 117 tube wells connected with SCADA. Test check of records revealed that 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 the timely repair/maintenance of the equipment. This has resulted in unfruitful expenditure of ₹ 4.85 crore as no benefits were achieved from the SCADA.

(b) In another joint physical survey of SCADA system at PHED, Beawar *(cost ₹ 2.96 crore for SCADA and automation)* it was observed that SCADA system was not operational.

The observation was communicated (January 2022) to the Government. However, reply is awaited.

2.1.7 Financial Management

2.1.7.1 Fund Management

Para 5.1 of Mission Statement and Guidelines (Guidelines) issued (June 2015) by MoUD stipulated the funding pattern of projects as under:

(in per cent)

Fund Contributor	Cities having population of above 10 lakh	Cities having population up to 10 lakh
Central Government	33.33	50
State Government	Balance funding	Balance funding
ULBs		

Subsequently, in 2nd meeting (May 2016) of SHPSC funding pattern was revised as under:

(in per cent)

Fund Contributor	Cities having population of above 10 lakh	Cities having population up to 10 lakh
Central Government	33.34	50
State Government	33.33	30
ULBs	33.33	20

Para 9.1 and 9.2 (Release of funds) of the Guidelines stipulated that central funds would be released in three instalments of 20:40:40. The first instalment would be released immediately after approval of the SAAP by the National Level Apex Committee (Apex Committee). The second and third instalment would be released quarterly by Apex Committee on receipt of **(i)** Quarterly

Score card **(ii)** Utilization Certificates and **(iii)** Project Funds Request from State Mission Directors.

2.1.7.2 Delay in release of Central Assistance and non-release of State/ULBs share

The Central Assistance (CA) along with State share is required to be released to the account of nodal Mission Director within one month from the date of release of CA. The Mission Director had to ensure timely release of funds to ULBs through electronic mode.

(a) Audit found instances wherein State Government did not release the CA within one month to ULBs as detailed in **Table 2.3**.

Table 2.3: Release of Central Assistance by Central Government and State Government

` **(₹ in crore)**

Eligible Central Assistance (CA)	CA release date to State Government	Date of release of funds by State Government for ULBs	Delay in days (Beyond one month)
91.90	13.11.15	15.02.16	64
105.22	29.06.16	22.08.16	24
111.27	28.04.17	28.07.17	61
268.31	05.09.18	18.10.18	13
150.81	18.12.18	25.02.19	40
143.91	11.06.19	13.09.19	65
100.00	30.06.20	04.09.20	36
193.27	02.07.20	06.01.21	157
293.27	19.11.20	05.03.21	76
1457.96			

Source: Information provided by RUDSICO

It could be seen from above that the State Government released the CA to ULBs with delays ranging between 13 days to 157 days. This hampered timely execution of works under the Mission.

State Government replied (June 2022) that as GOI releases the CA to State, departments submit proposals for release of CA along with State share to the Finance Department. However, fact remained that timelines given in AMRUT guidelines were not adhered to and funds were released with delay.

(b) Further, in the following cases **(Table 2.4)**, State Government failed to release its own share to ULBs along with CA in time:

Table 2.4: Details of eligible State Government Share and its release to ULBs.

(₹ in crore)

Eligible State Government share	CA release date to State Government	Corresponding release date of state share to ULBs	Delay in days (Beyond one month)
55.14	13.11.15	24.06.16	194
63.13	29.06.16	22.08.16	24
66.76	28.04.17	28.07.17	61
160.98	05.09.18	18.10.18	13
90.49	18.12.18	31.03.19	72
86.34	11.06.19	13.09.19	64
134.37	02.07.20	06.01.21	157
217.23	19.11.20	01.04.21	103
874.44			

Source: Information provided by RUDSICO

It could be seen from above that the State Government released its share to ULBs with delay ranging between 13 days to 194 days. The State Government replied (June 2022) that funds were released as per demand of executing agencies. The reply is not tenable as AMRUT guidelines have specifically included the timelines for transfer of funds which was not ensured.

(c) As per fund sharing ratio mentioned above, ULBs had to contribute their share to ensure timely completion of projects. Audit observed that the ULBs were required to contribute ₹ 700.13 crore up to July 2021, against which they contributed only ₹ 92.00 crore out of State Finance Commission (SFC) grant. This was mainly due to poor financial position of the ULBs. Consequently, the completion of the projects got delayed.

State Government in their reply (June 2022) mentioned the efforts being made to arrange the ULBs share through loan.

Recommendation 9: *The State Government and nodal agency should ensure timely release of funds and their economical and efficient utilisation.*

2.1.7.3 Sanctioning of projects without linking with revenue sources

Para 7.5 and Annexure 8 of the Guidelines provided that the SAAP should only contain those projects where complete project cost was linked with revenue sources i.e. external sources such as debt and bonds. During the process of developing the SAAP, the PDMC had to explore the possibility of using Public Private Partnerships (PPP) model which should be the preferred execution model and based on this, States should also explore the possibility of using PPP model with appropriate Service Level Agreements (SLAs) with strong citizen feedback built into it.

Although it was included in PDMC agreement to explore the PPP as preferred execution model, yet the PDMC failed to explore the PPP/ People Public Private Partnership models and all the 93 projects were sanctioned on direct model.

Thus, State/ULBs failed to explore PPP model or to link the projects with revenue sources to ensure timely completion and provision of intended benefits.

State Government replied (June 2022) that no projects were sanctioned on PPP models as no opportunity was found for the same. However, audit observed in scrutiny that efforts were not made to explore PPP models and consequently none of the projects could be sanctioned on PPP model.

Case Study

Non-issuance of Municipal Bonds

Annexure 7 of AMRUT guidelines stipulated to mobilize external resources, improve internal resource generation of the ULBs and to conduct credit rating of ULBs.

MoHUA communicated (October 2020) ULBs about issue of incentive of ₹ 181.33 crore to eight ULBs for FY 2018-19 for raising of funds through issuance of municipal bonds by the ULBs to strengthen their financial capabilities.

It was also communicated that for year 2020-21, incentive to ULBs (Maximum seven numbers on first come first serve basis) at ₹ 13 crore for every issue of ₹ 100 crore of Municipal Bonds, subject to maximum ₹ 26 crore to a ULB would be given.

Review of incentive position of other State ULBs revealed that during 2018-19 eight[9] ULBs successfully raised ₹ 3,390 crore through Municipal Bonds and were awarded incentives.

Lucknow Municipal Corporation (LMC) raised (December 2020) Municipal Bonds of ₹ 200 crore, and became eligible for incentive of ₹ 26 crore. The issue of LMC bonds was over-subscribed and the raised funds were proposed to be used in water supply projects and housing projects under AMRUT scheme.

State Government (April 2017) directed M Corp Jaipur for issue of bonds. However, no efforts were made for issuance of bonds and to avail incentive during FY 2018-19.

Again in 2020-21, M Corp Jaipur was found eligible for issue of Municipal Bonds of ₹ 100 crore. RUDSICO communicated (October 2020/December 2020 and January 2021) M Corp Jaipur to avail this incentive. However, M Corp Jaipur again failed to issue any Municipal Bonds (November 2021). Consequently, it was deprived of availing the incentive of ₹ 13 crore in addition to improving its financial position.

The observation was communicated (January 2022) to Government, however reply is awaited.

2.1.7.4 Irregular charging of price escalation claims of ₹ 5.93 crore on AMRUT Funds

Para 6.5 of guidelines stipulates that no contingencies or cost escalation will be permissible from AMRUT funds. Test check of records revealed that four ULBs irregularly charged price escalation claims to AMRUT funds instead of

9. Ahmedabad, Amravati, Bhopal, Hyderabad, Indore, Pune, Surat and Vishakhapatnam.

bearing the same from ULBs own funds. Details of the same are given in the **Table 2.5**.

Table 2.5: Details of irregular charging of price escalation claims to AMRUT funds

ULBs	Nature of work	Whether cost escalation was included in technical sanction	Cost escalation (₹ in crore)	Other Remarks
Baran	Sewerage Work	No	3.18	**Charged to AMRUT funds**
Churu	Sewerage Work	No	1.27	
Jodhpur	Sewerage Work	No	1.48	
		Total	**5.93**	

Source: Records of ULBs

As shown in the above table, price escalation claims were not included in technical sanctions. Despite this, ULBs charged price escalation claims of ₹ 5.93 crore to AMRUT Funds violating the guidelines and technical approvals of SLTC.

State Government accepted (June 2022), the observation and stated that ULBs would adjust these price escalation claims from their own resources.

2.1.7.5 Charging of inadmissible works of ₹ 1.81 crore to AMRUT Funds

Para 3.1.9 of guidelines stipulated list of inadmissible components (purchase of land for projects or project related works, staff salaries, power, telecom, health, education, wage employment programme etc.). Further, para 6.10 (Conditionalities) stipulated that in AMRUT no projects should be included wherein land was not available, no project work order should be issued if all clearances from all the departments have not been received by that time and cost of land purchase was to be borne by the States/ULBs.

Audit observed instances wherein ULBs/PHED did not comply with the above guidelines and charged inadmissible expenditures to AMRUT funds instead of bearing these expenditures from own funds. Details of same are given in **Table 2.6**.

Table 2.6: Details of inadmissible components under AMRUT Scheme

(₹ in crore)

Project/work	Office	Nature of Inadmissible work	Amount	Other Remarks
Water Supply	PHED Division, Sikar	Tender publishing cost paid to newspapers	0.04	-
		Power Connection	0.48	-
		Road cutting NOC cost paid to Nagar Parishad, Sikar	0.03	-
Water Supply	PHED Division, Baran	Land acquisition	0.11	-
		Construction of circle office building and residential quarters for staff	0.59	-
		Land acquisition for water supply pipeline	0.29	Division office did not take NOC from Railway and GAIL and issued work order

Project/work	Office	Nature of Inadmissible work	Amount	Other Remarks
				against provisions of guidelines.
Water Supply	PHED Division, Jhalawar	Rehabilitation of office & residential building	0.27	-
		Total	**1.81**	

Source: Information provided by ULBs & PHED

This resulted in diversion of funds to other works, affecting the execution of Mission projects.

Recommendation 10: *The State Government should fix responsibility for cases where AMRUT funds were used for inadmissible activities.*

2.1.7.6 Non-adjustment of accrued bank interest

As per revised para 9.5 of AMRUT guideline, the interest earned on CA funds lying unutilised would be accounted separately for flowing back to the projects. The details of interest earned should be taken into account while releasing further instalments of the Central Assistance. Ministry of Finance GoI also issued (June 2021) office memorandum in which it was stated that "the State Nodal Agencies shall ensure that the interest earned from the funds released should be mandatorily remitted to the respective consolidated funds on pro-rata basis in term of rule 230 (8) of GFR 2017. It was also stated that interest computation for the preceding financial year should be made in first week of April each year.

Audit observed that RUDSICO earned ₹ 4.45 crore (up to March 2021) as interest on unutilised CA and the same was to be adjusted in CA instalments. However, RUDSICO did not remit interest to the Government of India.

State Level Nodal Agency replied (February 2022) that pro-rata funds of ₹ 3.06 crore were adjusted out of total funds of ₹ 4.45 crore and the net refundable amount was ₹ 1.39 crore. The reply is not acceptable as funds of ₹ 3.06 crore were related to ULBs, thus, RUDSICO was to refund the full pro-rata share of ₹ 4.45 crore to GoI but same was not refunded.

2.1.8 Sewerage Projects

To develop basic urban infrastructure in mission cities, Sewerage was taken as priority sector under AMRUT mission. It included underground sewerage system, sewage treatment plants, rehabilitation of old sewerage systems and treatment plants. Details of sewerage projects are given in **Table 2.2**.

During test check of records following shortcomings were observed:

2.1.8.1 Non release of targeted sewerage connections

M Corp Jodhpur approved (October 2016) a sewerage line construction work of ₹ 77.30 crore. The work consisted of replacement of 36.15 kms sewer line up to December 2018 with 9,320 domestic sewer connections to benefit 30 percent of the population. Audit noticed that there was delay of seven months in completion of the project and there was wide variation in achievement of outcome from the project. The comparison of the DPR details and actual achievement was as follows:

Table 2.7: Comparison of the DPR details and actual achievement

	As provided in DPR	**Actual at the end of contract**
Length of sever line construction	36.15 km	36.15 km
Cost of the project	₹ 85 crore (₹ 77.30 crore was approved)	₹ 31.17 crore
Connection released at the close of project	9,320	3,450
Coverage of population	30 *per cent*	11 *per cent*
Timeline for completion	December 2018	July 2019

This depicts unrealistic estimation at the time of DPR preparation as well as deficiencies in the execution of the project. Against the estimated benefit to 30 *per cent* population envisaged in the work order, M Corp Jodhpur could extend the benefit to only 11 *per cent* population on completion of the contract.

State Government replied (June 2022) that total length of 36 KM as proposed in the DPR was executed. The reply was silent on non-achievement of intended outcome to benefit 30 *per cent* population.

2.1.8.2 Operation & Maintenance (O&M) works of created assets

To ensure sustainable benefits from the projects, proper Operation and Maintenance (O&M) after creation of assets was essential. Para 7.3 of guidelines stipulated that ULBs did not pay attention to O&M works after creation of assets. It was therefore provided that the projects in the SAAP would include provision for O&M for at least five years which was to be funded by way of user charges or other revenue streams. However, during test check, Audit observed that either O&M provision was not included in work contracts or contractor did not execute the O&M works as per contract terms. Details of these cases are given below:

(a) M Corp Jodhpur issued (between October 2019 to August 2020) work orders for construction of 11 drainages at the cost of ₹ 27.11 crore. However, provision for O&M works was not included in tender documents.

State Government replied (June 2022) that these projects were related to storm water drainage works and not significant to include O&M in project. ULB has their own sanitation team & machineries to execute O&M work of these drains at ULB level. The reply is not tenable as AMRUT guidelines clearly stipulated to include O&M works in tender documents.

(b) M Council Churu issued (July 2017) work order for upgradation of Gajsaar pond at the revised cost of ₹ 4.58 crore. However, provision of O&M works was not included in the tender documents.

State Level Nodal Agency replied (February 2022) that O&M work was not included in tender document because there was no pumping station, gravity flow line, pressure line & machinery operation work. The reply is not tenable as AMRUT guidelines clearly stipulated to include O&M works in the tender documents.

Recommendation 11: *The assets created should be properly maintained to yield benefits on a long-term sustainable basis.*

2.1.8.3 Payment of ₹ 10.71 crore to contractors without certifying the beneficiary details

It was necessary to verify the basic details for the released sewer connections before releasing payments to ensure legitimacy of the claims. However, following deficiencies were noticed:

(a) M.C. Bikaner issued (August 2017) a work order for a sewerage project in favour of a contractor[10] at a total cost of ₹ 139.25 crore out of which ₹ 9.20 crore were related to domestic sewerage connections. The contractor was to release 10,501 domestic sewerage connections against which only 4,266 domestic connections were released and ₹ 2.96 crore was paid to the contractor (March 2021).

Audit observed that before release of payment to the contractor, ULB did not verify the basic details for the released sewer connections such as beneficiary name, contact details, site location, house numbers and signatures of the concerned beneficiary. Bills were paid without verification of these details by site engineer/in charge.

(b) RUDSICO issued (July 2016) work order for sewerage project and Sewerage Treatment Plant (STP) in Sikar in favour of a contractor[11] at a total cost of ₹ 108.36 crore.

Audit observed that contractor constructed 10,237 house sewer connections and ₹ 7.75 crore was paid to the contractor. However, payment was made without ensuring the record/receipt of basic information to support the construction of house sewer connections.

State Government replied (June 2022) that Nagar Parishad Sikar is maintaining the records to support the construction of house sewer connections. The reply was silent on Sewerage Project Bikaner and complete supporting documents were not provided to substantiate maintenance of basic information in case of Sewerage Project Sikar.

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10. M/s Bhugan Infra engineer PVT. LTD- Enviro Infra engineer PVT. Ltd. (JV) Ahmadabad.
11. M/s L&T Chennai.

2.1.8.4 Reuse of treated water

Para 6.8 of AMRUT Guidelines stipulated that States/ULBs should make efforts for water recycling and reuse. As per benchmark, at least 20 percent of the waste water generated in ULBs was to be recycled. DPR of sewerage projects also provided that STP treated water should be reused in agriculture/industry and it could also be used as recovery mechanism for O&M works by sale of treated water.

In test checked nine sewerage projects, five[12] STPs were working. In Udaipur water was treated and reused by Hindustan Zinc Corporation whereas in the remaining four ULBs water was treated but its reuse/recycling was not ensured. Thus, ULBs did not comply with the provisions of AMRUT guidelines/DPRs. In a water scarce state, this was very beneficial which was not given due importance.

State Government replied (June 2022) that some ULBs have treated and reused water and that ULBs will explore the possibilities for reuse of water.

2.1.8.5 Non deduction of Liquidated Damages ₹23.49 crore

Clause 8.9 of General condition of contract (GCC) provided that if the contractor failed to execute the work in prescribed time limits, he would be liable to pay the Liquidated Damages (LD) at prescribed rates subject to maximum 10 per cent of unexecuted work cost.

Audit observed that in the following cases contractors did not complete the works within the scheduled completion period, but LD was not deducted **(Table 2.8)**.

Table 2.8: Details of works and non-deduction of LD

(₹ in crore)

Office	Work	Project cost	Scheduled completion date	Executed work cost (till schedule completion date)	Unexecuted work cost	LD @ 10 *per cent*
M Council Sikar	Sewerage	108.36	31 May 2018	43.91	64.45	6.45
	Sewerage Phase II	72.15	10 May 2020	8.03	64.11	6.41
M Council Beawar	Sewerage	123.42	6 April 2019	73.30	50.12	5.01
M Council Churu	Sewerage	61.11	26 April 2019	34.64	26.47	2.64
M Corp Bikaner	Sewerage	122.78	26 August 2019	92.95	29.83	2.98
			Total	**252.83**	**234.98**	**23.49**

Source: Information provided by ULBs

As seen from the table above ₹ 23.49 crore which was to be deducted as LD from bills of contractors, was not deducted by the ULBs. Thus, undue benefit was extended to the contractors.

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12. Beawar, Bikaner, Jodhpur, Sikar and Udaipur.

State Government accepted (June 2022) the facts and submitted that works were under progress, contractors had not submitted final time extensions, final compensation for delay will be imposed and deducted from final bill of the contractor after approval of final time extension at competent level.

2.1.8.6 Irregular payment of GST

Clause 15.21 (Adjustment for changes in legislation) of AMRUT contract agreement stipulated that if any further tax or levy is imposed by statute and the contractor properly pays such taxes/levies, the contractor should be reimbursed the amount so paid. In this regard, RUDSICO issued (July 2019) instructions for GST claims and directed ULBs to ensure that contractors have submitted the GST differential calculations duly supported with CA Certificate. It was also stipulated that such payments would be made by the ULBs from their own sources.

Audit scrutiny revealed that M Corp Bikaner has paid (March 2019 to October 2020) the differential GST claims of ₹ 6.82 crore to the contractor. However, this payment was made without CA certificate and it was charged to AMRUT fund.

State Level Nodal Agency accepted (February 2022) the fact that payment of GST is not admissible in project cost and submitted that M Corp Bikaner shall adjust these funds from their own source and also collect the CA certificate.

Recommendation 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.*

2.1.9 Water Supply Projects

2.1.9.1 Water supply metering issues

PHED mentioned (August 2016) in AMRUT work DPRs that poor metering failed to motivate the consumer for water conservation and resulted in Non-Revenue Water[13] (NRW) which in turn led to inadequate revenue assessment & realization. This makes the entire operation financially unviable. Therefore, DPRs stipulated that in AMRUT, water supply schemes were to be proposed with scope of reduction in NRW and 100 *per cent* metering with Automated Meter Reading (AMR) meters. In a meeting under the Chairpersonship of PHED Minister, it was decided (September 2015) to replace the non-functional domestic and non-domestic/commercial/bulk-supply/industrial meters with magnetic type Class B meters and AMR meters respectively. Audit observed the following cases related to non-installation of meters, installation of non-AMR meters and non-issue of water bills.

13. It is the water that has been used for supply but could not bring any revenue through billing from the consumers. This is mainly due to leakages and improper metering.

(a) 22 water supply projects costing ₹ 898.70 crore *(actual expenditure ₹ 685.47 crore up to November 2021)* were to be executed by PHED. For water meter replacement achievement was 1,88,776 (54.29 *per cent*) against the target of 3,47,721. Thus, PHED could not achieve the meter replacement targets.

(b) SLTC approved (October 2016) the DPR for Churu PHED water supply project which comprised of installation of 806 AMR meters. However, in BOQ of works, PHED made the provision for installation of 5600 non AMR meters and these meters were installed at a cost of ₹ 0.82 crore. Even after installation of non AMR meters, consumers were billed with flat rate only, resulting in unfruitful expenditure of ₹ 0.82 crore.

(c) Similarly, the DPR for Beawar PHED project did not include installation of non AMR meters. However, in BOQ of works, PHED made the provision for installation of 28,520 non AMR meters at a cost of ₹ 2.42 crore and 22,089 meters were installed by the contractor.

Test check of records revealed that PHED paid ₹ 1.83 crore to contractor for installation of 22089 water meters. However, payment of ₹ 0.97 crore for 11,645 meters was not backed by any supporting document to establish installation. Further, even after installation of meters, consumers were billed at a flat rate only instead of metered consumption. Thus, the basic purpose of installation of meters was defeated and this has resulted in unfruitful expenditure of ₹ 1.83 crore.

(d) Clause 3.16.1 (Payment Terms) of PHED special conditions of contract provided that material should not remain unutilized for more than three months for which payment has been made. Clause 3.22.1 further stipulated that 60 *per cent* payment was to be paid on receipt of material in good condition at site and as per BOQ it was the duty of the contractor to install the meters.

Test check of records of PHED Division-III Bikaner revealed that 26,609 consumer meters were to be installed between 12 February 2018 to 11 February 2020. The contractor procured (December 2019) 12,000 meters and received (October 2020) payment of ₹ 0.79 crore[14]. These meters were to be installed up to 15 January 2021. However, 9,644 meters were installed between April 2021 to September 2021 whereas the remaining 2,356 meters remained uninstalled till September 2021. Audit observed that the contractor procured the meters with delay and failed to install the meters till scheduled completion date but, PHED did not take any action against the contractor.

(e) PHED Jhalawar executed an agreement (April 2017) with the contractor for installation of 13,470 consumer meters with scheduled completion date on 27 April 2019. It was revealed that 3,558 house service connections were released (upto to May 2021) without consumer meters. Delay in installation of consumer meters by 24 months (up to July 2021

[14] 12000 water meters X ₹ 1100/water meter X 60 *per cent*.

excluding three months) has deprived the PHED to collect the actual metered revenue causing revenue loss to PHED.

The observations were communicated (January 2022) to the Government, however their reply is awaited.

Case Study

Installation of water meters in Bhilwara

PHED invited (January 2017) tenders for the work of "Re-organisation of Urban Water Supply System (UWSS)- Bhilwara" on turn-key basis and same was approved (June 2017) in favour of M/s Balaji Construction Company (Contractor) at a cost of ₹ 25.98 crore.

58.22 *per cent* work order cost (₹ 13.46 crore) was against supply and installation of 47,236 meters @ ₹ 2,850/meter but this rate was abnormally higher than the assessed estimated rates of PHED (₹ 1,080/meter).

In the Rate Justification Note, it was put forth (June 2017) that the scope of work included operation and maintenance by the firm for nine years and during this period there were chances of tampering and theft of meters, requiring replacement by the contractor without extra cost. Hence, the offer of bidder seemed reasonable for recommendation.

However, earlier, the Principal Secretary, PHED issued (December 2010) directions for such type of cases where the tenders of lowest bidders were being approved based on overall rates while the rates quoted by the bidders for certain items might be substantially higher than their prevailing market rates. It was instructed that while finalizing such cases, a complete rate analysis comparing the quoted rates with market rates should be carried out and action for approving the overall rates should only be initiated thereafter.

In a similar work ("Re-organisation of UWSS- Beawar") on turnkey basis under AMRUT the rate of ₹ 850 was included (June 2017) for these meters in the turnkey contract. Since the rate awarded (₹ 2,850/meter) in Bhilwara was abnormally higher than that assessed by the PHED (₹ 1,080/meter) and that quoted and awarded (₹ 850/meter) at the same time in Beawar, it was pointed out (September 2019) by audit to State Government for their comments.

The State Government replied (December 2019) that the bidder was to quote one lump sum price for the entire work including O&M and one-year defect liability period and lowest financial responsive offer was the sole criteria for accepting and evaluating tender. PHED considered lump sum rate of contractor and approved it accordingly.

Further audit analysis revealed that Clause 3.22.1 (Payment terms) of Special Conditions of Contract stipulated for 60 *per cent* payment to contractor on receipt of material in good condition, thereby the contractor was to receive ₹ 1710/meter on supply of meters. The contractor supplied (October and November 2018) 35,000 meters and claimed 60 *per cent* payment at

₹ 1,710/meter[15]. PHED made the payment of ₹ 5.99 crore[16] (March 2019) accordingly.

Audit noticed that as per the tax invoices these meters were purchased by contractor at ₹ 700/meter (Excluding GST). This clearly implies that for the meters purchased at ₹ 700/meter, payment at ₹ 1710/meter has been released. Which means that an amount of ₹ 5.99 crore was paid by the PHED for the cost of ₹ 2.89 crore (including GST) incurred by the contractor.

This was in violation of the principles of financial propriety. Further, it may be difficult for the Department to ensure further execution of works under installation, DLP and O&M, when the contractor has already been released payment abnormally exceeding his cost on procurement.

It was reported that during the period of two years contractor installed 30,344 meters (up to March 2021) and balance payment against these meters (₹ 3.46 crore) was also released. Remaining 4,656 meters remained uninstalled. It was found in audit that even in case of 30,344 water meters reported to have been installed, bills were being issued to consumers at flat/fixed rates only, making the installation reporting doubtful/unfruitful.

Image showing unutilised water meters lying in the store (09.09.2021)

It can be seen from above that meter was the key item having 58.22 *per cent* value of total work order. PHED was therefore required to be careful with component wise analysis and payment terms to avoid any such event of releasing payment exceeding the actual cost. Consequent upon absence of proper analysis to ensure its financial interest, PHED made an irregular payment of ₹ 3.10 crore against the meters procured so far (payment exceeding the actual cost). Since no benefit could be derived from this expenditure so far, the entire expenditure of ₹ 9.45 crore has gone unfruitful.

2.1.9.2 Irregular payment of ₹ 0.74 crore

The work order issued (June 2017) for Churu City Project, included O&M of seven years including one year DLP. In para 2.12 of scope of work, duties of

15. 60 *per cent* of ₹ 2850.
16. 35000 meters X ₹ 2850/ meter X 60 *per cent*.

the contractors included the duty to submit daily/weekly/monthly reports for O&M works.

Audit observed that during first two years (16 March 2019 to 15 March 2021) of O&M, PHED paid ₹ 0.74 crore to contractor without receipt of daily/ weekly/monthly reports for O&M works as supporting documents for release of payments. In absence of this, authenticity of payments could not be ensured.

The observation was communicated (January 2022) to Government. However, reply was awaited.

Recommendation 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.*

2.1.10 Drainage Projects

2.1.10.1 Unfruitful expenditure of ₹11.45 crore

Para 6.10 of AMRUT guideline provides that "no project should be included wherein land is not available and no project work order should be issued until all clearances from all the departments are received by that time.

M Corp Jodhpur awarded (December 2018) 6.93 kms drainage construction work at a cost of ₹ 33.20 crore (Nehru Park to Jojari River, Jodhpur). The scheduled completion date of work was 7 January 2020. However, 3.78 kms of (54.55 percent) drainage work was completed (July 2021) and a sum of ₹ 11.45 crore was paid to the contractor. The work remained incomplete even after 19 months and main reasons behind this were non-receipt of clearances from departments (PHED, Jodhpur Discom etc.) and site hurdles such as trees, water pipeline, power line, etc. Due to non-completion of work, expenditure of ₹ 11.45 crore on incomplete drainage proved unfruitful. Further, two drainage projects wherein scope of work was reduced due to non-availability of NOC and public resistance are discussed in paragraph **2.1.13.1.**

Images showing unutilised incomplete drain (23.07.2021)

State Government accepted (June 2022) that 60 *per cent* work of construction of drain is completed and remaining work may be completed by June 2022. The fact remains that drain work was not completed as per envisaged schedule and expenditure on incomplete drain could not bring any benefit till date.

2.1.11 Green Space Projects

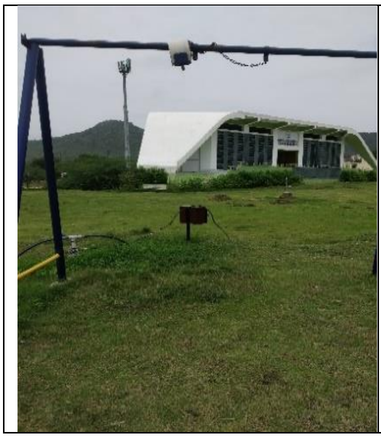
One of the thrust areas under AMRUT Guideline was enhancing amenity value of cities by creating and upgrading green spaces, parks and recreation centers. Development of green spaces and parks was to be done with special provision for child-friendly components. It was also stipulated that ULBs would establish a system for maintenance with local resident participation.

2.1.11.1 MCouncil Baran awarded (June 2019) a work order for development and beautification work at Manihara Talab Park in favour of M/s Baba Sitanath at a cost of ₹ 1.29 crore with scheduled completion date of 09 December 2019. Contractor submitted first running bill of ₹ 0.58 crore and same was paid (October 2020). Thereafter, work remained unexecuted (June 2021) and M Council Baran did not take any action against the contractor for unexecuted work.

State Level Nodal Agency accepted (February 2022) the delay in project and submitted that work will be completed on risk and cost of the contractor within the Mission period.

2.1.11.2 MCorp Udaipur awarded (November 2017) the work of development of Govardhan Sagar City Garden at cost of ₹ 3.03 crore including two years DLP and three years O&M period. The scheduled completion date was 08 December 2018. The work was actually completed on 05 November 2019 at a cost of ₹ 2.77 crore.

Audit observed during joint physical verification that the contractor did not maintain the garden properly during DLP. Water equipments were not in working condition and swings were found broken as shown in images below:



Images showing poor maintenance of installed equipment in garden (04.08.2021)

Further, contractor was to construct a food court with roof top solar plant at the cost of ₹ 0.60 crore. However, contractor executed the work of foundation/ platform only and did not construct the food court including roof top solar plant.

State Level Nodal Agency accepted (February 2022) the fact that during DLP, the garden was not maintained by the contractor. The contract was terminated, penalty of ₹ 0.09 crore was imposed on the contractor and ULB is executing O&M work at its own level. The food court was not constructed due to public resistance.

2.1.12 Reforms

The reform agenda in the mission was spread over a set of 11 reforms to be achieved by the State over a period of four years. These reforms mainly covered offering online services to citizens, achieving at least 90 *per cent* of billing and collection of taxes/user charges, establishing maintenance system for parks and playgrounds and credit rating.

2.1.12.1 Non-providing of basic transport facility despite availability of funds

Urban transport component in the Mission included *inter alia* Buses and Bus Rapid Transit System (BRTS). In Rajasthan four cities (Ajmer, Jodhpur, Jaipur and Udaipur) were covered under this project for procurement of buses.

Audit noticed that Incentive funds[17] of ₹ 9.94 crore[18] released (February 2017) for Urban Transport projects in Jodhpur and Udaipur cities have not been utilized for the last four years. Thus, citizens of Udaipur and Jodhpur cities were deprived of the benefits of improved transport facilities due to inaction of the ULBs to procure buses.

The observation was communicated (January 2022) to Government, reply is awaited.

17. The incentive fund is an additional fund that was provided by the MoUD as incentive for achievement of Reforms.
18. ₹ 6.54 crore (Udaipur) + ₹ 3.40 crore (Jodhpur).

2.1.12.2 Non-utilisation of grants and failure in implementing GIS system

Out of 11 milestones for reforms one reform "preparation of Master Plan using Geographic Information System (GIS)" was included in "Urban Planning and City Level Plans" milestone.

In a meeting of Local Self Government Department (LSGD), it was decided (January 2016) that GIS based master plan should be implemented in three phases (i) seven town in 2015-16 (ii) all AMRUT towns in 2016-17 and (iii) remaining towns during 2017-19. Director Local Bodies requested (February 2016) Department of Information Technology and Communication (DOIT) for execution of GIS mapping in all ULBs. The scope of GIS implementation included entire setup needs and design to enable the initiative. A component of enterprise infrastructure map server was required to host the repository with database in the back end, which would be integrated with unified State-wide Portal Rajdharaa.

Audit observed that MoHUA approved (October 2016) ₹ 8.76 crore[19] for GIS based master plan for all ULBs. MoHUA revised (June 2019) its approval for ₹ 29.27 crore[20] and released (June 2017 and March 2019) ₹ 5.25 crore[21] for this work. Subsequently, GoI released (June 2020) additional grant of ₹ 3.90 crore[22], making the total of the grant release for this work as ₹ 9.15 crore. Audit observed that RUDSICO partially utilised these grants and forwarded (February 2022) utilisation certificates (UC) of ₹ 4.76 crore only out of ₹ 9.15 crore. Thus, RUDSICO failed to ensure AMRUT reforms by implementing the GIS and to integrate the system with State Portal Rajdharaa.

State Level Nodal Agency accepted the facts and replied (February 2022) that the work was in execution and UC of remaining amount would be sent shortly.

2.1.12.3 Training and capacity building

Para 13 (Capacity building) of AMRUT guidelines stipulated that states would take up extensive capacity building activities for their ULBs to achieve urban reforms and implement projects in Mission mode. The Comprehensive Capacity Building Programme (CCBP) would have two components individual and institutional capacity building. Individual capacity building would include several activities[23] and institutional capacity building would be on building the

19. ₹ 5.09 crore (Geospatial Data Creation) + ₹ 3 crore (Master plan formulation using geospatial database) + ₹ 0.67 crore (Capacity Building).
20. ₹ 9.10 crore (Geospatial Data Creation) + ₹ 19.50 crore (Master plan formulation using geospatial database) + ₹ 0.67 crore (Capacity Building).
21. 60 *per cent* of ₹ 8.76 crore.
22. 20 *per cent* of ₹ 19.50 crore.
23. (i) Strategic training plan based on Training Needs Assessment (TNA) (ii) Exposure visits (iii) Workshops, seminars, research studies and documentation (iv) Individual capacity building focusing on coaching and task-related assistance from peers and mentors (v) Visibility, including preparation of Information Education and Communication (IEC).

institutional capacity of ULBs by revision of town planning laws, credit rating of ULBs to issue bonds, integrate all work done in GIS etc.

Audit observed that during 2017-20, ULBs fixed the targets for training of 6,635 persons[24], however, only 1,654 *(24.92 per cent)* persons were trained.

State Government replied (June 2022) that more efforts will be done for compliance of this reform.

2.1.13 Other Issues

2.1.13.1 Reduction in scope of work due to non-availability of land/ sanctions

Para 6.10 of AMRUT guideline provides that "no projects should be included under AMRUT wherein land was not available, and no project work order should be issued until all clearances from all the departments are received by that time.

SHPSC in its seventh meeting reviewed (March 2020) status of projects and observed that 14 projects (including two projects mentioned in ***paragraph 2.1.10.1***) of ₹ 72.52 crore ***(Appendix-II)*** could not be executed as per original scope of work due to land dispute, non-availability of land, non-availability of water, dispute with contractors, lack of clearance from forest department, and public resistance. Curtailment in scope of work due to non-compliance of para 6.10 has resulted in non-achievement of initially envisaged AMRUT targets.

State Government replied (June 2022) that savings are used timely to sanction new projects or included in proposal of house sewer connections of ongoing projects to achieve envisaged targets. However, the fact remains that projects were not completed due to non-compliance of AMRUT guidelines.

2.1.13.2 Non-issuance of completion certificate

Clause 15.9 *(issue of final completion certificate)* of GCC stipulated that the Engineer in charge should issue the final completion certificate (FC certificate) after reviewing all tests on completion and other compliances required under the contract.

During test check audit observed that in the following cases **(Table 2.9)** work was completed but FC certificates were not issued by ULBs:

24. 5,321 elected representatives, 237 Finance Staff, 851 Engineering Staff, 40 Town Planning Department Staff and 186 Administrative Department Staff

Table 2.9: Statement showing details of non-issuance of final completion certificates

ULB	Work	Schedule work completion date	Actual work completion date	Details of issue of FC certificate	Delay in months in issue of FC certificate (Up to August 2021)
M Council Sikar	Sewerage	31 May 2018	30 June 2021	Not issued yet.	02
M Council Beawar	Sewerage	06 April 2019	24 October 2020	Not issued yet.	10
M Council Sikar	Green Space	03 October 2018	01 January 2020	Not issued yet.	20
M Corp Bikaner	Green Space	22 September 2018	10 October 2019	Not issued yet.	22

Source: Information provided by ULBs

In absence of this, satisfactory completion of works could not be ensured.

State Government replied (June 2022) that as per clause 15.9 of GCC it is the duty of the contractor to apply for a final payment certificate and contractors have not applied for the completion certificates in Sikar and Beawar. The fact remains that the ULBs failed to monitor the GCC provisions timely.

Recommendation 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.*

2.2 Financial and Performance Reporting in Urban Local Bodies

Introduction

2.2.1 With the 74th Constitutional Amendment Act (74th CAA) (June 1993), the Urban Local Bodies (ULBs) were given a constitutional status and were empowered to function as Local Self-Governments (LSG) to provide good urban governance. The Twelfth Schedule to the Constitution of India provided a list of functions to be devolved to the ULBs, which were related to day-to-day activities in the urban area. Major share of financial resources of ULBs comprised of grants recommended by the State Finance Commissions (SFC)/Central Finance Commissions (CFC) as detailed below:

Table 2.10: Significance of grants in comparison to total revenue

(₹ in crore)

Grants /Year	2018-19#	2019-20#	2020-21#
Total Revenue	**5,861.93**	**3,151.31**	**3,535.09**
(i) General and special grant	2,743.07	1,354.72	1,789.56
(ii) Grant in lieu of octroi	1,633.63	883.42	940.05
Total of Grants	**4,376.70**	**2,238.14**	**2,729.61**
Percentage of Grants	**74.66**	**71.02**	**77.21**
#Number of ULBs for which the figures pertain for the year2018-19, 2019-20 and 2020-21 not provided by DLB			

Source: Information provided by DLB

It could be seen from **Table 2.10** that the department had the details of grants but not the number of ULBs. However, from the available details of grants, it could be seen that the share of grants in total revenue ranged between 71.02 *per cent* (2019-20) to 77.21 *per cent* (2020-21).

Financial self-sufficiency of ULBs and accountability for financial and operational performance are two attributes of robust and well governed ULBs. Both these aspects rely heavily on accurate and credible financial information. Central and State Government provided huge financial assistance to the activities of ULBs. Thus, accurate financial reporting is very important for all stakeholders. CFCs have also expressed concerns over financial reporting of ULBs.

The XI Finance Commission (XI CFC) had expressed concern over the maintenance of accounts of local bodies and their audit. The Commission recommended (July 2000) that the system of accounting and auditing needed improvement.

Urban Local Government is the tier closest to the citizens and is entrusted with provision of basic civic services. Moreover, ULBs also act as agencies for implementing various national and state level schemes. It is important to have a well laid down framework to assess the performance of these bodies so that the shortcomings may be addressed. Besides being entrusted with supply of 11 services under Rajasthan Guaranteed Delivery of Public Services (RGDPS) Act 2011, ULBs also provide essential services such as fire services, slum improvement & upgradation, urban planning, solid waste management, regulation of slaughterhouses & tanneries, and maintenance of public amenities including street lighting, parking, parks and gardens. Their performance has a direct bearing on the quality of life for ordinary citizens. A reliable performance monitoring and oversight system is therefore a necessity for them.

2.2.2 Scope of Audit

The audit was conducted (November 2021 to February 2022) to evaluate financial and performance reporting in ULBs and it covered the period from April 2018 to March 2021. Audit findings are divided into two parts i.e. (i) Financial Reporting and (ii) Performance Reporting.

2.2.3 Financial Reporting

Financial reporting is the process of documenting and communicating financial information and performance over specific time periods typically on yearly basis. Timely financial reporting is necessary to satisfy the need of accountability to the stakeholders and provide necessary data to assess the financial health of an entity. Audit findings related to financial reporting are discussed in subsequent paragraphs.

2.2.3.1 Legal and regulatory framework

National Municipal Accounts Manual, 2004 (NMAM) for ULBs developed by Government of India was introduced in February 2005 with comprehensive details about the accounting policies, procedures, guidelines designed to ensure correct, complete, and timely recording of municipal transactions and produce accurate and relevant financial reports. In line with this, Government of Rajasthan (GoR) issued (April 2010) Rajasthan Municipal Accounts Manual 2010 (RMAM) which came into force w.e.f. 01 April 2010, under Section 91 of Rajasthan Municipalities Act 2009 (RMA 2009). RMAM stipulated for mandatory accounting on accrual basis in double accounting system by all ULBs.

Regular review of the RMAM would ensure bridging the gaps and keeping the manual relevant and updated. Further, the legal framework (RMA 2009) did not clearly identify the responsibilities for financial reporting and penal provisions against the defaulting ULBs.

State Government replied (May 2022) that RMAM was prepared on the lines of NMAM. However, reply was silent regarding regular review and updating of RMAM**.** The fact remained that RMAM was not reviewed and updated regularly and legal framework did not comprise the responsibilities and penal provisions.

2.2.3.2 Communication of Financial Reporting requirements

Financial reporting requirements were prescribed in RMA and RMAM. Thus, ULBs/preparers of financial reports/reviewers were expected to be aware of the provisions of RMA and RMAM. However, the gaps in financial reporting shows that the awareness was not adequate. Audit observed that DLB did not issue any explicit orders for financial reporting awareness. No analysis was done for shortcomings in financial reports and annual accounts prepared by ULBs and delays in financial reporting to ascertain the reasons for the same. No effort was found on record to indicate that Director Local Bodies (DLB) was proactive in disseminating the financial reporting requirements and ensuring compliance from the ULBs through effective monitoring. Financial statements were not prepared in time in many cases as discussed in subsequent paragraphs.

State Government replied (May 2022) that DLB is making full efforts for accrual-based accounting in ULBs, CA firms were empanelled and State have received the full grant (including performance grant) for the year 2021-22. However, fact remains that annual accounts were prepared with delay and accrual based accounting have not been adopted in all ULBs.

2.2.3.3 Outsourcing and delay in preparation of Financial Statements

Section 92 of RMA 2009 provided that the Chief Municipal Officer (CMO) shall, within three months of the close of a financial year, cause to prepare a financial statement for the preceding financial year in respect of the accounts of the municipality in prescribed manner and forms.

The work of accounting was outsourced (January 2018 and May 2020) to CA firms and even after outsourcing, the accounts were not prepared in time. The shortfall in preparation of annual accounts increased year to year as shown in the **Table 2.11** below:

Table 2.11: Details of shortfall in preparation of annual accounts

Year	Total No. of ULBs	Annual Accounts prepared by ULBs	Short fall	Percentage of Short fall
2018-19	193	157	36	18.65
2019-20	196	97	99	50.51
2020-21	213	52	161	75.59

Source: Information provided by DLB

From above table it could be seen that the shortfall in preparation of annual accounts increased from 18.65 *per cent* (2018-19) to 75.59 *per cent* (2020-21). The accounts in respect of ULBs, which have not prepared the accounts, have already been delayed up to 30 months (January 2022). Test check of records of Municipality Council, Sawai Madhopur, Dausa and Gangapur City revealed that Annual Accounts of for the year 2019-20 and 2020-21 were not prepared (January 2022) for which no reasons were given. There was lack of monitoring from DLB to expedite accounts preparation.

State Government accepted the facts and stated (May 2022) that delay was due to lack of coordination between CA firms and ULBs. However, from the year 2022-23, local engagement of CA firms at ULBs level is under consideration and after approval, the position would improve.

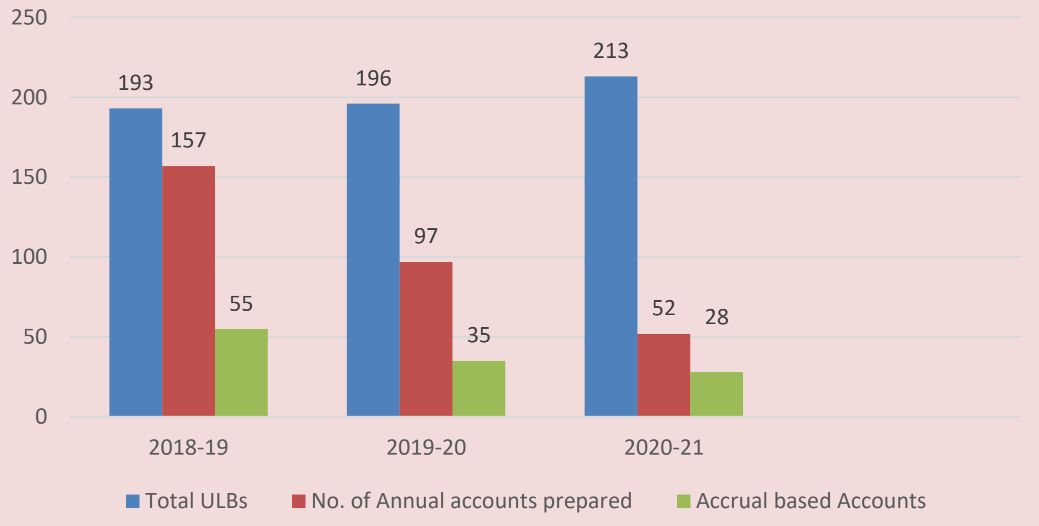
2.2.3.4 Accrual Based Accounting System

Accrual based accounting gives a more accurate view of financial status and preparation of accrual-based accounts provides more information on assets, liabilities, income and expenditure.

XII CFC pointed out (December 2014) several shortcomings in the cash-based accounting system and underlined the need to make the transition to the accrual-based accounting system. RMAM (preface) and XIII/XIV CFC recommendations provided for preparation of accounts by ULBs on accrual basis. The LSGD also directed (December 2009) ULBs to maintain accrual-based accounts from 1 April 2010.

The year-wise position of ULBs maintaining the accounts on Accrual Based Accounting System is given in **Chart 1** below:

Chart 1- Shortfall in preparation of accounts on accrual basis



It could be seen from above that even after directions in RMAM and continuous recommendations by Finance Commissions, all the ULBs did not adopt accrual-based accounts. The shortfall in preparing of accrual-based accounts ranged between 46.15 *per cent* (2020-21) to 64.97 *per cent* (2018-19). The main reasons behind non-adoption of accrual accounting system by ULBs were shortage of accounts personnel, lack of adequate financial training and monitoring by LSGD/DLB.

State Government accepted the facts and stated (May 2022) that department will try to maintain annual accounts on accrual basis in all the ULBs.

2.2.3.5 Empanelment of CA firms for preparation of accounts and audit

For preparation of ULBs accounts and audit, LSGD empanelled CA firms through tendering process and communicated the panel details to ULBs. Thereafter, the ULBs executed contract with CA firms. Deputy Director (Regional) (DDR) was to monitor the progress of work done by the CA firms regularly.

For timely coverage of all ULBs, it was prudent to finalise the panel well before conclusion of FY. Panels for financial year (FY) 2017-18 and 2018-19 and for FY 2019-20 and 2020-21 were finalised by LSGD in January 2018 and May 2020 respectively. Audit observed that tendering process for 2017-19 panel was initiated in September 2017 and panel was finalised in January 2018 whereas tendering process for 2019-21 panel was belatedly initiated in February 2020 and panel was finalised in May 2020 i.e. after completion of FY 2019-20. Additional issues related to preparation of accounts and empanelment of CA firms have been discussed in ***paragraph 2.2.3.6 (c).***

State Government replied (May 2022) that delay was due to time involved in tendering process. The reply is not acceptable as the process of empanelment had to be initiated well in advance so that delays are avoided.

2.2.3.6 Internal Oversight Mechanism and Audit of Financial Statements

Section 94 of RMA provided that the municipal accounts should be examined and audited by the Auditors of Local Fund Audit Department (LFAD) in accordance with the provisions of the Rajasthan Local Fund Audit Act, 1954. The Auditor, or the officer subordinate to him, may report any item of accounts contrary to the provisions of this Act to the Finance Committee (FC) of the Municipality. The FC shall consider the report of the Auditor as early as possible and take prompt action thereon.

(a) Audit by Local Fund Audit Department

Audit reviewed the details of annual accounts audits by Local Fund Audit Department (LFAD) and observed shortfall in audits with increasing trend as it ranged between 53.89 *per cent* (2018-19) to 67.14 *per cent* (2020-21). The details of audit by LFAD are given in **Table 2.12** below:

Table 2.12: Details of LFAD audit and shortfall

Year	Total No. of ULBs	No. of ULBs audited	Shortfall	Shortfall percentage
2018-19	193	89	104	53.89
2019-20	196	76	120	61.22
2020-21	213	70	143	67.14

Source: Data provided by DLB

Further, there were several persistent irregularities pointed out by LFAD related to non-maintenance of Asset Register, non-recovery of house tax/urban development tax and road cutting charges, non-recovery of rent of assets, irregularities in sale of land and non-adjustment of advances etc. No efforts were seen at DLB level to analyse these persistent irregularities and to encourage ULBs to take remedial steps. This defeated the purpose of audit by LFAD when their findings were not given due importance by LSGD or/and ULBs for corrective action.

(b) Certification of accounts of ULBs by LFAD

Section 4 & 5 of the Rajasthan Local Fund Audit Act, 1954 (RLFAA 1954) stipulated about the liability of local authorities to submit their accounts for Audit[25] and manner of accounts to be submitted for Audit[26]. Rule 3 & 4 of the

25. The accounts of any local authority whose accounts are subject to audit under this Act.
26. The Chairman of every local authority, whose accounts are declared under section 4 to be subject to audit under this Act, shall present or cause to be presented for audit all accounts of its local fund.

Rajasthan Local Fund Audit Rules, 1955 (RLFAR 1955) provided that the accounts of the local authorities should be audited by the auditors of the LFAD. Thus, the Director, LFAD is the Primary/Statutory Auditor for audit of accounts of the ULBs. The details of certification of accounts of ULBs by the LFAD in previous three years are given in **Table 2.13** below:

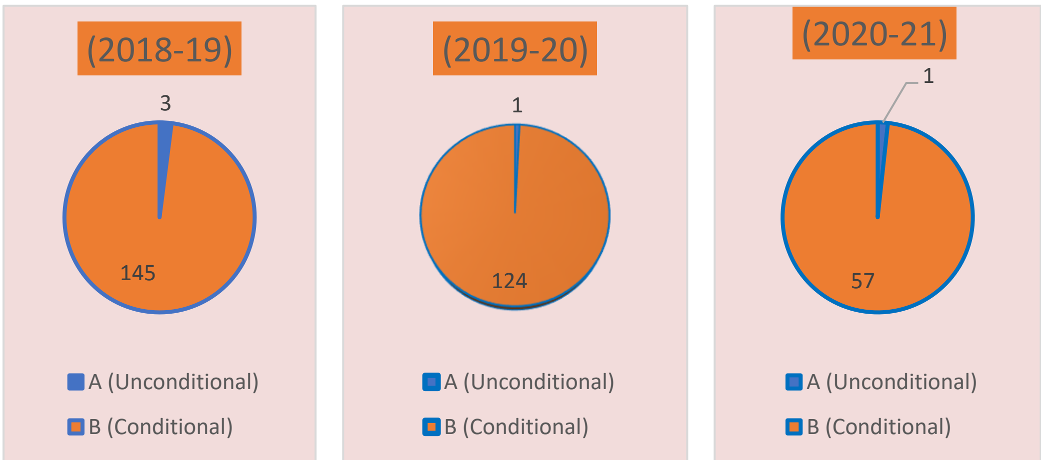
Table 2.13: Shortfall in certification of accounts by LFAD

Year	Number of ULBs	No. of Accounts certified	Shortfall	Percentage of shortfall
2018-19	193	148	45	23.32
2019-20	196	125	71	36.22
2020-21	213	58	155	72.77

Source: Annual report of LFAD

As per circular issued by Finance Department, Government of Rajasthan, (May 2016) in case of maintenance of ledger books, accounts of ULBs will be certified in Form "A" (Unconditional) and in case of non-maintenance of Ledger books it will be in Form "B" (Conditional). Details of conditional and unconditional certificates issued during previous three years are given in **Chart 2** below:

Chart 2: Details of Conditional and unconditional certificates issued by LFAD



It could be seen from above that during 2018-21, out of 331 certificates only 5 (1.51 *per cent*) were unconditional which is indicative of fact that there were deficiencies in preparation of accounts and maintenance of ledger books due to which most of the accounts certificates remained conditional.

It was noticed that the audit teams of LFAD were certifying only the Receipts and Payments of ULBs after relating the same with Budget Estimates, whereas they were supposed to certify the Financial Statements of the ULBs (comprising Income & Expenditure Account, Balance Sheet and Fund Flow Statement). Hence the certification of Financial Statements was not being done by the LFAD to the extent required and their certification was also not linked with the preparation of financial statements. This was found being done by the CA firms. As per the provisions of the RLFAA 1954 and RLFAR 1955 narrated above the LFAD is primary/statutory auditor for auditing accounts of the ULBs and audit by CA firms, cannot replace the role of LFAD. Thus, the certification of accounts of ULBs was not being done in accordance with these provisions. Further review of LFAD audit system revealed (June 2022) that LFAD Audit teams (consisting of one AAO and two Accountants) were certifying the accounts of a ULB in a single day, excepting Municipal Corporations wherein two days were given to a team. This was irrespective of size, nature and working of ULBs. Thus, the time allotted for certification of accounts by LFAD was not based on quantum of work or risk assessment and may lead to improper certification of accounts.

(c) Audit by Chartered Accountants

Audit observed that RMA included the provision of audit of accounts by LFAD only with no provision for audit by CAs. However, DLB issued orders for CA audit of ULBs' Financial Statements which was not in line with the RMA provisions. As per provisions, this statutory responsibility has to be carried out by LFAD only as audit by CAs had no statutory backing. Further observations in this regard are as follows:

(i) Internal Control is an accounting procedure whereby transactions are handled in such a manner that the work of one employee is automatically checked by another for detection of errors and irregularities. Hence, it is prudent that accounts should be prepared and audited by separate entities/CA firms so that chances of mis-presentation of figures in accounts can be minimised.

As discussed in ***paragraphs 2.2.3.4 and 2.2.3.5***, the CA firms were also involved in preparation of annual accounts of ULBs. To regulate the work of CA firms, DLB ordered (January 2018) that preparation of accounts and audit of the same was to be done by the different CA Firms. However, test check of CA reports and Annual Accounts of Jhunjhunu and Kapren ULBs revealed that same CA firms were carrying out the work of preparation of accounts and audit thereof. Thus, two activities with conflicting interest were given to same entity in violation of the DLB orders.

State Government replied (May 2022) that LFAD did not conduct the audit work regularly and there was time lag of three to five years in audit by LFAD and hence provision for audit by CA firms was made. It was further stated that the annual accounts were not prepared and audited by the same CA firm. The reply is incorrect as exhibited in case of Jhunjhunu and Kapren ULBs, where same firm was engaged for preparation and Audit of Accounts. Further, the fact remains that Audit by CAs has no statutory backing and efforts should be made to strengthen Audit by LFAD.

(ii) The year-wise details of CA audit and shortfall are given in **Table 2.14** below:

Table 2.14: Details of CA audit of annual accounts and shortfall in audit

Year	Number. of ULBs	Annual accounts prepared by ULBs	CA Audit completed	Short fall	Short fall percentage
2018-19	193	157	134	23	14.65
2019-20	196	97	39	58	59.79
2020-21	213	52	06	46	88.46

It can be seen from the table above that the audit shortfall increased year by year and it ranged between 14.65 *per cent* (2018-19) to 88.46 *per cent* (2020-21). In absence of the audited accounts, financial reporting cannot be termed as complete.

State Government accepted the facts (May 2022).

(iii) Test check of audited financial statements of ULBs of Jaipur, Ajmer, Udaipur, Dausa and Sawai Madhopur revealed shortcomings related to system for physical verification of fixed assets and maintenance of books of accounts and statements.

State Government accepted and stated (May 2022) that all the ULBs have been directed regarding these deficiencies.

2.2.3.7 Ineffective Municipal Accounting Reforms

Deficient implementation of accounting reforms

(a) Local Self Government Department (LSGD) executed (May 2015) a non-financial Memorandum of Understanding (MoU) for the term up to 31 March 2018 with an NGO namely Janaagraha Centre for Citizenship and Democracy (Janaagraha) for implementing Accounting and Auditing reforms[27] in Rajasthan. The term of MoU was extended (November 2017) up to 31 October 2021. The Janaagraha did not seek any compensation or remuneration as part of this collaboration.

As per MoU, LSGD/ULBs were to provide all necessary support to Janaagraha including financial and operational data and other information that may be required. LSGD was to convene quarterly project review meetings to review progress of activities and milestones for successful implementation of the reforms. LSGD was to take measures to expedite pending activities, continuity of staff at senior levels of Municipal Corporations, clearance of backlog in annual accounts and auditing in various ULBs and endeavour to institutionalise these reforms for long term sustainability. Janaagraha

27. It included performance reporting (to establish a performance MIS framework) and financial reporting (to produce audited annual financial statements on timely basis and publish them as annual reports, clearance of backlog in annual accounts across all ULBs and to undertake certification based skill building of accounting and auditing staff of ULBs).

established the Municipal Financial Reform Cell (MFRC) for supervising Municipal Accounting Reforms in the State.

Audit observed that LSGD/ULBs were lacking in effort to achieve desired results as Management Information System (MIS) formats were not submitted to MFRC and in absence of adequate information, effectiveness of this cell remained limited. Quarterly project review meetings were never conducted and reforms were not institutionalised by way of laws and policies. DLB informed that no trainings were organized under MoU for accounts personnel. Thus, the implementation of accounting reforms such as accrual basis accounting, double entry system, timely submission of accounts and uploading of the accounts on websites remained deficient.

State Government replied (May 2022) that even after training, accounts personnel were not capable to adhere to double entry system. Hence the work of preparation of accounts has been allotted to CAs. No comments were furnished on the MIS and Quarterly Project Review meetings.

(b) Uploading of Audited Accounts in public domain

XV CFC put emphasis (November 2019) for timely availability of audited accounts[28] and considered availability of accounts online, as a critical reform agenda. XV CFC also stressed that each ULB should generate online accounts by taking advantage of Integrated Financial Management Information System (IFMIS)/Public Financial Management System (PFMS).

Audit scrutiny revealed that ULBs did not generate online accounts through IFMIS/PFMS.

ULBs were to upload their accounts on a common platform developed by the Ministry of Housing and Urban Affairs (MoHUA), GoI. MoHUA developed *www.cityfinance.in* as a national portal of standardized, timely and credible financial information of Municipalities. The portal was also meant to facilitate benchmarking, comparison and peer learning among cities through a range of financial indicators. Audit reviewed the status of uploading of accounts of 62 ULBs of Jaipur and Ajmer region on city finance website (April 2022). The findings are detailed in **Table 2.15** which indicate that there is much scope to expedite uploading of accounts.

Table 2.15: Status of financial statements available on City Finance website

S. No.	FS Uploaded up to	Number of ULBs	Name of ULBs
1	Not Uploaded	6	Laxmangarh, Uniyara, Sambhar, Bhiwadi, Udaipurwati, Mahuwa
2	2015-16	12	Chirawa, Bagar, Surajgarh, Ringus, Bandikui, Malpura, Kishangarhbas, Bagru, Lalsot, Tijara, Niwai, Khandela
3	2016-17	15	Behror, Kekri, Nawalgarh, Jahajpur, Mandalgarh, Chaksu, Jobner, Deoli,

28. Separately at the local body level and jointly at the State and all-India level.

S. No.	FS Uploaded up to	Number of ULBs	Name of ULBs
			Todaraisingh, Gangapur, Dausa, Kishangarh (Renwal), Shahpura, Mukundgarh, Parbatsar
4	2017-18	18	Kishangarh, Asind, Beawar, Pushkar, Degana, Fatehpur, Sikar, Vidya Vihar, Kotputli, Viratnagar, Kherthal, Kherli, Bissau, Vijaynagar, Ladnu, Bhilwara, Shahpura (Bhilwara), Nagaur
5	2018-19	5	Mandawa, Mundwa, Khetri, Gulabpura, Alwar
6	2019-20	3	Pilani, Chomu, Ramgarh (Shekhawati)
7	2020-21	3	Neem Ka Thana, Phulera, Merta City
	Total	**62**	

Source: - www.cityfinance.in

(c) Further, LSGD also communicated (February 2022) audit that ULBs were directed to upload audited financial statements on departmental and directorate website[29]. However, audit scrutiny revealed that ULBs did not upload annual accounts on departmental/directorate websites on a regular and timely basis.

Audit reviewed (April 2022) the status of uploading of financial statements on LSGD website in respect of 62 ULBs of Jaipur and Ajmer Region and summary of which is given in table below:

Table 2.16: Status of financial statements available on LSGD website

S. No.	FS uploaded up to	Number of ULBs	Name of ULBs
1.	Not uploaded	02	Pilani, Mahuwa
2.	2014-15	01	Laxmangarh
3.	2015-16	13	Chirawa, Bagar, Surajgarh, Uniyara, Ringus, Behror, Mandawa, Kekri, Sambhar, Kishangarh Renewal, Bandikui, Malpura, Kishangarhbas
4.	2016-17	11	Nawalgarh, Jahajpur, Mandalgarh, Chomu, Chaksu, Jobner, Deoli, Todarai Singh, Asind, Bagru and Gangapur.
5.	2017-18	32	Beawar, Bhiwadi, Ramgarh Shekhawati, Neem ka Thana, Dausa, Kishangarh, Pushkar, Mundwa, Degana, Lalsot, Fatehpur, Sikar, Vidya Vihar, Udaipurwati, Kotputli, Phulera, Viratnagar, Shahpura (Bhilwara), Kherthal, Kherli, Tijara, Bissau, Khetri, Mukundgarh, Vijaynagar, Gulabpura, Ladnu, Merta City, Niwai, Bhilwara, Shahpura, Nagaur
6.	2018-19	02	Alwar, Parbatsar
7.	2019-20	01	Khandela
	Total	**62**	

Source: lsg.urban.rajasthan.gov.in

29 *www.lsg.urban.rajasthan.gov.in*

It could be seen from above that only three out of 62 ULBs have uploaded/updated the financial statements on departments websites after 2017-18 and prior to that only some ULBs and not all were uploading the accounts as detailed above.

(d) Test check (April 2022) of four[30] Municipal Corporations (M Corps) out of 10 M Corps revealed inconsistencies in uploading of annual accounts on M Corps website and department's website. Jodhpur South and Jaipur Greater M Corps uploaded the annual accounts up to the year 2018-19 and 2019-20 respectively on their own websites whereas on department's website latest available accounts for these M Corps were for the year 2017-18.

The remaining two M Corps -Bikaner and Kota uploaded annual accounts up to the year 2015-16 and 2016-17 respectively on their own websites whereas on department's website, accounts were uploaded up to 2017-18. Thus, in all test checked cases there was inconsistency in availability of online accounts at own website and on departmental website.

XV CFC recommended (November 2020) that in order to be eligible for grants the ULBs have to mandatorily prepare and make available the annual accounts of the previous year and the duly audited accounts of the year before previous, online *(in real time basis by 15 May of every subsequent year[31])* in the public domain. In the first and second year of award period (2021-23), States need to ensure that at least 25 *per cent* of the ULBs have online accounts in public domain in order to avail full grants in that year.

It has been further recommended that from the year 2023-24 onwards States will be eligible for grants due to only those ULBs whose provisional accounts of the previous year and audited accounts for the year before previous have been made available online.

Thus, despite continuous emphasis given by finance commissions, ULBs accounts could not be made available online to provide seamless and timely information/data to all stakeholders. This may also lead to delay in receipt of future CFC grants.

State Government stated (May 2022) that unaudited and audited accounts had been uploaded on city finance web site and the departmental website. It was accepted that the web-based server for real time accounting software will be prepared soon. However, the audit found that the ULBs did not upload the audited and unaudited accounts on city finance/departmental website as mentioned above.

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30 Jaipur Greater, Jodhpur South, Bikaner and Kota.

31 For example, the online provisional annual accounts for the year 2020-21 shall be available by 15 May 2021.

2.2.3.8 Placing of Audited Accounts

Section 95 of RMA provided that the CMO should place the audited financial statements and the report of the Auditor and his comments before the Finance Committee which, after the examination thereof, should place them before the Municipality with its comments, if any.

Para 4.2.6 (CAG Report No. 5[32] of the year 2021-Government of Rajasthan) pointed out that in 11 out of 14 test checked ULBs (78.57 *per cent*) Finance Committees were not formed and resultantly financial statements were not placed before finance committees violating the RMA. Audit inquired from DLB about compliance of above RMA provision. The DLB replied that it was only compiling the accounts received from ULBs. Thus, DLB could also not ensure the compliance of this RMA provision.

2.2.3.9 Response to Audit Observations of External Audit by CAG

(a) The Comptroller and Auditor General of India (CAG) conducted audit of ULBs under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and Section 99-A of RMA, 2009, as amended in 2011. Total 891 Inspection Reports containing 7,268 paragraphs (for the period 2002-21) were pending (December 2021) due to delay in compliance of audit observations. This indicates lack of interest and commitment on part of the DLB and ULBs to settle outstanding paragraphs.

State Government accepted and stated (May 2022) that work plan for disposal of outstanding paras is under preparation.

(b) Repeated irregularities pointed out by CAG Audit

Audit reviewed 35 Inspection Reports related to the period 2017-21 which revealed that there were number of shortcomings/irregularities which were common and persistent. The DLB and ULBs did not take any initiation to improve the position. The repeated/common irregularities were: -

(i) Non-recovery of mobile tower rent/fee/registration charges, compensation amount, road cutting charges and marriage garden license/registration charges,

(ii) Non-recovery or short recovery of lease rent and UD tax,

(iii) Non-deposition of land conversion charges to State Government,

(iv) Non-inclusion of buy-back provisions in replacement of ordinary light to LED,

32. Performance Audit on Efficacy of implementation of 74th constitutional amendment act.

(v) Non-maintenance of accrual basis accounting and

(vi) Excess/Extra items execution without getting appropriate sanction.

State Government accepted and stated (May 2022) that for rectification of these irregularities, various service are being made online.

2.2.3.10 Human Resources for financial reporting

Provision of adequate human resources is necessary to ensure timely preparation of financial statements. The position of the number of posts sanctioned and vacancies there against for accounting and financial reporting in 213 ULBs at the end of the year 2020-21, was as under:

Table 2.17: Details of sanctioned and working staff in ULBs

Name of post	Sanctioned posts	Working post	Vacant posts	Shortfall (*per cent)*	Posting through
Revenue Officer -I	30	10	20	66.67	Promotion
Revenue Officer -II	87	63	24	27.59	Direct recruitment
Financial Adviser	05	-	05	100.00	Deputation
Sr. Accounts Officer	05	04	01	20.00	Deputation or Promotion
Accounts Officer	25	03	22	88.00	
Assistant Accounts Officer	38	03	35	92.11	
Jr. Accountant	180	69	111	61.67	
Total	**370**	**152**	**218**	**58.92**	

Source: Information provided by DLB and administrative reports

It could be seen from the table above that:

(i) Against the 370 sanctioned posts of accounts personnel, 218 posts were lying vacant (58.92 *per cent*).

(ii) Key posts such as Financial Advisor, Accounts Officer, Assistant Accounts Officer and Revenue Officer-I had huge vacancies (100 *per cent*, 88.00 *per cent*, 92.11 *per cent* and 66.67 *per cent* respectively).

(iii) The Departmental Promotion Committee (DPC) was not formed since 2018-19 which further delayed promotions and contributed to vacancies in finance related posts.

(iv) 19 ULBs[33] (17 Municipal Boards and 2 Municipal Councils) were functioning without any accounts personnel.

[33] MB Mukundgarh, Surajgarh, Nawalgarh, Bagar, Mandawa, Udaipurwati, Chirawa, Bissau, Pilani, Vidya vihar, Khetri, Rajakheda, Bari, Malpura, Sardar Shahar, Tara Nagar, Nokha, M Council, Dholpur, Bhiwadi.

No training related to accounting and financial reporting was organized during last five years. Further, there was no provision for orientation training to Chief Executives/Finance Heads to give them insight about the financial reporting framework of ULBs.

Thus, in the absence of adequate human resources and trained accounts personnel, the financial reporting and augmentation of revenue was hampered as seen in subsequent paragraphs. This also increased the ULBs' dependency on CA firms for preparation of accounts as ULBs had no capacity of their own to check the quality of accounts.

2.2.4 Performance Reporting

Performance reporting is a measure to report to stakeholders as to how well the organization is performing to meet its objectives. Main activities of ULBs can be classified as **(i)** delivery of services as per RMA and **(ii)** to arrange internal revenues through taxes/duties and **(iii)** acting as implementing agency for State and Central schemes. Audit observations on performance reporting are discussed below:

2.2.4.1 Service delivery system

Rule 3 and 5 of The Rajasthan Guaranteed Delivery of Public Services (RGDPS) Rules 2011 enjoined upon the Designated Officer to provide the service within the prescribed time. Rules were also framed (November 2011) under the Act to lay down the procedure to be followed for obtaining services by the applicant. Currently, RGDPS Act covers 153 services out of which 11 services are related to ULBs *(as detailed in Table 2.16).* Section 4 (1) of RGDPS Act stipulated that the designated officer should provide the services within the prescribed time to the person eligible to obtain the service.

Details of test check of services delivered by 17 ULBs[34] of Sawai Madhopur, Dholpur and Jhunjhunu districts for the period from April 2018 to March 2021, are given in **Table 2.18** given below:

Table 2.18: Details of services delivered under RGDPS Act

Sl. No.	Name of services	Prescribed time	Test checked cases			Remarks,
			Total	Number of cases in which delay found (percentage)	Delay up to (in days)	
1.	Name transfer	15 working days	350	185 (52.86)	7 to 620	-
2.	Refund of earnest money (EM)/security deposit (SD)	EM: One month SD: Three months	4479	777 (17.35)	-	Date of application and refund was not entered. (In Pilani, no records were maintained).

34 Sawai Madhopur & Gangapur City (Sawai Madhopur District), Dholpur, Bari, Rajakhera (In Dholpur District) and Jhunjhunu, Nawalgarh, Chirawa, Pilani, Vidya Vihar, Khetri, Surajgarh, Mandawa, Bagar, Mukundgarh, Bissau and Udaipurwati (In Jhunjhunu District).

Sl. No.	Name of services	Prescribed time	Test checked cases			Remarks,
			Total	Number of cases in which delay found (percentage)	Delay up to (in days)	
3.	Sanction of layout plans of buildings	Various services[35]	647	204 (31.53)	37 to 711	-
4.	Issue of lease exemption certificates	Seven working days	ULBs information was not made available to Audit			
5.	No objection certificates for firefighting and others	(Inspection 15 working days) (Issuing NOC seven days after depositing the fee)	200	53 (26.50)	1 to 420	-
6.	Work related to public health service	Various services having different prescribed time[36]	6285	1910 (30.39)	18 to 1408	In Jhunjhunu, no details of delays were available
7.	Issue of licenses other than food licenses	Issuing: 30 working days Renewal: 15 working days	5	3 (60.00)	-----	Period of delay was not available
8.	Providing copies of documents/building maps	15 working days	746	1 (0.13)	18	
9.	Issue of marriage registration certificates	Seven working days	8404	1163 (13.84)	Period of delay was not available	
10.	Issue of birth/death registration certificates	Seven working days	83997	24479 (29.14)	Period of delay was not available	
11.	Reservation of community centres	Seven working days	ULBs information was not made available to Audit			

Source: Data collected from ULBs of Sawai Madhopur, Jhunjhunu and Dholpur districts

From the **Table 2.18** it can be inferred that:

1. There were delays in service delivery cases and in two services[37], proper information was not made available to Audit. This indicates that records of civic services were not maintained properly by the ULBs.

2. In test checked cases, delay ranged between one to 1408 days. In four services *(i.e. refund of EM/SD, issue of license other than food license, issue of marriage certificate and issue of birth/ death certificate)* details of delay was not available in the ULBs. Thus, in absence of details of delay, audit could not ascertain the reasons/ responsibility about this.

3. Thus, ULBs in these three Districts could not adhere to the timelines prescribed under RGDPS act provisions for delivery of services.

35. (i) Layout plans of buildings: 60 working days (ii) Sub-division of plots: 15 working days and (iii) Land use change: 15 working days.

36. (i) Cleaning of street drains: Seven working days, (ii) Disposal of dead animals: One working day, (iii) Cleaning flood water drains: 15 working days and (iv) Catching of stray animals: Two working days.

37. Issue of lease exemption certificate and reservation of Community Centre.

State Government stated (May 2022) that all the necessary steps have been taken to provide these services through online and these services have also been combined with 'Jan Suchna portal' (a public domain).

2.2.4.2 Monitoring

Section 310 and 311 of RMA stipulated about powers of inspection and supervision by officer/officers appointed or authorized by the State Government. For the aforesaid purpose, DLB prescribed an inspection format, which included issues related to land, organisation, legal cases, vigilance, constructions, accounts wing, contracts, position of outstanding paras and scheme specific issues to monitor the working of ULBs. However, audit scrutiny revealed following shortcomings with respect to inspection work:

(i) During last two years (2020-22), no ULB was inspected by State Government.

(ii) There was no mechanism/arrangement available to measure the physical progress, quality control and monitoring of civil works at Directorate level. Due to lack of such system, the directorate was broadly dependent on utilisation and completion certificates.

(iii) LSGD communicated (January 2022) that there was no departmental performance evaluating standards, no post was sanctioned/authorised for collection of data, review and reporting, no training was given, no separate budget was allocated and directorate did not collect the performance reports from ULBs for performance evaluation of ULBs.

State Government accepted and stated (May 2022) that department is trying for more effective monitoring through IT.

Recommendation 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.*

2.3 Irregular retention of pension contribution under New Pension Scheme

The Urban Local Bodies irregularly retained both the employee and employer's share of the pension contribution under New Pension Scheme amounting to ₹ 57.53 crore resulting in monetary loss of ₹ 8.19 crore to the concerned employees due to failure to invest these contributions in Trustee Banks.

Government of India (GoI) in December 2003, introduced a new Defined Contribution Pension Scheme also referred to as the New Pension Scheme

(NPS). This scheme was applicable to all Government employees except the armed forces, joining Government service on or after 01 January 2004.

Contribution to NPS is mandatory for all Government servants and equals to 10 per cent of Basic Pay plus Dearness Allowance (DA), which is deducted from the salary bill each month. The Government also makes an equal matching contribution. These contributions are required to be remitted to the Trustee Bank under the scheme for investment without any delay so that there is no loss to the employees.

To develop and regulate Pension Funds under NPS, Government established the Pension Fund Regulatory and Development Authority (PFRDA) on 10 October 2003. The PFRDA appointed a Central Record keeping Agency (CRA) to maintain records of contributions and their deployment in various pension fund schemes. The records of the contributions are kept in an account known as Permanent Retirement Account Number (PRAN) for each employee.

Government of Rajasthan (GoR) introduced (January 2004) contributory pension scheme for State Government employees appointed on or after 01 January 2004. As an interim measure, the contributions were required to be deposited in the interest bearing Public Deposit Account. Subsequently, GoR decided (August 2009) to join the NPS introduced by GoI, to transfer the balance in interest bearing PD account against pension contributions and the regular contribution to intermediaries (Trustee Banks).

Directorate, Local Bodies (DLB) issued (October 2012) instructions to Urban Local Bodies to deposit the amount of contributions in respect of employees appointed from January 2004 having PRAN cards in saving bank account with ICICI Bank maintained by DLB for collecting amount centrally and transmitting the same to trustee bank. As PRAN was required for depositing the contributions, DLB issued directions not to deposit the contributions for non-PRAN subscribers.

Test-check (June 2021) of records of DLB revealed that out of 38000 employees recruited during the period from January 2004 to June 2021, PRANs were not generated in case of 2584 employees (6.80 *per cent*). As a result, pension contributions of employees pertaining to the period 2004 to 2021 recovered from employees and the matching Government contribution, amounting to ₹ 85.42 crore were not remitted to the respective subscriber's account of Trustee Bank and kept in saving account with ICICI Bank (₹ 56.49 crore) and as Fixed Deposit (₹ 28.93 crore) in Bank of Baroda. Out of ₹ 85.42 crore, ₹ 40.89 crore was retained for want of PRANs and the balance was retained due to incorrect PRANs and other unreconciled issues. This resulted in not only the irregular retention of the NPS contributions but also in monetary loss to the concerned employees, as their contribution could not be passed on to Trustee Banks for investment.

By considering the available year wise non-PRAN fund (₹ 40.89 crore) details, estimated loss of returns to the employees works out to

₹ 8.19 crore ***(Appendix-III)*** at the rate of 9.85 *per cent*[38]. This shows the lackadaisical approach of the Department that failed to ensure prompt registration of new entrants under NPS for generating PRANs which led to contributions remaining unremitted for prolonged periods.

On being pointed out, State Government stated (December 2021) that an amount of ₹ 27.89 crore has now been remitted to the PRAN accounts of employees.

The fact remains that PRANs were not generated timely and NPS contributions of ₹ 57.53 crore have not been transferred (December 2021) to Trustee Banks for investment leading to a loss of returns estimated at ₹ 8.19 crore to the concerned employees.

2.4 Loss of Revenue in e-auction for Advertisement Boards

Non-issuance of demand notice to the successful bidder in the e-auction of Advertisement Boards within the stipulated period resulted in loss of revenue of ₹ 149.20 lakh to Municipal Corporation, Jaipur.

Municipal Corporation (MCorp) Jaipur issued (January 2018) E-auction NIT for issuing license for 50 Advertisement Boards situated in its area for the year 2018-19. The validity of the license was from February 2018 to January 2019, which could be further extended for next year with an increase of 10 *per cent* in the previous approved rates. As per condition No. 5 of the E-auction, license for advertisement on the boards, was to be issued after depositing 25 *per cent* of total license fee, by the highest bidder and the balance amount along with GST, was to be deposited within 30 days from the date of issue of license.

Test-check (July 2020) of records of MCorp, Jaipur revealed that M/s N.S. Publicity India Private Limited, Jaipur (Bidder) was selected as highest bidder with a license fee of ₹ 71.05 lakh. As per conditions, bidder deposited (January 2018) ₹ 17.76 lakh (25 *per cent* of total license fee) on the day of E-auction. However, MCorp, Jaipur issued (May 2018) license with a delay of three months and advised the bidder to deposit the balance 75 *per cent* amount (₹ 53.29 lakh) within 30 days. The contractor requested (May 2018) MCorp for extending the validity period for one month for construction and installation of advertisement boards. However, the MCorp denied the request by stating that no changes could be made in the conditions of E-auction.

Aggrieved by the decision of MCorp, the bidder submitted (May 2018) representation to Directorate Local Bodies (DLB), Government of Rajasthan for decision on the case. DLB observed that MCorp intentionally delayed the process, there were technical shortcomings in E-auction portal and MCorp did not communicate its decisions timely to bidder. After hearing both the parties,

38. Loss has been computed on the basis of the interest rate of 9.85 *per cent* {annual rate of interest (average returns of the three fund managers viz. LIC, SBI and UTI under Scheme, as taken from the Annual Report of NPS Trust for the year 2017-18)}.

DLB decided (June 2018) that the whole process of E-auction was defective and liable to be cancelled. Accordingly, the DLB rescinded the demand notice issued (May 2018) by the MCorp, Jaipur and directed MCorp for re-invitation of NIT for this work. However, Mcorp did not take any action and no auction was conducted till now (November 2021).

The State Government accepted (February 2022) that DLB rejected the petition of M Corp Jaipur and directed MCorp for re-invitation of NIT and stated that efforts are being made for re-auction of the said advertisement boards.

The fact remains that improper handling of the case by MCorp deprived it of the revenue of ₹ 149.20 lakh[39]. The continuous inaction on the part of the MCorp, Jaipur is resulting in continuous loss of revenue.

2.5 Loss of revenue and utilization of the XIV Finance Commission Grants for the purposes other than specified

Failure of the Municipal Council Bundi to pay EPF dues, the FC grant was seized by EPFO. Municipal Council Bundi suffered a loss of ₹ 128.20 lakh due to non-deposit of EPF contribution by the contractors and utilized the grant of XIV Finance Commission amounting to ₹ 162.85 lakh for other purposes.

(a) Para 30 (2 & 3) of the Employees Provident Funds scheme (EPF Scheme) stipulates in respect of employees employed by or through a contractor that the contractor shall recover the EPF contribution payable by such employee and shall pay the contribution to the principal employer together with an equal amount of employer's contribution. It shall be responsibility of the principal employer to deposit the contributions with EPF Organisation (EPFO). Para 8 A (1) of the EPF Act 1952 stipulates that in case of contractor's failure to deposit the EPF contributions, principal employer may recover the contribution from contractors from any amount payable to the contractor. Para 7A (b) of the Act gives authority to EPFO to determine the moneys due from employers.

Directorate of Local Bodies (DLB), Rajasthan, Jaipur issued directions to Urban Local Bodies (ULBs) about applicability of the provisions of the EPF Act 1952 and to incorporate provident fund provisions in tender documents, from time to time[40].

Test check (July-August 2021) of records of Municipal Council (MC) Bundi, revealed that the Enforcement Officer, EPFO, Regional Office, Kota scrutinized (October 2016) the records in respect of month-wise salary of casual/contractual employees for the period April 2012 to May 2016 and found that MC, Bundi had committed default in respect of certain categories

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39 ₹ 71.05 lakh for the period February 2018 to January 2019 (+) ₹ 78.15 lakh (₹ 71.05 lakh (+) 10 *per cent* increase for next year as per NIT condition) for the period February 2019 to January 2020.

40 December 2015, January 2016, October 2016 and December 2016.

of employees by not depositing EPF contribution of ₹ 128.20 lakh[41]. MC, Bundi submitted (December 2016) that there were only eight contractual employees whereas EPFO computed the dues by considering 263 employees which was not correct. EPFO did not accept the replies of MC Bundi and communicated (November 2017) that MC Bundi has failed to produce relevant/required records before EPFO. After giving opportunities to MC, Bundi (during July 2016 to April 2019) EPFO ordered (June 2019) that MC Bundi had failed to extend the social security benefits to all eligible employees under section 243 Q of Constitution and directed MC Bundi to deposit the dues of ₹ 128.20 lakh within 15 days.

Even after this, MC Bundi did not deposit the dues, EPFO froze (July 2019) the Bank Accounts[42] of MC Bundi and recovered ₹ 128.20 lakh. These funds were meant for various schemes and Finance Commission Grants[43] including ₹ 63.33 lakh from the grant of XIV Finance Commission.

(b) Moreover, as per the Guidelines for release and utilization of grant recommended by the XIV FC for Local Bodies, the Basic Grant was to be used to support and strengthen the delivery of basic civic services of municipalities. The Local Self Government Department, Government of Rajasthan also issued (November 2016) instructions, that the grants as recommended by the XIV FC will be utilized to strengthen the provision of basic services such as sewerage, drainage & solid waste management, water supply, street lights, maintenance of roads, footpaths, parks, grounds, cemeteries and cremation sites.

Test check of records revealed that the XIV FC Grant of ₹ 63.33 lakh was seized by EPFO due to the failure of MC Bundi to pay the EPF dues, as discussed above. Moreover, payment of salaries to sanitation workers amounting to ₹ 99.52 lakh was also made from the XIV FC grant. Thus, a sum of ₹ 162.85 lakh was utilized for the purposes other than those specified.

The State Government while accepting the facts stated (February 2022) that the EPF contributions were not deducted from the salaries of laborers due to lack of information. Further, salaries of sanitation workers were paid from the grant of XIV FC due to non-availability of funds and strike of the sanitation workers and the same will be adjusted when the financial condition of the council become good.

The facts remain that MC Bundi suffered a loss of ₹ 128.20 lakh due to non-deposit of EPF contribution by the contractor and the grant of the XIV FC amounting to ₹ 162.85 lakh was utilized for purposes other than those specified. There was no concrete plan to adjust it back and to counter such

41. 2012-13: ₹ 17.12 lakh, 2013-14: ₹ 32.01 lakh, 2014-15: ₹ 42.94 lakh, 2015-16: ₹ 30.16 lakh and 2016-17: ₹ 5.97 lakh (Total: ₹ 128.20 lakh).
42. State Bank of India, Oriental Bank of Commerce and Personal Deposit.
43. V State Finance Commission Grant (State Bank of India Account No. 51007904715): ₹ 36.90 lakh, XIII Finance Commission Grant (State Bank of India Account No. 51007904715): ₹ 26.13 lakh, MLALAD Scheme (Oriental Bank of Commerce Account No. 12952041000189): ₹ 1.84 lakh and XIV Finance Commission Grant (Personal Deposit Account No. 1592): ₹ 63.33 lakh (Total: ₹ 128.20 lakh).

situation in future that may arise again due to weak financial position of the MC. Further, the funds meant for various developmental works under different schemes were used for payment of EPFO and could not bring any intended outcome.

Urban Development and Housing Department

2.6 Non-recovery of Labour Cess

Urban Improvement Trust, Bikaner failed to recover Labour Cess amounting to ₹ 72.01 lakh.

With a view to provide safety, health and welfare measures to building and other construction workers, Government of India (GoI) enacted Building and other Construction workers Welfare Cess Act, 1996 (Act). Section 3 to 5 of the Act prescribe for (i) levy and collection of cess (ii) furnishing of returns and (iii) assessment of cess. The cess is to be levied at rate not exceeding two per cent but not less than one per cent of the cost of construction incurred by an employer. Every employer has to furnish a return of the cess and the officer or authority shall, by order assess the cess payable by the employer even in the case of non-furnishing of return. According to Rule 3 of Building and Other Construction Workers' Welfare Cess Rules 1998, cost of construction shall include all expenditure (except cost of land and compensation made to workers) incurred by an employer on the construction work. Rule 4 prescribes the time and manner of collection of the cess. Rule 4(4) provides that in cases where the approval of a construction work by a local authority is required, every application for such approval shall be accompanied by a crossed demand draft in favour of the Building and Other Construction Workers' Welfare Board for an amount of cess payable. Provided that if the duration of the project is likely to exceed one year, the demand draft may be for the amount of the cess payable on cost of the construction estimated to be incurred during one year from the date of commencement of work and further payments of cess due shall be made within 30 days on the cost of construction to be incurred during the relevant period.

A circular was issued (June 2010) by the Labour and Employment Department, Government of Rajasthan (GoR) for collection of cess at the rate of one percent construction cost. A circular was also issued (July 2010) subsequently by this department for collection of cess in accordance with the above rules. The Urban Development, Housing and Local Self Government Department had also issued instructions (September 2013 and July 2017) in this regard.

Test check (June 2019) of records of UIT, Bikaner revealed that in the following cases **(Table 2.19)**, the builders were given permission for construction of buildings for various purposes under Rajasthan Building Regulations, 2010 during August 2018 to May 2019, but the cess was not recovered.

Table: 2.19: Details of labour cess not recovered

S.N.	Name of Builder/Owner	Purpose	Total build up area in sq ft	Rate per sq ft (₹)	Total estimated construction cost (₹)	Labour cess leviable @ 1% of Col. 6 (₹)	Labour cess recovered (₹)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Manglam Build Developers	Residential Group Housing	235122.57	1100	258634827	2586348	Nil
2	Arham Realty Pvt. Ltd.	Commercial Multiplex	257927.10	1430	368835753	3688358	Nil
3	Ridhi Sidhi Resorts	Club	45596.27	1595	72726050	727261	Nil
4	Bikaner Real Estate Developers	Residential Flats	85680.26	825	70686215	706862	507468
Total recoverable amount (Cess leviable=7708829 minus cess recovered=507468=72,01,361)							

Thus, UIT Bikaner, failed to recover the cess of ₹ 72.01 lakh in advance before giving permission in accordance with the rules. Subsequently, neither the builders furnished Cess returns nor the UIT assessed the cess on the estimated cost of construction and recovered the same. This resulted in non-recovery of cess of ₹ 72.01 lakh.

2.7 Short recovery of betterment levy

Short recovery of betterment levy by Urban Improvement Trust, Bikaner amounting to ₹ 1.42 crore.

Betterment levy is a form of fee levied on land that has gained in value because of public infrastructure investments. Government of Rajasthan notified (October 2017) Unified Building Bye-laws (UBB). Table-I of Bye-law 8.2 envisages criteria that standard Built-up Area Ratio[44] (BAR) up to 2.0 would be permissible for construction of commercial building in area above 2500 square meter (sqm). As per note below the table, rate of betterment levy (BL) would be 20 *per cent* of commercial reserve price[45] in case of BAR exceeding 2.0.

Test check of records of Urban Improvement Trust (UIT), Bikaner revealed (June 2019) that UIT granted (January 2018) permission in one case for construction of a commercial complex on a land measuring 5,251.70 sqm (i.e. 58,707 sq. ft) situated on the Bikaner-Jaipur Highway. Calculation of BL of ₹ 0.77 crore[46] for the excess BAR was made on the basis of reserve price of a distant area (Ashok Nagar), whereas the BL works out to ₹ 1.81 crore[47] on the

44. BAR is the ratio of total calculable built-up area of a building, divided by area of that plot.
45. As per Rule 12 of Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974, the reserve price is the minimum premium at which plot of commercial land are proposed to be disposed of.
46. Demand raised for betterment levy: ₹ 660x58707x20/100=7749324/- (as per Ashok Nagar).
47. Recoverable betterment levy: ₹ 1540x58707x20/100=18081756/- (as per Jai Narayan Vyas Colony).

basis of reserve price of nearby area (i.e. Jai Narayan Vyas Colony). Out of ₹ 1.81 crore, an amount of ₹ 0.39 crore have been deposited by the applicant. Thus, an amount of ₹ 1.42 crore was short recovered from the applicant.

State Government, in reply (December 2020) stated that distance from Jai Narayan Vyas Colony ranged between 1132 to 4050 metre by road/air route while distance form Ashok Nagar scheme ranged between 832 to 2700 metre by road/air route. Therefore, UIT had applied reserve price of Ashok Nagar residential scheme. The reply was not convincing because the UIT in case of a nearby commercial building[48] recovered betterment levy by applying reserve price fixed for Jai Narayan Vyas colony. Since this commercial building was much nearer (750 meter) than Ashok Nagar (950 meter), in the instant case reserve price of Jai Narayan Vyas Colony was applicable. Hence, an amount of ₹ 1.42 crore was short recovered from the applicant. Further, in absence of clearly defined system for computation of betterment levy, the assessing officer had discretion which may result in undue benefit and unfair practice.

Archana Gurjar

(ARCHANA GURJAR)
Accountant General
(Audit-II), Rajasthan

JAIPUR,
The 8th December 2022

Countersigned

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

NEW DELHI,
The 13th December 2022

48. Multistory building by M/s Peerless Orion situated on the Bikaner-Jaipur Highway.