

CHAPTER 6

Compliance Audit of ULBs, including District Centric Audit

6.1 Introduction

6.1.1 Intent of District Centric Audit

Parliament enacted (December 1992) the 73rd and 74th Constitutional Amendments, strengthening self-governance for rural and urban local bodies, through the addition of two new parts to the Constitution, i.e. Part IX, titled “The Panchayats” (in the 73rd Amendment) and Part IXA, titled “The Municipalities” (in the 74th Amendment).

District Centric Audit (DCA), covering audits of both Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs), was subsequently taken up, during December 2021, with a view to: (i) assessing the growth of individual districts, based on decentralised governance and(ii) enhancing good governance, through strengthening of the audit of local bodies.

6.1.2 Audit Scope and methodology

The findings of District Centric Audit, along with audit findings of the compliance audit of nine⁷⁵ ULBs, conducted during FY 2020-21, have been incorporated in this Chapter. Under the DCA, the relevant records pertaining to delivery of services and financial management of three ULBs each, of the Cuttack⁷⁶ and Sambalpur⁷⁷ districts, were examined. In addition, two Centrally Sponsored Schemes, i.e. the Swachh Bharat Mission (Urban) and the Pradhan Mantri Awas Yojana (Urban), were also covered in DCA, with reference to the relevant Acts/Regulations or other established standards/criteria.

6.2 Financial Management in ULBs

Across all six test-checked ULBs of the Cuttack and Sambalpur districts, the Accounts module of the e-Municipality software⁷⁸, was being used to record financial transactions of ULBs, under the double entry accounting system, since FY2012-13. The module *inter-alia* helps to generate reports relating to the Annual Accounts of the ULBs, on accrual basis. Details of the sources of revenue, grants and loans of the selected ULBs of both districts, are as under:

75 Municipal Corporation: Bhubaneswar, Cuttack and Sambalpur

Municipality: Biramitrapur, Jatni, Rairangpur, Sonapur, Sundargarh and Talcher

76 Cuttack Municipal Corporation, Choudwar Municipality and Athagarh Notified Area Council (NAC)

77 Sambalpur Municipal Corporation, Kuchinda NAC and Rairakhol NAC

78 ‘e-Municipality’, a Government of Odisha project, is a multipurpose state-wide IT application, which aims to centralise all ULBs in the State, under a single window. It has 11 modules (citizen service, revenue collection, Management Information System, etc.) and has been operational since FY 2012-13.

6.2.1 Sources of revenue

Table 6.1: Sources of revenue of the test-checked ULBs of the Sambalpur and Cuttack Districts

(₹ in crore)

District	Financial Year	Tax Revenue (Holding tax & Profession Tax)	Non-Tax revenue	Assigned revenue	Other receipts	Total revenue
Sambalpur	2018-19	4.17	1.10	32.28	2.64	40.19
Cuttack	2018-19	16.65	5.68	62.78	10.22	95.33
Total		20.82	6.78	95.06	12.86	135.52
Sambalpur	2019-20	5.47	1.45	36.61	2.56	46.09
Cuttack	2019-20	43.03	4.40	68.14	11.60	127.17
Total		48.50	5.85	104.75	14.16	173.26
Sambalpur	2020-21	8.58	1.32	41.99	3.62	55.51
Cuttack	2020-21	23.26	4.20	58.82	12.19	98.47
Total		31.84	5.52	100.81	15.81	153.98
Grand Total		101.16	18.15	300.62	42.83	462.76

(Source: information furnished by the test-checked ULBs)

As may be seen from **Table 6.1**, the overall revenue of both districts had gradually increased, year-on-year (except for a decline during FY 2020-21, in case of Cuttack district). However, collections of non-tax revenue declined year-on-year, which was largely attributable to laxity in monitoring of collections.

Table 6.2: Revenue and Capital grants of the test-checked ULBs of the Sambalpur and Cuttack Districts

(₹ in crore)

District	Financial Year	Revenue Grant			Capital Grant					Total
		State Finance Commission	Schemes	Total Revenue Grant	Central Finance Commission	Other Capital Receipts	Loans & Debts	Ways and Means advances ⁷⁹	Total Capital Grants	
Sambalpur	2018-19	11.49	28.41	39.90	30.52	7.34	5.53	0.00	43.39	83.29
Cuttack	2018-19	20.86	88.20	109.06	31.42	3.05	0.32	0.00	34.79	143.85
Total		32.35	116.61	148.96	61.94	10.39	5.85	0.00	78.18	227.14
Sambalpur	2019-20	11.22	36.04	47.26	53.18	6.73	7.19	-0.05	67.05	114.31
Cuttack	2019-20	21.24	112.21	133.45	42.68	29.37	0.33	0.00	72.38	205.83
Total		32.46	148.25	180.71	95.86	36.10	7.52	-0.05	139.43	320.14
Sambalpur	2020-21	21.62	48.93	70.55	54.48	7.98	14.00	0.01	76.47	147.02
Cuttack	2020-21	44.97	179.03	224.00	112.07	11.80	0.45	0.00	124.32	348.32
Total		66.59	227.96	294.55	166.55	19.78	14.45	0.01	200.79	495.34
Grand Total		131.40	492.82	624.22	324.35	66.27	27.82	-0.04	418.40	1,042.62

(Source: Budgets of the test-checked ULBs)

Thus, as of March 2021, the test-checked ULBs had raised loans, amounting to ₹27.82 crore, for delivery of services/creation of assets, during the last three financial years, despite the availability of funds amounting to ₹886.74 crore (as per the actual closing balances of the ULBs, as on March 2021).

⁷⁹ The liability to be paid towards TDS, Cess and Royalty, recovered from contractors

6.2.2 Details of expenditure

Table 6.3: Expenditure of the test-checked ULBs, during FYs 2018-19 to 2020-21
(₹ in crore)

Expenditure of the test-checked ULBs of Sambalpur and Cuttack Districts								
Name of ULB	Financial Year	Establishment and Salaries	Operations and Maintenance	Interest on Loan repayment	Others	Total expenditure (other than capital expenditure and loan repayments) (3+4+5+6)	Capital Expenditure and loan repayments	Total Expenditure (7+8)
1	2	3	4	5	6	7	8	9
Sambalpur	2018-19	31.88	37.32	0.17	0.73	70.10	56.55	126.65
Cuttack	2018-19	86.45	7.07	4.46	1.28	99.26	123.26	222.52
Total		118.33	44.39	4.63	2.01	169.36	179.81	349.17
Sambalpur	2019-20	48.98	37.66	0.58	0.61	87.83	56.58	144.41
Cuttack	2019-20	102.59	7.32	4.53	1.67	116.11	112.34	228.45
Total		151.57	44.98	5.11	2.28	203.94	168.92	372.86
Sambalpur	2020-21	72.01	57.03	1.50	0.47	131.01	72.17	203.18
Cuttack	2020-21	107.36	10.37	5.11	11.98	134.82	146.38	281.20
Total		179.37	67.40	6.61	12.45	265.83	218.55	484.38
Grand Total		449.27	156.77	16.35	16.74	639.13	567.28	1,206.41

(Source: Budgets of the test-checked ULBs)

It is evident from Tables 6.1 and 6.3 that expenditure on establishment and salaries (₹449.27 crore) constituted 97 per cent of the total revenue (i.e. ₹462.76 crore).

6.3 Absence of financial control mechanism in test-checked ULBs

Review of the cashbooks and related records of the test-checked ULBs revealed the following:

6.3.1 Parking of funds in inoperative accounts

Test-check of the bank pass books of the Sambalpur Municipal Corporation (SMC) revealed that, as of November 2021, an amount of ₹8.12 crore had been lying unutilised since FY 2011-12, in the bank accounts of different schemes, although the concerned schemes had already been closed since March 2017. For instance, the 'Integrated Housing and Slum Development Programme' (IHSDP) had a significant amount of ₹8.01 crore in the Bank of India, despite the scheme having been closed on 31 March 2017. Other schemes, such as the Rajiv Awaas Yojana (RAY, closed in May 2015) had an amount of ₹ 11 lakh in the ICICI bank. SMC had not taken any initiative to refund the unutilised amount to the department, contrary to the scheme guidelines/instructions⁸⁰. Similarly, in the test-checked ULBs of Cuttack, ₹ 39 lakh had remained parked in bank accounts, since FY 2018-19. In CMC, amounts, pertaining to the IHSDP scheme, MPLAD, own fund, roads and bridges, tourism and Bali Yatra, etc., were found parked in bank accounts. Reasons for keeping such funds, in inoperative bank accounts, were not

⁸⁰ As per L. No. 15011 dated 11.04.2017 of the Ministry of Housing and Urban Poverty Alleviation, National Building Organisation, GoI, unspent funds, under the IHSDP scheme, were to be refunded.

explained to Audit. The scope of utilisation of these funds was very remote, as the schemes had already been closed. As such, the possibility of diversion/misuse of funds, lying in these inoperative accounts, could not be ruled out.

6.3.2 Property tax/holding tax

6.3.2.1 Non-realisation of holding tax of ₹ 24.91 crore from households

Article 243X of the Constitution of India enables State Legislatures to: (a) authorise a Municipality to levy, collect and appropriate various taxes, duties, tolls and fees, in accordance with prescribed procedures and subject to prescribed limits (b) assign to a Municipality, various taxes, duties, tolls and fees, levied and collected by the State Government, for specified purposes and subject to specified conditions and limits.

Further, Section 192 of the Odisha Municipal Corporation (OMC) Act, 2003, provides that the Corporation shall have the power to levy property tax⁸¹ on land and buildings. Records of 155 wards, in the test-checked ULBs of the Cuttack and Sambalpur districts, relating to Demand, Collection and Balance (DCB) for FYs 2018-19 to 2020-21 were checked in regard to Holding tax⁸². It was revealed that against the total demand of ₹ 139.79 crore, the concerned Corporations had recovered only ₹ 89.21 crore, leaving an outstanding balance of ₹ 24.91 crore for recovery, as of March 2021 (after allowing rebate of ₹ 25.67 crore). District-wise details of outstanding holding tax are given in **Table 6.4**.

Table 6.4: Outstanding balance of holding tax, in the test-checked ULBs, for FYs 2018-19 to 2020-21

<i>(₹ in crore)</i>						
District	No. of wards	No of Households	Demand	Collection	Rebate allowed	Balance
Cuttack	90	1,48,614	115.67	76.49	17.04	22.14
Sambalpur	65	85,459	24.12	12.72	8.63	2.77
Total	155	2,34,073	139.79	89.21	25.67	24.91

(Source: Information furnished by the test-checked ULBs)

There were 2,34,073 households (HHs) assessable to tax, under the jurisdiction of the test-checked ULBs. However, the number of HHs assessed/re-assessed in each financial year was not disclosed to Audit.

6.3.2.2 Non-realisation of Holding Tax from Industrial units and Government institutions

As per Section 133 of the OMA, 1950, property tax, determined on the annual value of any land or building in the Municipal area, including any land or building belonging to the State Government, or the Municipality or any undertaking or public sector corporation under the control of the State Government or the Municipality, shall be levied by Municipality.

⁸¹ Property tax is determined on the annual value of any land or building in a Municipal area. No property tax is, however, levied in Municipal areas in Odisha and only holding tax is levied.

⁸² Tax on holding within a Municipality is assessed on the annual value of the building.

Records of the test-checked ULBs of the Cuttack and Sambalpur districts showed that a significant amount of holding tax, amounting to ₹14.72 crore⁸³, had remained unrealised, from various industrial units and Government institutions, during FYs 2018-19 to 2020-21, as mentioned below.

- Records of the Cuttack Municipal Corporation (CMC) showed that, as of March 2021, demands for holding tax of ₹ 8.97 crore had been issued to Government institutions. No holding tax had, however, been realised from these institutions, since FY 1980-81. Audit observed that the major reason for non-realisation of holding tax of ₹ 6.59 crore from six⁸⁴ such major institutions, was non-pursuance by the CMC authorities, by means of issuing reminders and demand notices.
- Records of the Choudwar Municipality showed that various industrial units and Government establishments had not been paying holding tax since FY 2015-16, following revision of the rates of holding tax. These institutions had filed cases against revision of the rates of holding tax, in various courts of law, as mentioned below.
 - a) The case of M/s Orissa Textile Mill was pending with the Liquidator, in the Hon'ble Odisha High Court.
 - b) The case of Vice President, Indian Metal and Ferro Alloys (IMFA), had been pending in the Court of Collector and District Magistrate (DM), Cuttack, since July 2018. As per direction (July 2018) of the Court of the Collector and DM, Cuttack, the IMFA had to deposit 50 *per cent* of the holding tax demand, for hearing of the case. However, the IMFA did not turn up and the hearing was still pending.
 - c) M/s Ballarpur Industries had filed (2016) a case in the Hon'ble High Court, for stay on holding tax collection. The case had been dismissed on 19 December 2018, with the direction that payment of all kinds of tax levied by the concerned ULB, may be deposited. Laxity of the Executive Officer (EO), in not complying with the direction of the Hon'ble High Court, had rendered the demand of holding tax of ₹13.41 lakh outstanding (as of March 2021).
 - d) M/s Libra Export Ltd. & AI Champadany Industry Limited, represented that they had suspended their activities prior to the imposition of the revised rates of holding tax. A team, comprising of the Assistant Collector, EO and Municipal Engineer, had visited the spot, to assess the situation. The team had reported (February 2020) that the activities of these units had been closed prior to the revision of rates. As of February 2022, however, no decision had been taken, in regard to remission or otherwise of the holding tax imposed on these units.

⁸³ In 2020-21, the holding tax outstanding from Government institution/ industries was: (i) CMC = ₹8.97 crore (ii) SMC= ₹19 lakh (iii) Kuchinda = ₹6 lakh (iv) Choudwar = ₹3.98 crore (v) Athagarh = ₹1.52 crore

⁸⁴ (i) Ravenshaw University (ii) JKBK Govt, College (iii) Ravenshaw Girls High School (iv) Institute of Management and Information Technology (v) Director, Water Land Management Institute, Cuttack and (vi) CDA, Cuttack

The above instances indicate that, in a number of cases, ULBs had not taken adequate steps for realisation of outstanding amounts of holding tax.

6.3.3 Short-realisation of revenue on Trade Licenses

As per Section 123 of the OMC Act 2003, the Recovery Officer⁸⁵ shall be responsible for recovery of Corporation dues, such as tax, penalty and other dues, from persons/institutions liable to pay such dues in accordance with the provisions of the Act and the Rules made there under. The CMC and SMC were collecting fee on trade licenses, as a source of income.

Scrutiny of the DCB registers of both Municipal Corporations, pertaining to trade license fees, for FY 2020-21, showed that these registers had not been properly maintained. Records relating to year-wise assessments and collection of trade license fees had also not been maintained. Further, no financial year-wise targets were being fixed for collection of trade licence fees. Due to improper maintenance of financial year-wise DCB registers, Audit could not ensure the veracity of demand and collection, for the financial years 2018-19 to 2020-21.

Scrutiny of files relating to trade licenses and information furnished to Audit showed that both Municipal Corporations had issued 7,151 trade licenses, up to March 2021. However, they had collected only ₹ 1.21 crore as trade license fees, against the total demand of ₹ 3.34 crore, with license fee of ₹ 2.13 crore remaining outstanding as of March 2021.

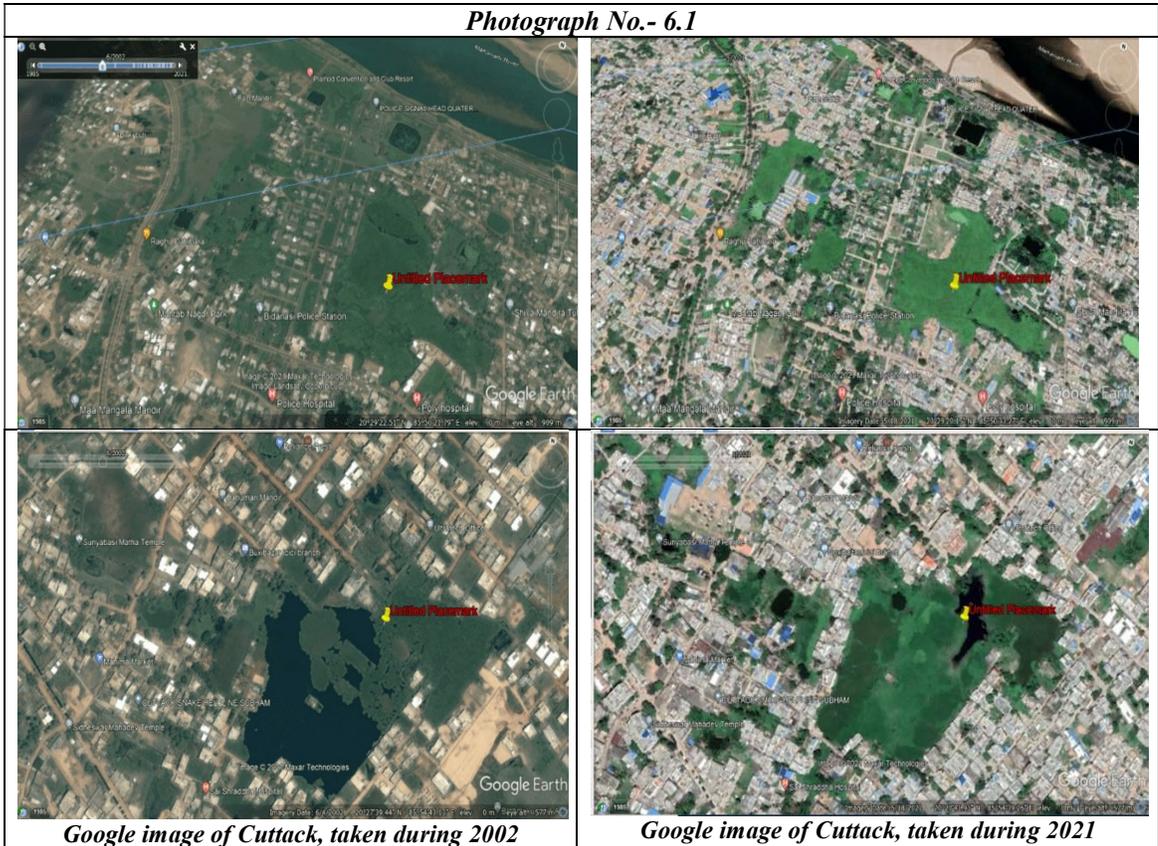
Audit also noted that, although mobile tax squads were functioning under the Recovery Officers, in both the ULBs, for collection of tax and rent, no concrete action, such as issuing demand notices and sealing the business premises, had been taken, to gear up the collection and only 36.22 *per cent* of the total demand had been collected. Thus, insufficient action by the Recovery Officers, as well as poor monitoring and supervision by the ULBs, had led to non-realisation of revenue, amounting to ₹ 2.13 crore (as of March 2021)

6.4 Delivery of Services

Google images of Cuttack and Sambalpur, taken during 2002/2004 and 2021, shown below, indicate the congestion that has taken place in these two cities, over the decade.

⁸⁵ The 'Recovery Officer' is responsible for recovery of all dues, such as tax, penalty and other dues of the Corporation, from the persons/institutions liable to pay the same.

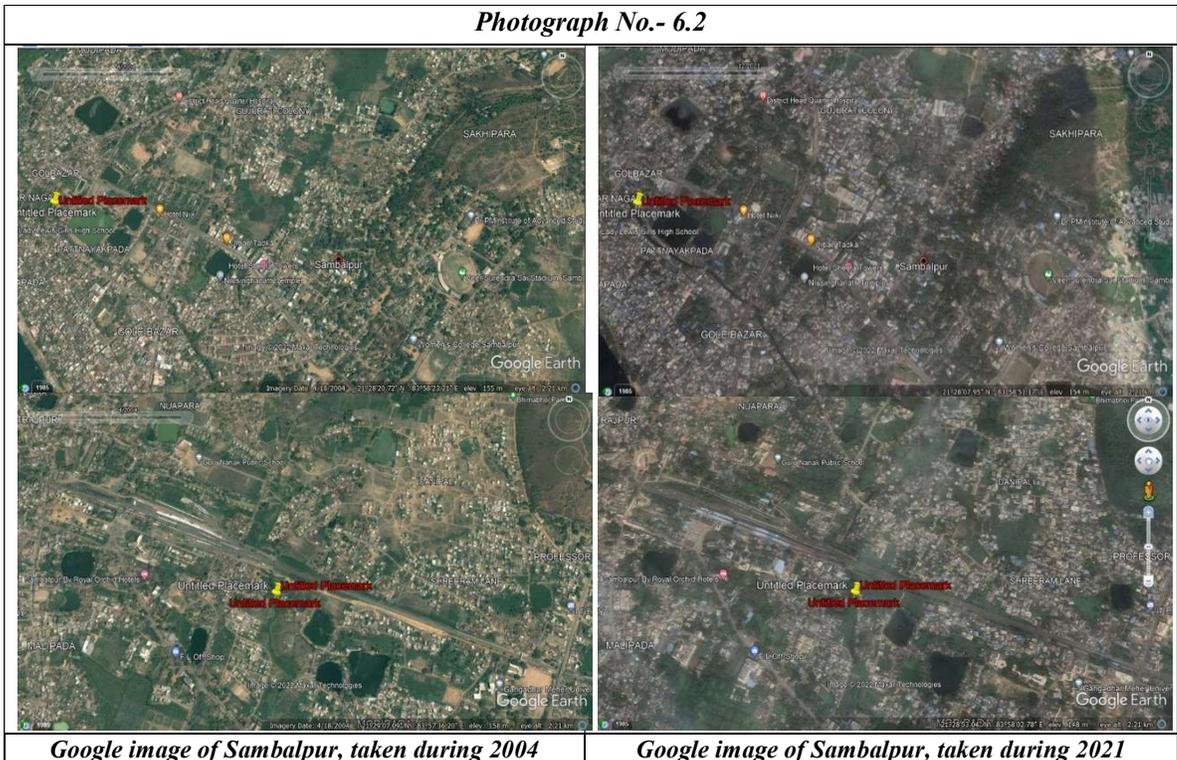
Photograph No.- 6.1



Google image of Cuttack, taken during 2002

Google image of Cuttack, taken during 2021

Photograph No.- 6.2



Google image of Sambalpur, taken during 2004

Google image of Sambalpur, taken during 2021

Audit reviewed the services delivered to the citizens of the six⁸⁶ test-checked ULBs and found the following:

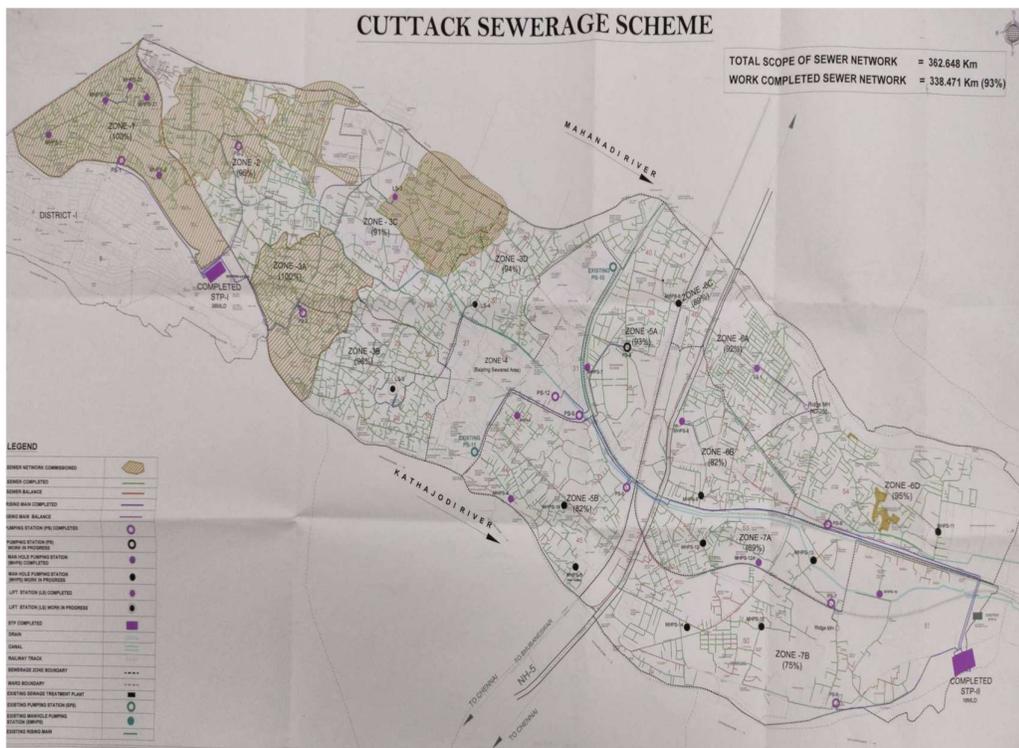
6.4.1 Sewerage system

I. Cuttack Municipal Corporation: As per the Comprehensive Development Plan for Cuttack City, made by the Indian Institute of Technology (IIT), Kharagpur, received in August 2011, by the Government of Odisha, Cuttack city did not have a comprehensive sewerage facility, with the discharge of domestic waste being made through storm drains directed to the rivers. As a result, the quality of water, in the Mahanadi and Kathajodi rivers, had exhibited a deteriorating trend and the implementation of a proper wastewater management system was necessary for treating the huge quantities of wastewater generation. In order to have a comprehensive sewerage system, CMC initiated measures to obtain funds from external agency and aimed to implement the sewerage network during 2013.

Out of the 424 kms of sewerage network in Cuttack, 362 kms of sewer network is under construction through the Japan International Cooperation Agency (JICA) assisted Odisha Integrated Sanitation Improvement Project (OISIP).

An outline of the sewer construction works, undertaken through the JICA assisted project, is as under:

Photograph No.- 6.3



86 (i) Cuttack Municipal Corporation (ii) Sambalpur Municipal Corporation (iii) Choudwar Municipality (iv) Kuchinda Notified Area Council (NAC) (v) Rairakhol NAC and (vi) Athagarh NAC

The project (Cuttack Sewerage Scheme) was awarded to M/s L&T Ltd., with a project cost of ₹ 899.85 crore, with effect from 18 February 2013, and was scheduled to be completed by 31 December 2021. The work of construction of two sewerage treatment plants (30 MLD + 16 MLD) and 36 pumping stations, with 380 kms of sewer line, Cuttack and Bhubaneswar, was awarded to M/s. VA Tech Wabag, with a project cost of ₹ 274.10 crore, for completion by March 2023.

As of March 2022: (i) out of the total 362 kms of sewer line proposed, 338 kms of sewer line had been completed, for which ₹ 1,011.51 crore had been paid, with an increase of ₹ 111.66 crore in the project cost and (ii) ₹ 257.14 crore had been paid, for commissioning of STPs and allied works.

These works remained incomplete, with time and cost overruns, and depriving the service delivery to urban public as mentioned below:

- 24 kms of sewer line, covering over 12 zones across Cuttack city, could not be completed (as shown in the preceding sketch), due to unexpected growth in extended areas in city and changes in the scope of work (December 2011), such as: (i) increase in the length of sewer lines, from 241 kms (in the initial proposal) to 380 kms and (ii) increase in the number of pumping stations, from 42 to 56.
- Out of 20 manhole pumping stations, 11 had been completed and nine were in progress.
- Two, out of the four lift stations⁸⁷, were in progress.
- Sewerage lines of only two zones (instead of 14 zones), included in the scope of work, in the New Bidanashi and Chandini chowk areas, in the western part of Cuttack, covering about 10,000 houses (out of 55,000 houses included in the scope of work), had been commissioned.

II. Sambalpur Municipal Corporation: Sambalpur city did not have any sewerage facility. Wastewater and sewerage waste was being discharged into drains and ultimately into the River Mahanadi, through two natural drains (nallahs), namely: (i) Dhobi Jore Nallah and (ii) Hardan Jore Nallah, which falls at Binakhandi.

SMC initiated (2016) the setting up of a comprehensive sewerage system and awarded (January 2017) the contract for the work of “Construction of Sewerage System of Sambalpur Town”, on the Engineering Procurement and Construction (EPC) mode, to M/s Gharpure Engineering and Constructions (P) Ltd., Pune, at an agreement cost of ₹ 294.93 crore (construction cost), for completion by January 2020. The scope of work included: (i) the laying of 252.73 kms of sewer lines (ii) construction of eight Sewerage Pumping Stations and (iii) construction of one STP. Audit, however, noted that, as of March 2022, out of the total length of sewer lines proposed (252.73 kms), 91.35 kms of sewer lines had been completed and payment of ₹123.35 crore had been made. A sketch of the sewerage network of Sambalpur city is as follows:

⁸⁷ A ‘lift station’ is a pumping station that moves waste water from a lower elevation to a higher elevation.

In this regard, Audit observed the following position (as of December 2021):

- The agency had to lay 252.73 kms length of pipeline, due to encounter of hard rock during execution, and had submitted (November 2021) a price break-up in this regard, due to which the progress of the work had been delayed. The revised target, as scheduled by the Engineer-in-Chief, Odisha Water Supply and Sewerage Board, aimed at completion by March 2023. Gravity sewer line⁸⁸ of 161.376 kms could not be completed, across eight sewerage Catchments of Sambalpur city (as shown in the sketch above), due to change in the scope of work, such as realignment of sewer lines, on account of private land, necessitating land acquisition.
- Out of eight Intermediate Pumping Stations (IPS), only one had been completed (as of October 2022). Due to non-completion of the sewer lines, flow was not being received in the pumping stations, to enable their commissioning. The proposed Sewage Treatment Plant of 40 MLD capacity and the Main Pumping station at Dhanupali, were yet to be completed and commissioned, indicating lack of monitoring of these works, by the ULB.
- The progress of construction of manholes had been hampered due to hard granite rock having been encountered along the trunk main⁸⁹ and at other places. Accordingly, out of 14,018 manhole chambers, only 4,277 had been constructed (March 2022) indicating defective survey and investigation in the alignment of the main trunk.
- The sewage collected from households, by the SMC, through three cesspool vehicles, had been discharged at the Fecal Sludge Treatment Plant (FSTP), Khandual, through a private agency. Scrutiny, however, revealed that excreta from the public toilets at Municipal Corporation areas was being discharged directly into open drains, under insanitary conditions, leading to increase in the water pollution of river Mahanadi.
- There was no underground sewerage system in the NACs of Kuchinda and Rairakhol. The above NACs were collecting the sewage through cesspool vehicles and discharging it in the demarcated places, as the FSTPs, at the NAC level, were under construction. Thus, persons residing within the urban areas covered by these ULBs did not have access to sewerage facilities.

Recommendation:

1. Steps may be taken to operationalise the sewerage systems, in both ULBs, in a time bound manner.

6.4.2 Food Safety Management System in ULBs

Section 576 of the OMC Act entrusts the Corporations covered by the Act, with the duties of ensuring sale/purchase of non-adulterated food within their areas. The Food Safety and Standards (FSS) Act, 2006, stipulates that: (i)

⁸⁸ A channel utilising the energy resulting from a difference in elevation, to remove unwanted water.

⁸⁹ 'Trunk main' refers to the convey of water, in bulk, from the source, usually to a service reservoir.

under Section 31, any person desirous of commencing or carrying on any food business is required to make an application, for grant of a licence, to the designated officer and (ii) under Section 37, the Commissioner of Food Safety⁹⁰ is required to appoint a Food Safety Officer (FSO), for surveillance, collection of food samples, inspection and seizure of food, etc.

Further, as per Para 2.1.3 (4) of the FSS Rules, 2011, FSOs are required to maintain a database of all Food Business Operators (FBO) within their jurisdictions. As per Section 32 of the FSS Act, 2006, Improvement Notices⁹¹ are to be served to those who fail to comply with the regulations.

In this regard, Audit noted the following irregularities:

(i) CMC and SMC did not maintain any database of FBOs functioning in the Corporation areas. As of March 2021, they had issued: (a) licenses in favour of 1,670 (1,028+642) FBOs who had applied for licences on their own (b) 3,439 (2,052+1387) registration certificates, to different street vendors / small shop owners. However, they had no information about the number of FBOs / street vendors / small shop owners, operating in the Corporation areas, without licenses, due to the absence of a database.

(ii) As per the target fixed by the Commissioner, Food Safety, CMC and SMC were required to draw 15, 10 and 7 surveillance⁹² samples, and 4, 4 and 5 legal samples, per month, for FYs 2018-19, 2019-20 and 2020-21, respectively, as per details in **Table 6.5**.

Table 6.5: Details of food samples drawn and tested, vis-a-vis samples which qualified for consumption (FYs 2018-19 to 2020-21)

ULB	Target for legal samples	Legal samples sent for analysis	Reports received in regard to the legal samples	Samples qualified, out of the legal samples	Target for surveillance samples	Surveillance samples sent for analysis	Report received, out of the Surveillance samples	Samples qualified out of the surveillance samples
1	2	3	4	5	6	7	8	9
CMC	156	42	42	31	384	364	364	284
SMC	156	57	57	38	384	154	104	75
Total	312	99	99	69	768	518	468	359

(Source: Information furnished by CMC and SMC)

Thus, during FYs 2018-19 to 2020-21, against the 156 targeted legal samples, required to be collected by each ULB, CMC collected 42 samples and sent them for analysis (indicating a shortfall of 114 in the collection of legal samples), while SMC collected 57 samples (indicating a shortfall of 99 in the collection of legal samples). Further, though both Corporations were required to send 768 (384 each) surveillance samples, to the State Public Health Laboratory (SPHL), Bhubaneswar, for analysis/examination, they had sent only 518 samples for this purpose. Against these 518 samples sent for

⁹⁰ The Commissioner of Food Safety functions under the ambit of the Health and Family Welfare Department, Government of Odisha (which appoints the FSOs for ULBs).

⁹¹ Remedial action to be taken on the deficiencies noticed during surveillance of any establishment, under the Food Safety and Standards Act, 2006.

⁹² 'Surveillance Sample' is a sample taken for the purpose of surveillance, survey or study, that cannot be used in court.

analysis, 468 reports had been received. Analysis of these 468 reports showed that 359 samples had met the prescribed standards, while 109 samples had failed to meet the prescribed standards. Audit, however, found that no Improvement Notices had been served to the FBOs who had failed to comply with the regulations, despite this having been laid down under Section 32 of the FSS, Act, 2006.

(iii) No FSOs had been posted in the other test-checked NACs / Municipalities.

Recommendation:

2. State Government may take measures to post adequate numbers of Food Safety Officers, in the ULBs, for monitoring food safety.

6.4.3 Construction, development and maintenance of city roads

The Odisha Municipal Corporation Act, 2003, empowers Urban Local Bodies (ULBs) to construct and maintain roads within their jurisdictions. ULBs generally utilise road development grants, as well as funds made available by the Central and State Finance Commissions, for the construction, repair and maintenance of roads.

As on March 2021, the total length of roads and drains, of the three test-checked ULBs of Cuttack District, was 1,074.57 kms and 1,773.64 kms, respectively. Similarly, the total length of roads and drains, of the three test-checked ULBs of Sambalpur District, during the same period, was 1,277.39 kms and 652.54 kms, respectively. Details of the types of roads and drains, maintained by the test-checked ULBs, during FYs 2018-19 to 2020-21, are given in **Table 6.6**.

Table 6.6: Types of roads and drains constructed and maintained by the test-checked ULBs (FYs 2018-19 to 2020-21)

Selected ULB of Districts	Types of roads							Drains		
	CC roads ⁹³	Black top ⁹⁴ roads	WBM roads ⁹⁵	Morrum roads ⁹⁶	Earthen roads ⁹⁷	Total	Roads requiring upgradation to pucca roads	Pucca drains	Kutchra drains	Total length
Cuttack	909.3520	14.4830	75.750	22.517	52.47	1,074.572	74.987	742.214	1,031.426	1,773.64
Sambalpur	594.9640	157.7200	294.836	128.410	101.46	1,277.390	229.870	345.040	307.500	652.54
Total	1,504.3160	172.2030	370.586	150.927	153.93	2,351.962	304.857	1,087.254	1,338.926	2,426.18

(Source: information furnished by the test-checked ULBs)

⁹³ Cement Concrete Road

⁹⁴ 'Black top road' is a bituminous paving road

⁹⁵ 'Water Bound Macadam' road, consisting of raw material such as crust aggregate, screening and binding material.

⁹⁶ 'Morrum road' is a road constructed with a mixture of soil, sand and gravel.

⁹⁷ An 'earthen road' is constructed by means of mixing soil with fine gravel.

(i) Non-construction of pucca⁹⁸ roads

Provision of *pucca* roads in ULBs, including for slum settlement, was an obligatory function⁹⁹, as per the Standard Operating Procedure for Slum Upgradation and Delisting, through the JAGA Mission¹⁰⁰. During FYs 2018-19 to 2020-21, the test-checked ULBs had 370.586 kms of WBM roads, 150.927 kms of morrum roads and 153.93 kms of earthen roads, out of the total road length of 2,351.962 kms. Audit, however, noted that, despite the availability of funds under various schemes, for creating road infrastructure, 304.857 kms of earthen roads/ morrum roads had remained as they were, without being upgraded to *pucca* roads.

(ii) Works executed without planning

Audit scrutiny of the agreement registers of the test-checked ULBs revealed that, during FYs 2018-19 to 2020-21, CMC, Choudwar Municipality and Athagarh NAC, had executed 1,143, 118 and 152 agreements, for road and drain works, respectively. Similarly, SMC, NAC, Kuchinda and NAC, Rairakhol, had executed, 481, 112 and 164 agreements, for improvement of cement concrete road and drain works, respectively, for the convenience of the public. During FYs 2018-19 to 2020-21, the test-checked ULBs had spent ₹111.07 crore (Cuttack: ₹76.39 crore + Sambalpur: ₹34.68 crore), with scheme funds, amounting to ₹473.93 crore (Cuttack: ₹261.13 crore + Sambalpur: 212.80 crore), which could have been utilised for road mobility, having remained unspent, as of March 2021. This was due to the absence of Integrated Corporation Development Plans (ICDPs) at the Corporation level and District Planning Committees (DPCs) at the NAC/Municipality level, although these were envisaged under Article 243 ZD of the Constitution of India and Section 499 of the Odisha Municipal Corporation Act, 2003, respectively.

Recommendation:

3. ULBs may prepare strategic plans for upgradation of the existing earthen/morrum roads, to pucca roads, by utilising the funds available under various schemes.

Implementation of Schemes

6.5 Swachh Bharat Mission

The Swachh Bharat Mission (SBM), covering 4,041 cities and towns across the country, was launched on 2 October 2014, with the aim of eradicating open defecation (OD) by 2019 and providing access to sanitation facilities, including toilets, solid & liquid waste disposal systems, village cleanliness and

⁹⁸ 'Pucca' roads are roads having a bituminous layer/concrete

⁹⁹ 'Obligatory functions' are functions which are to be mandatorily performed by the Corporation.

¹⁰⁰ The 'JAGA Mission' is a scheme of GoO, which aims at transforming slums to livable habitats, through a combination of land rights and a comprehensive process of slum improvement. Under this scheme, slum settlements are to be provided with necessary physical infrastructure, such as pipe water supply, *pucca* roads, street lights, sanitation, etc.

provision of adequate drinking water. In line with the national goal, the Government of Odisha has also taken steps to make the State Open Defecation Free (ODF) by 2019, by ensuring construction and use of Individual Household Latrines (IHHLs), along with environmental cleanliness.

6.5.1 Status of IHHLs in the test-checked ULBs

As per Paras 4.1 and 4.2 of the Swachh Bharat Mission (Urban) guidelines, the objective of the mission was to ensure that: (a) no household should engage in the practice of OD (b) no new insanitary toilets were constructed during the mission period (c) Pit latrines were converted to sanitary latrines (d) household toilets, constructed under SBM, consisted of a super structure (including the pan and water closet) and a substructure (either an on-site treatment system or a connection to existing underground sewerage system).

Details of the IHHLs, constructed in the two test-checked districts, during FYs 2015-16 to 2020-21, were as given in **Table 6.7**.

Table 6.7: Construction of toilets under SBM

Name of district	Component	No of applications received	No of applications verified & work orders issued	Toilets completed	Toilets under construction	Toilet work not commenced	Expenditure (₹ in crore)
Cuttack	IHHL	16,232	12,094	9,329	22	2,743	7.50
Sambalpur	IHHL	15,093	2,983	2,912	71	0	2.38
Total		31,325	15,077	12,241	93	2,743	9.88

(Source: Dashboard of the SBM)

Deficiencies noticed in the construction of IHHLs are discussed in the subsequent paragraphs.

6.5.2 Financial position

During FYs 2015-16 to 2020-21, the test checked ULBs had spent ₹28.92¹⁰¹ crore out of ₹74.70¹⁰² crore received under the SBM scheme (both Central and State share), for the construction of IHHLs, Community Toilets/Public Toilets (CTPT), Urinals, IEC activities and for SWM. They had, however, not taken initiatives, by means of preparing city sanitation plans and timely approval of applications for construction of IHHLs, for optimum utilisation of the available funds, resulting in the surrender of unutilised funds, amounting to ₹45.78 crore, to the State Nodal Account of SBM (U). This was due to non-preparation of short term/long term/contingency plans, for utilisation of funds, for the City Sanitation Plan and SWM component. Utilisation Certificates (UCs), for grants amounting to ₹8.58 crore, released to six test checked ULBs, during FYs 2016-17 to 2020-21, for construction of IHHLs, were yet to be submitted (January 2022).

¹⁰¹ Expenditure under SBM by CMC: ₹10.60 crore, Choudwar Municipality: ₹ 2.71 crore, Athagarh NAC: ₹1.99 crore, SMC: ₹ 11.31 crore, Rairakhola NAC: ₹ 1.28 crore and Kuchinda NAC: ₹ 1.03 crore

¹⁰² Receipts under SBM by CMC: ₹35.20 crore, Choudwar Municipality: ₹ 6.35 crore, Athagarh NAC: ₹2.33 crore, SMC: ₹ 27.29 crore, Rairakhola NAC: ₹ 1.90 crore and Kuchinda NAC: ₹ 1.63 crore

6.5.3 Non-preparation of City Sanitation Plans

Paragraphs 2.5 and 3 of the SBM guidelines stipulated that the State had to prepare a Comprehensive Sanitation Plan, as well as City Level Sanitation Plans (CSPs) for all ULBs in the State. Accordingly, the Housing and Urban Development (H&UD) Department had issued (September 2015) instructions to all ULBs, for preparation and immediate submission of CSPs. In December 2016, the H&UD Department again asked ULBs to revise their sanitation plans by 15 January 2017, after making Door to Door (D2D) surveys of toilet-less HHs.

Scrutiny of records of the SMC and CMC revealed that both ULBs had prepared their city sanitation plans, in the years 2012 and 2017, respectively, and forwarded them to the H&UD Department, GoO, for its approval. Audit however, noted that, as of January 2022, approval for these CSPs had not been received from the Government. The other test-checked ULBs had not prepared any city sanitation plans.

6.5.4 Delay in verification and approval of applications

Para 4.3.1 of the SBM guidelines stipulated that applications in regard to construction of IHHLs, received from beneficiaries, should be verified within seven days and approved by the Deputy Commissioner (Sanitation) or Executive Officer of the concerned ULBs. Records revealed that the ULBs of Cuttack and Sambalpur districts had received 31,325 applications during FYs 2014-15 to 2020-21, out of which 575 applications were pending for verification, as of November 2021. The period and reasons for pendency could not be explained to Audit, due to non-recording of details such as the dates of receipt of the applications, dates of verification and dates of approval of the applications, in the concerned registers. Thus, non-construction of IHHLs resulted in open defecation.

This indicated the absence of accountability of Deputy Commissioners (Sanitation) or Executive Officers of the concerned ULBs, which had led to delay in the verification and approval of applications.

6.5.5 Delayed release of financial incentive to IHHL beneficiaries

As per Paragraphs 4.4, 4.4.1 and 4.4.5 of the SBM guidelines: (i) the central Government incentive, for construction of household toilets, was fixed at ₹4,000 per household toilet, for each identified beneficiary in the States and UTs (ii) 50 *per cent* of the Central Government incentive was to be released to the identified beneficiary households, as the 1st instalment, on approval by the ULBs, along with the share of the State Government (iii) there was no bar on releasing any extra funds at any stage, using additional resources generated/provided by the State Government/ ULBs (iv) ULBs were required to ensure transfer of financial incentive to beneficiary households, in a timely and hassle-free manner.

Scrutiny of records of the test-checked ULBs revealed that, during FYs 2015-16 to 2020-21, funds amounting to ₹9.87 crore, had been released, for construction of IHHLs, to 12,241 beneficiaries. Out of these 12,241

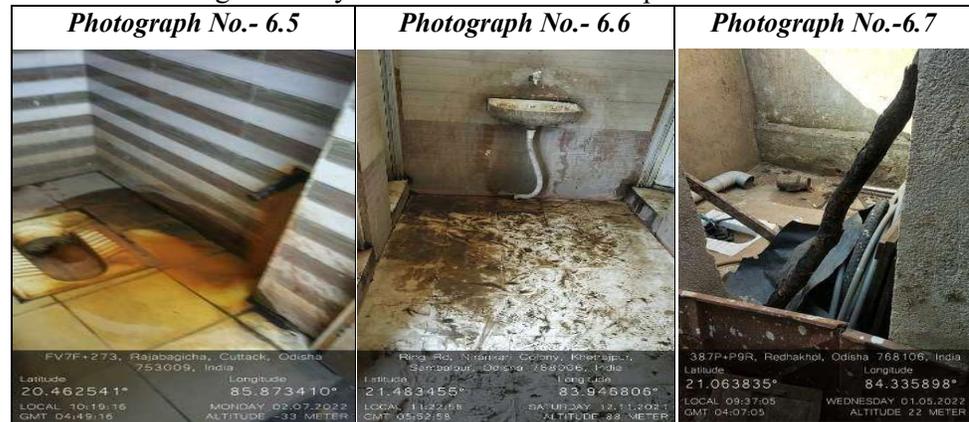
beneficiaries, 10,279 had been paid incentive, after completion of IHHLs, without their having availed of the first instalments, due to lack of proper supervision and co-ordination by ULBs, with the concerned beneficiaries. As such, these beneficiaries had been constrained to bear the entire cost of the IHHLs, as reimbursement of the incentive had been provided only after completion of the IHHLs. This also indicated that the beneficiaries had not been encouraged to avail of the initial funding by ULBs and they were, therefore, forced to shoulder the financial burden for completion of the IHHLs.

6.5.6 Unfruitful expenditure of ₹27.58 lakh towards construction of IHHLs

Scrutiny of records and information furnished by ULBs (Choudwar, Athagarh, Kuchinda and Rairakhol) revealed that the first instalment of ₹2,000, as financial incentive, had been sanctioned to 3,111 beneficiaries, for construction of IHHLs, during FY 2015-16. Out of these 3,111 beneficiaries, only 1,713 beneficiaries had constructed IHHLs, after receiving both instalments, while 19 beneficiaries had returned the first instalments received by them. The remaining 1,379 beneficiaries had received the first instalments, but had neither completed the IHHLs, nor refunded the amount to ULBs. Although show cause notices were, subsequently, issued to such beneficiaries, Audit noticed that, in terms of the SBM guidelines, there were no provisions for recovery of the amount from such beneficiaries and the entire expenditure of ₹27.58 lakh was rendered unfruitful.

6.5.7 Inadequate operation and maintenance of community toilets

During Joint Physical Verification (February 2022) of individual/community toilets, with the representatives of the test-checked ULBs, Audit observed that, in many of the toilets, there were no water connections, no electricity connections, lack of repair and maintenance, lack of cleanliness and wastewater letting to nearby rivers. Some such examples are shown below.



Recommendations:

- 4. State Government should prepare a Comprehensive Sanitation Plan, for ensuring sustainable sanitation services.**
- 5. ULBs may focus on the completion of construction of Individual House Hold Latrines (IHHLs), particularly in cases where funds have already been allotted to beneficiaries.**
- 6. ULBs may streamline the process of verification and approval of applications for IHHLs and timely release of funds for their construction.**
- 7. ULBs may prioritise the proper maintenance of community toilets, ensuring supply of water, electricity connections and cleanliness therein.**

6.6 Pradhan Mantri Awas Yojana (Urban)

Government of India (GoI) launched (June 2015) the ‘Pradhan Mantri Awas Yojana- Urban’ (PMAY-U) scheme, with a view to provide housing to all eligible families by March 2022 which was extended (August 2022) upto December 2024. State Governments are required to ensure proper implementation of the scheme. The State Government, however, decided (January 2016) to focus only on the component “subsidy for Beneficiary Led individual house Construction or enhancement (BLC)”. Under this component, eligible families, belonging to the Economic Weaker Sections (EWS) categories, could either construct new houses, or enhance existing houses, by means of their own contributions, as well as assistance from the Government of India (GoI)/Government of Odisha (GoO), which was to be released proportionately, based on the phase-wise progress of construction.

6.6.1 Non-preparation of “Housing for All Plan of action”

As per Paragraph 8.3 of the guidelines, cities were required to undertake demand surveys, through suitable means, for assessing the actual demand of housing. On the basis of these demand surveys and other available data, cities were required to prepare ‘Housing for All Plan of Action’ (HFAPoA). Under Paragraph 8.5 of the guidelines, on the basis of the HFAPoA so prepared, States/Cities were to prepare their Annual Implementation Plans (AIPs), dividing the task up to 2022, keeping in view the availability of resources and priority. For larger cities, HFAPoA and AIPs could be prepared at the sub-city (ward/ zone, etc.) level, with the approval of the concerned State/ UT Government.

Scrutiny of records furnished by two ULBs (CMC and SMC) showed that they had conducted surveys (March 2019) assessing the actual demand of housing in the cities and had also identified 44,356 beneficiaries, for inclusion in the scheme. Audit, however, noted that, as of March 2021, both Municipal Corporations had not yet prepared their HFAPoAs, in terms of the guidelines, as a result of which, the objectives could not be achieved within the stipulated time frame. The remaining test-checked ULBs¹⁰³ had also not prepared their

¹⁰³ (i) Choudwar Municipality (ii) Athagarh, NAC (iii) Kuchinda NAC and (iv) Rairakhol NAC

AIPs, for implementation of the scheme. Deficiencies observed in regard to the subsidy component, for Beneficiary Led individual house Construction (BLC)¹⁰⁴, are mentioned in the succeeding paragraphs.

6.6.2 Slow coverage under the scheme

In order to take up projects under the BLC component, CMC and SMC had prepared DPRs for implementation of the scheme. The status of coverage of eligible beneficiaries, as of December 2021, under these ULBs, is as indicated in **Table 6.8**.

Table 6.8: Coverage of eligible beneficiaries under PMAY-U, during FYs 2016-17 to 2020-21

Name of District	Target of houses proposed in ULBs	No of work order issued	No of house completed	No of houses in progress	House construction not commenced	Percentage of achievement against target
Cuttack	6,950	4,374	3,568	771	35	51.34
Sambalpur	6,995	5,981	3,289	1,369	1,323	47.01
	13,945	10,355	6,857	2,140	1,358	49.17

(Source: Information furnished by the ULBs)

The preceding Table indicates that these ULBs had been able to achieve only 49.17 per cent of the target, during FYs 2016-17 to 2020-21. Audit noted that, despite the provision in the guidelines stating that work would need to be started within 90 days from the date of issue of the work orders, 1,358 beneficiaries had not started construction of their houses till date (March 2022). Construction of these houses could not be started due to financial constraints of the beneficiaries.

The State Government had not fixed any year-wise targets for coverage of beneficiaries, in the absence of HFAPoAs. The targets fixed by the ULBs had also not been achieved, due to non-issue of work orders to the beneficiaries, after due scrutiny of their eligibility. At this pace, the possibility of achievement of coverage of all the eligible households under ULBs by the timeline of the scheme appears remote.

6.6.3 Unfruitful expenditure

Under the PMAY-U guidelines:

(i) The houses were to be completed within a period of 12 months from the date of issue of the work order. They were to have basic amenities, such as water, toilet, sewerage, electricity, road, etc.

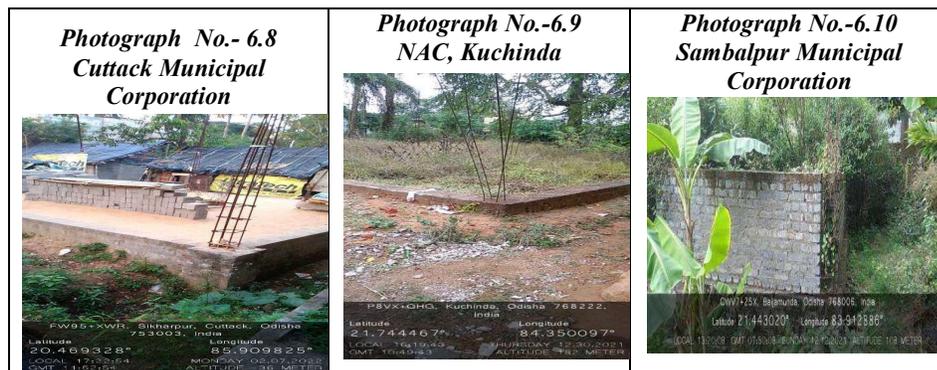
¹⁰⁴ Under this component, eligible families, belonging to the Economic Weaker Sections (EWS) categories, could either construct new houses, or enhance existing houses, by means of their own contributions, as well as assistance from the Government of India (GoI)/Government of Odisha (GoO), which was to be released proportionately, based on the phase-wise progress of construction.

(ii) The housing assistance per beneficiary was to be ₹2.00 lakh, with the Central and State Government funding being in the ratio of 75:25. Assistance was to be provided in phase-wise instalments, with the phases being: (i) Earth Excavation (EE) (ii) Plinth level (PL) (iii) Roof level (RL) and (iv) Completion of the house (Comp). Up to December 2017, the assistance to a unit was to be paid in four instalments, *i.e.* ₹70,000(EE), ₹60,000(PL), ₹50,000(RL) and ₹20,000 (Comp). From January 2018 onwards, the assistance was revised to ₹40,000, ₹60,000, ₹60,000 and ₹40,000, respectively.

Audit of six ULBs, namely the Sambalpur and Cuttack Municipal Corporations, Choudwar Municipality and the NACs at Kuchinda, Rairakhol and Athagarh, revealed that 8,567 work orders, for construction of houses, had been issued, during FYs 2016-17 to 2019-20. As of December 2021, against the 8,567 work orders issued, only 6,804 houses had been completed, while 1,763 houses (518 EE + 541 PL + 704 RL) had not been completed and were at different stages, *viz.* Foundation level (EE), Plinth Level (PL) and Roof Level (RL), since the last one to five years. These houses could not be completed due to financial constraints of the beneficiaries.

During Joint Physical Verification, as well, the beneficiaries of 20 houses expressed their inability to construct/complete their houses, due to financial constraints. Audit observed that: (i) the beneficiaries did not have their own share of funds, for the completion of their houses, nor did they have access to funds, either through any convergence schemes, or by way of self-financing (ii) although funds amounting to ₹18.37 crore had been disbursed, during FYs 2016-17 to 2019-20, to 1,763 beneficiaries, the said houses had not been completed within the stipulated period of one year and had been lying incomplete, since the last one to five years. This had resulted in unfruitful expenditure of ₹18.37 crore, as the possibility of completion of these houses was remote.

Photographs of some incomplete houses are shown below.



As of March 2022, the ULBs had not furnished responses to the audit enquiries made in this regard.

6.6.4 Capacity Building Activities

Under Paragraph 12.1 of the guidelines, ULBs were required to undertake capacity building activities (including trainings, workshops, study/exposure visits, etc.), for enhancing the capacities of various stakeholders, in the implementation of the Mission. For the purpose of capacity building, they were also required to undertake: (i) research studies (ii) documentation and dissemination of best practices and (iii) preparation of other scheme related material.

Audit, however, found that none of the test-checked ULBs had imparted capacity building training, indicating that the implementing officers were not adequately equipped with skills to ensure the objective of the Mission, i.e. having Housing for All by 2022.

6.6.5 Standard quality of houses constructed was not ensured

Paragraph 12.10 of the guidelines envisaged that the States/UTs would engage a Third Party Quality Monitoring Agency (TPQMA), to ensure the quality of house construction, under various components of the Mission. The States/UTs were required to draw up their quality monitoring and assurance plans, involving third-party agencies. Such plans were to include visits by third party agencies to the project sites, with the third parties also advising the States and ULBs on quality related issues. States and ULBs were to then take preventive, as well as curative measures, to ensure that houses of standard quality and infrastructure were constructed under the Mission, on the basis of: (i) the quality assurance reports given by such agencies and (ii) the reports of their own technical staff.

In the test-checked ULBs, Audit noted, from the TPQMA report, that the material used in construction had not been tested, for ruling out the usage of substandard material in construction. Further, the availability of the civic infrastructure component, i.e. water supply, sewerage, drainage, roads, etc., had also not been seen and ensured by the third party agency, as was evident from the TPQMA report.

Recommendation:

8. ULBs may take steps to strengthen their monitoring mechanism, to ensure: (i) proper utilisation of the funds allocated to them and (ii) timely completion of houses, under the scheme.

6.7 Audit Paragraphs

6.7.1 Non-levy of revised rental fees, by the Cuttack Municipal Corporation, resulted in loss of revenue of ₹2.73 crore

Sections 194(b) (iii), 9(1)(vi) and 29 of the Odisha Municipal Corporation (OMC) Act 2003, provide that: (i) the Corporation shall have the power to levy fees for the licencing of premises used for private markets (ii) there shall be a Standing Committee of the Corporation for dealing with matters relating to licenses and appeals and (iii) the powers, duties and functions vested in the

Corporation shall be exercised by the Commissioner or any other designated officer of the Corporation, with the approval of the Standing Committee.

Audit noted that the License and Appeal Standing Committee of the Cuttack Municipal Corporation (CMC), in its 44th meeting (2 August 2018), had decided to revise the rental fees for the market complexes allotted by the CMC, with immediate effect. The recommendation, on revised rental rates for shops, had, thereafter, been approved in the General Body Meeting held on 28 September 2018. Accordingly, the old rates (ranging between ₹40 and ₹6,991 per month) were to be revised to the new rates (ranging between ₹1,299 and ₹16,200 per month), for the 763 shops located in the market complexes of 21 localities. The revised rates were approved by the Standing Committee and General Body and conveyed to the Commissioner, CMC, on 05 October 2018, for implementation.

Scrutiny of the Demand, Collection and Balance (DCB) Register and other related records, for the financial years 2019-20 and 2020-21, revealed that, instead of levying the revised rent, the Deputy Commissioner, CMC, had continued to levy and collect rent at the old rates. Accordingly, against the leviable rent of ₹3.32 crore, CMC had collected only ₹0.59 crore from these shops, for the financial years 2019-20 and 2020-21, resulting in short levy of ₹2.73 crore, as detailed in *Appendix 6.1*.

The Deputy Commissioner, CMC, stated (06 December 2021) that steps would be taken for the collection of revised/arrears of rent. The reply is not acceptable, as no justification was provided for non-implementation of the decision of the Standing Committee/General Body, despite a lapse of four years, resulting in loss of revenue to the CMC.

6.7.2 Unfruitful Expenditure

Lack of coordination, between BMC and BDA, led to a missing link in a drain, constructed at a cost of ₹4.98 crore, resulting in obstruction of storm water and inundation during heavy rains.

As per Paragraph 3.7.4 of the OPWD Code, no work should be commenced on land which has not been duly made over to the public works division, by a responsible civil officer. The OPWD code also stipulates that the engineer, or the contractor, can require contract management meetings, to discuss issues or constraints in the execution of work, with a view to resolving them.

Drain No. 1C, starting from the Odisha Milk Federation (OMFED) factory and extending up to Main Drain No. 1 at Damana village in Ward No. 9, is a natural drain in Bhubaneswar city, under the jurisdiction of the Bhubaneswar Municipal Corporation (BMC). The drain had been flowing as per the available contours, but its natural flow had become impeded over a period of time, due to urbanisation, construction, *etc.*, resulting in inundation/waterlogging in the adjoining areas, particularly during heavy rains. Acting upon petitions received from the Pokharan Village Development Association, Chandrashekharapur and inhabitants of Chandra Vihar in Ward

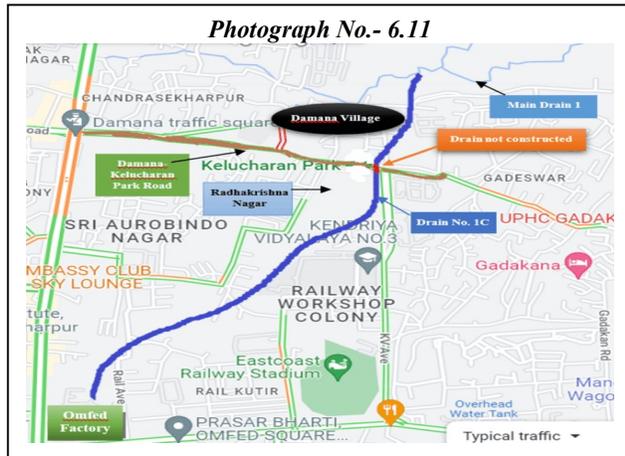
No- 9, BMC considered (January 2019) measures for improving the drain¹⁰⁵ and preventing inundation/waterlogging.

Accordingly, the City Engineer, BMC, sanctioned works for improving the drain (concreting and construction of culverts) and executed them as follows:

(i) Construction of a 930 m drain, with culverts, from the OMFED factory to the Radhakrishna Nagar drain, was sanctioned (January 2019) and awarded (September 2019) at an agreement cost of ₹3.81 crore. It was stipulated for completion by March 2020. The work was completed in September 2021, after incurring expenditure of ₹3.47 crore.

(ii) Construction of a 690 m drain, with box culvert, from Radhakrishna Nagar to Main Drain No.1, was sanctioned (January 2019) for ₹3.05 crore. It was awarded (May 2020) at an agreement cost of ₹2.79 crore and was stipulated for completion by November 2020.

In regard to the work at point (ii), scrutiny of records showed that, as of September 2021, 590 m (app.), out of the total 690 m length of the drain, had been completed, after incurring expenditure of ₹1.51 crore. However, the executing agency had been unable to take up execution of the remaining 100 m of the drain, as this portion of the drain was required to cross the Damana-Kelucharan Park Road (near Damana High School Square), by construction of a box-culvert, and this road came under the jurisdiction of the Bhubaneswar Development Authority (BDA). Despite repeated correspondence¹⁰⁶ by BMC with BDA, requesting permission for construction, BDA had not accorded permission for construction, till the date of audit (November/ December 2021). Further, there was no record of the matter being effectively monitored by higher authorities



¹⁰⁵ Modifications to drainage patterns to address safety issues, increase capacity, or improve water flows or quality

¹⁰⁶ Letters dated July 2020, January 2021, February 2021, March 2021, August 2021 and October 2021.

in the Housing & Urban Development Department, for resolution of the said issue, despite the lapse of nearly two years.

As such, the remaining work of construction of the 690 m drain, could not be completed and the issue of waterlogging/inundation in the adjoining areas, during heavy rains, remained unsolved, rendering the expenditure of ₹4.98 crore, incurred on the project, unfruitful.

Reply from BMC, to the audit observation (December 2021), was awaited.

6.7.3 Extra/avoidable payment for transportation of waste

Non-reduction of the contracted rate, by the Cuttack Municipal Corporation, for transporting municipal solid waste, despite the availability and use of a shorter route by the contractor(s), led to extra/avoidable payment of ₹0.76 crore.

As per Rules 9 and 10 of Odisha General Financial Rules 1971, every officer should be guided by high standards of financial propriety and exercise vigilance, prudence and strict economy, in regard to expenditure of public money.

Audit noted that, for the management of Municipal Solid Waste (MSW)¹⁰⁷, the Cuttack Municipal Corporation (CMC) entered (March 2011) into an agreement with M/s Ramky Enviro Engineers Pvt. Ltd (REEL), Hyderabad, for the period April 2011 to March 2018, and, in another agreement (March 2018), with M/s BBG Metal Syndicate Private Ltd., from April 2018 onwards. As per part D(b) of clause 12.1 of the general conditions of contract in the agreement, the contractor was to be paid for transportation of MSW, from the transfer station (at Satichaura) to the landfill site/dumpsite (at Chakradharpur), at the rate of ₹153 per ton per day. Further, a decision was taken (October 2017), by the Public Health Standing Committee, that the transportation rates would be increased by five *per cent* per annum, effective from the month of May every year, starting from May 2018.

Audit also observed that, at the time of entering into the agreement (March 2011), the distance between the transfer station (at Satichaura) to the landfill site/dumpsite (at Chakradharpur), was 19.3 km (route in grey, in the map below) *via* Naraj Bridge. In July 2017, after the inauguration of the Netaji Setu Bridge (near Trisullia), the distance reduced to 16 km (route in blue, in the **Photographs No. 6.13**).

¹⁰⁷ Door to door collection, storage, transportation, manual and mechanical sweeping, construction of transfer stations, covering of landfill with earth and levelling by mechanical means.

Photograph No.- 6.13



below) via Naraj Bridge. In July 2017, after the inauguration of Netaji Setu Bridge (near Trisulia), the distance reduced to 16 km (route in blue, in the map below).

Scrutiny of records showed that, despite the reduction in distance between the transfer station and the landfill site/dumpsite by 3.3 km (July 2017 onwards) and the simultaneous increase in the rate of transportation charges (October 2017) by five *per cent* per annum, effective from May 2018, CMC had failed to reduce the base price (2011) of the transportation charges, which had been fixed when only the longer route, *via* Naraj Bridge, was available, as no such condition had been stipulated in the contract agreement.

During joint physical verification (February 2022), conducted by Audit, with the Sanitary Supervisor, CMC, it was revealed that the contractor(s) were using the shorter route, *via* Netaji Setu Bridge, for transportation of MSW, from the transfer station to the landfill site/dumpsite. Despite this, from the period August 2017 onwards, CMC continued to make payments to the contractor(s) at the rate of ₹153 per ton per day, with five *per cent* increase every year since May 2018 onwards.

Thus, as a result of not reducing the base price of transportation charges of MSW, from ₹153 per ton per day, despite contractor using the shorter route of 16 Kms, CMC made extra/avoidable payment of ₹76 lakh (as per the detailed calculation sheet at **Appendix- 6.2** to the contractor, for the period from August 2017 to November 2021, for the transportation of 2,61,933 MT MSW.

The Cuttack Municipal Corporation did not furnish any reply in this regard (as of January 2022).

6.7.4 Diversion of Central grants

Bhubaneswar Municipal Corporation diverted central funds, amounting to ₹5.02 crore, from a Centrally Sponsored Scheme to a State Plan Scheme.

Government of India (GoI) introduced (August 1995) the National Social Assistance Programme (NSAP), as a Centrally Sponsored Scheme, to provide welfare assistance to eligible beneficiaries, under various categories/schemes, including the Indira Gandhi National Old Age Pension Scheme (IGNOAPS) and Indira Gandhi National Widow Pension Scheme (IGNWPS). As per para 7 of the NSAP guidelines, 1995 (i) it should be ensured that central assistance does not displace the States' own expenditure (ii) States/UTs may expand their own coverage of social assistance independently, wherever they wish to do so.

Government of Odisha introduced (January 2008) the Madhu Babu Pension Yojana (MBPY), as a State Plan Scheme, to provide welfare assistance to eligible beneficiaries, in accordance with the provisions contained in MBPY Rules, 2008.

Scrutiny of records of the Bhubaneswar Municipal Corporation (BMC) revealed the following:

(i) As per Para 13 (iii) of the General Conditions of the NSAP Guidelines, 1995, in order to facilitate smooth flow of funds to the implementing agencies and to ensure prompt disbursement of benefits under the NSAP, the State Government was required to arrange for opening of separate accounts, at the district level, for the release of funds by the Central Government for the district. The above condition implies that NSAP funds should not be transferred to the accounts of any other scheme. Audit, however, noted that BMC had transferred an amount of ₹5.02 crore, allocated under the NSAP¹⁰⁸, in four transactions, made between September 2020 and July 2021, to the MBPY bank account (as detailed in *Appendix- 6.3*. Diversion of Central funds was in violation of the NSAP guidelines prescribed by GoI.

(ii) Test-check of payment records of one month (October 2021) revealed that BMC had authorised the bank to make payment of ₹1.12 crore, from the MBPY account to 21,199 beneficiaries, towards pensionary benefits. However, scheme-wise data of the beneficiaries to whom these payments had been made, was not made available to Audit, in the absence of which, it could not ascertain the utilisation of funds.

(iii) Further, it was noticed that the officers of BMC (Deputy Commissioner, Welfare and Chief Finance Officer) had drawn self-cheques of ₹2.99 crore, from the bank accounts of NSAP and MBPY, in three transactions (as detailed given in *Appendix- 6.4*, for disbursement of pensionary benefits, in cash, to certain categories of beneficiaries. However, no vouchers/payee receipts, in support of disbursement/utilisation of the amounts drawn through self-cheques, were available on records. Non-

¹⁰⁸ IGNOAPS and IGNWPS

maintenance of essential records, relating to utilisation/disbursement of cash drawn through self-cheques, was fraught with the risk of embezzlement.

Reply to the audit observations (December 2021) was awaited from Commissioner, BMC.

6.7.5 *Fraudulent payment*

Lack of due diligence, by municipal authorities, led to fraudulent payment of old age pension of ₹2.18 lakh, against deceased beneficiaries.

Government of Odisha introduced (January 2008) the Madhu Babu Pension Yojana (MBPY), as a State Plan Scheme, to provide welfare assistance to eligible beneficiaries, in accordance with the provisions contained in the MBPY Rules, 2008. As per clauses 16 and 19 of the MBPY Rules, 2008, the Executive Officer (EO) of the ULB is required to report every case of death of a beneficiary, immediately after its occurrence, to the Sub-Collector. The EO is also required to conduct, ordinarily in the first week of April every year, an annual verification of pensioners, to ascertain the survival of the pensioners and ensure that they continue to fulfil all the conditions of eligibility. If, either as result of verification, or otherwise, the EO is satisfied that the pensioner is no longer alive, the EO is required to immediately cancel the pension and communicate the same to the Sub-Collector, for approval. Further, as per clause 22 of the scheme, the pension shall cease to be disbursed following the date of death of the pensioner.

Scrutiny of the records of two Municipalities, viz. Rairangpur and Sonepur, revealed that the EOs had not conducted any annual verification in their Municipalities, to satisfy themselves that the pensioners receiving pension under MBPY were alive.

Audit conducted a test-check of the Death Register and the Acquittance Register (register containing details of the beneficiaries receiving pension in cash, showing acknowledgement, in the form of signature or thumb impression, of such receipt), maintained in eight and three wards of the Rairangpur and Sonepur Municipalities, respectively, and found that pension payment had been made to 25 deceased beneficiaries, for periods ranging from one to 27 months, from the month in which the last payment of pension should actually have been made. These 25 cases were found at the time of cross-checking between the death register and acquaintance register, indicating failure of the internal control mechanism in these Municipalities and indicated that the validity of the signatures or thumb impressions of other beneficiaries also needed urgent verification.

It was evident from the above that the municipal authorities were neither checking the death register, nor ascertaining the actual identity of the payee, at the time of disbursement of pensionary benefits, resulting in fraudulent payments of pension amounting to ₹2.18 lakh.

The EOs of the Municipalities replied (December 2020 and January 2021) that action would, hereafter, be taken, to conduct verification of beneficiaries.

However, no justification was offered for the lack of due diligence, on part of the municipal authorities, which had resulted in the fraudulent payments.

6.7.6 Unadjusted advances of ₹4.70 crore paid to staff and agencies

Absence of internal control and non-monitoring of advances paid to staff and agencies, resulted in non-adjustment/non-recovery of ₹4.70 crore.

Rule 509, of the Odisha Treasury Code (OTC) Vol. I and Finance Department Circular of November 1985, stipulate that advances allowed to Government servants should be adjusted within one month of disbursement. Rule 507 (1) (b) (i) also stipulates that second advances are to be sanctioned only after the adjustment of the previous one.

Further, as per Note 9 below Rule 37 of the OTC: (i) the advances given to officials should be noted in a Register of Advances, showing therein all the particulars regarding the date, name and designation of the officers receiving the advances, amounts of advance, purposes for which they have been given, dates of submission of accounts, total amounts adjusted and balances refunded and (ii) the register of advances should be reviewed frequently, to see that all the advances have been cleared without any delay.

Finance Department Circulars of March 2002 and January 2004 also stipulated that any advances remaining unadjusted, without any valid reason, for more than one year, should be treated as losses to the organisation/Government and should immediately be recovered from the concerned advance holders and sanctioning authorities.

Scrutiny of the advance registers and information furnished by eight ULBs revealed that advances, amounting to ₹4.70 crore, paid to staff and other agencies, were lying unadjusted, as of March 2021 (as detailed in *Appendix 6.5*). The major advances, which had remained unadjusted, are given illustrated in *Table 6.9*.

Table 6.9: Major unadjusted advances, taken by employees/agencies

(₹ in lakh)

Sl. No.	ULB	Purpose	Amount of advance
1	Sundargarh Municipality	Works Advance	2.61
2	Sonepur Municipality	Construction, ULB election, Travelling advance	5.97
3	Rairangpur	Works, plantation, repair of Quarter of Executive Officer	2.42
4	BMC	Free kitchen during the period of cyclone 'FANI'	58.00
5	CMC	Advance for Ahar Society	180.00

These advances had been sanctioned as early as FY 2001-02 and the delays in recovery ranged from two months to 234 months (i.e., over 19 years). Further, neither had the Registers of Advances been maintained properly, as per rules, nor had they been reviewed by the competent authorities, to watch the adjustment of these long outstanding advances. Audit noted that the ULBs had not taken any action against the defaulting officials/agencies, for recovery of these advances.

Thus, failure to implement internal controls, non-monitoring of adjustment of advances and non-compliance with rules regarding recovery of advances from defaulters, resulted in non-adjustment/non-recovery of advances, amounting to ₹ 4.70 crore. Non-adjustment of advances given to officials/agencies, for inordinately long periods of time, was not only in violation of the financial rules but was also fraught with the risk of embezzlement of public money.

The Executive Officers of the municipalities replied (December 2020 and February 2021) that steps would be taken for adjustment of advances. However, they did not provide any justification for non-compliance with the financial rules.

Recommendation:

Government may take immediate appropriate action to recover the outstanding advances from the delinquent officials.



Bhubaneswar
The 7th July 2023

(RAJ KUMAR)
Principal Accountant General (Audit-I)
Odisha

Countersigned



New Delhi
The 13th July 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India