

**CHAPTER-IV  
PERFORMANCE REVIEW AND AUDIT OF  
TRANSACTIONS  
URBAN LOCAL BODIES**

This chapter presents one performance review on "Integrated Development of Small and Medium Towns" Scheme of Local Self Government Department and four paragraphs related to Transaction Audit of Urban Local Bodies.

**PERFORMANCE REVIEW**

**4.1 Integrated Development of Small and Medium Towns Scheme**

*Highlights*

*The Centrally Sponsored Scheme of "Integrated Development of Small and Medium Towns" (IDSMT) was launched in December 1979 to arrest the increasing trend of migration from small and medium towns to larger cities by "Integrated" development of the towns through economic growth and creation of employment opportunities. Funding pattern of the scheme was revised from loan basis to grant-in-aid since August 1995. Only 42 towns were covered under the scheme during 1995-2005. Project execution was not satisfactory as none of the 42 projects could be completed and only sixteen per cent schemes/works (38 out of 242) were completed as of March 2009. The inability to raise institutional finance or to generate internal resources was a major factor for slow progress in completion of the project. Training and up-gradation of the skills of the personnel dealing with the implementation of the Scheme was inadequate. Significant points noticed are given in succeeding paragraphs.*

**Due to lack of vigorous pursuance for recovery, Rs 16.60 crore on account of loan and interest were outstanding against loan sanctioned prior to August 1995.**

*(Paragraph 4.1.7)*

**For execution of the projects, requisite institutional finance of Rs 7.57 crore was not arranged by eleven bodies out of 12 test checked MBs/UIT.**

*(Paragraph 4.1.8.1(a))*

**Grants of Rs 10.06 crore required to be released within one month were released to 12 local bodies by State Government with delays of one to 23 months.**

*(Paragraph 4.1.8.2(a) (ii))*

**Rupees 4.73 crore were diverted by 10 local bodies on unapproved works/activities adversely affecting the approved works/activities under the projects.**

*(Paragraph 4.1.8.4 (i))*

**In 12 projects/towns test checked, idle expenditure of Rs 1.66 crore was incurred on construction of two bus stands lying unutilised.**

*(Paragraph 4.1.9.2 A(a)( b))*

**Unfruitful expenditure of Rs 2.89 crore was incurred on residential/commercial schemes, hotel complex and other infrastructure works, which were lying incomplete/unutilised denying the envisaged benefits under test checked projects.**

*(Paragraphs 4.1.9.1 and 4.1.9.2(B)(C))*

#### **4.1.1 Introduction**

The centrally sponsored scheme of "Integrated Development of Small and Medium Towns" (IDSMT) was launched by Government of India (GOI) in December 1979 to arrest the increasing trend of migration of people from rural areas and smaller towns to large cities by providing infrastructure and other facilities and to generate economic growth and employment opportunities in the small and medium towns. While selecting the towns, preference was to be given to district headquarters followed by *mandi* towns and industrial growth centres, tourist places, pilgrim centres, etc. The scheme was not applicable to the towns covered by Integrated Urban Poverty Eradication Programmes, towns where elected bodies were not in position and whose population exceeded five lakh.

The IDSMT scheme envisaged a comprehensive programme for a selected town/growth centre covering all facets of development. Project reports under the scheme had to be drawn up, indicating the type of urban infrastructural facilities that were required to be provided in the towns keeping in view their projected growth profile and functional activities. Project Reports of all the 42 towns were prepared/sanctioned (1995-2005) in formats prescribed in the guidelines.

The project reports were to be submitted by the local bodies to the State level Sanctioning Committee for their examination and approval. The sanctioning committee was to approve the projects keeping in view the basic objectives and the broad parameters laid down by the Sanctioning Committee. After scrutiny, the recommendations (alongwith the Minutes of the Meeting) were to be sent to the Ministry of Urban Affairs and Employment through Town and Country Planning Organisation (TCPO) for release of Central assistance. The TCPO of Ministry of Urban Department, GOI decided (August 2007) that the State Governments would complete the remaining ongoing works under IDSMT scheme from their own sources, as the IDSMT scheme was subsumed

with the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) from the year 2006 onwards.

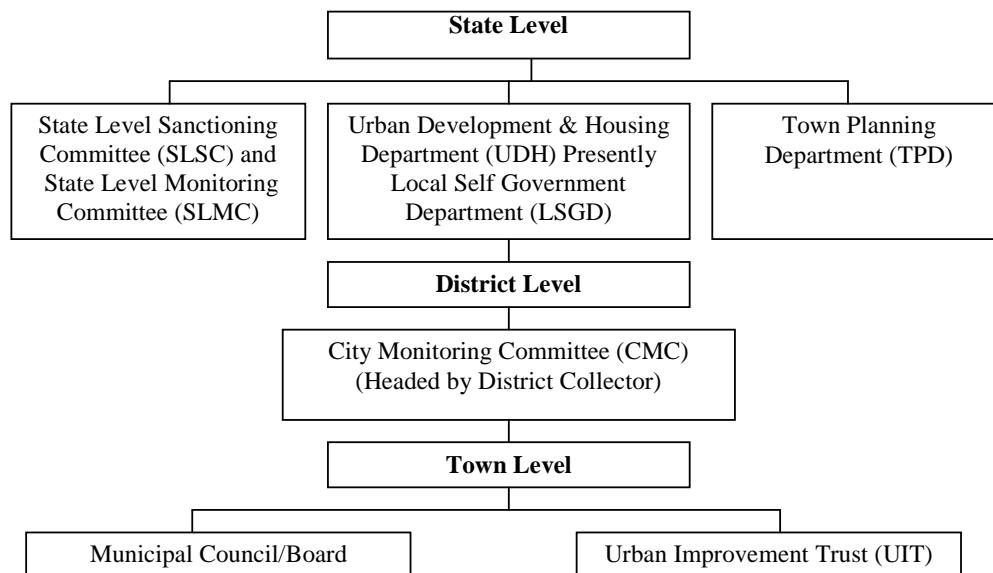
#### 4.1.2 Objectives of the Scheme

The IDSMT Scheme was launched with a view to:

- improve infrastructural facilities and create durable public assets in small and medium towns having potential to emerge as regional centres of economic growth and employment;
- decentralise economic and employment opportunities;
- increase the availability of serviced sites for housing, commercial and industrial uses and to promote the principles of planned and orderly development;
- integrate special and socio-economic planning; and
- promote resource-generating schemes to improve the overall financial position and ability of the urban local bodies.

#### 4.1.3 Organisational set-up

The organisational set-up of the IDSMT programme is given below:



The Scheme was implemented through Urban Improvement Trusts (UITs) and Municipal Councils (MCs)/Municipal Boards (MBs) at the town level under the overall control of Principal Secretary, Urban Development and Housing Department of the State Government. Secretary, Local Self Government Department (LSGD) was the administrative head of the Scheme and Town Planning Department, Rajasthan, Jaipur was the nodal agency to monitor the implementation of the project at local bodies level.

#### 4.1.4 Audit objectives

Audit was conducted to ascertain whether:

- economic growth and employment opportunities were decentralised to provide advantage through a regional planning approach;
- the projects were implemented in an economical, efficient and effective manner;
- mechanism for monitoring the programme worked efficiently; and
- the assets created were being managed and utilised properly.

#### 4.1.5 Audit criteria

The main criteria used for the Performance Audit were:

- IDSMT revised guidelines (August 1995) issued by Ministry of Urban Affairs and Employment.
- Financial sanctions issued by GOI and State Government.
- Physical and Financial progress reports submitted by TPD.
- Minutes of SLMC and CMC meetings.
- Rajasthan Municipal Act, 1959 and Municipal Rules.
- General Financial and Accounts Rules of the State Government.
- Public Works Financial and Accounts Rules of the State Government.
- Various orders/directions issued by State Government/Local Self Government Department.
- Project reports, expenditure statements, utilisation certificate, estimates, vouchers and measurement books of works executed etc.

#### 4.1.6 Audit coverage

Of 42 Municipal Bodies/Urban Improvement Trust (UIT) to whom grants were given under IDSMT Scheme, 12 Municipal Bodies/UIT<sup>1</sup> (28 per cent) were selected on the basis of their location at district headquarters followed by mandi towns, industrial growth centres, tourist places and pilgrim centres. Records of Town Planning Department, Rajasthan, Jaipur and 12 Municipal Boards/UIT (comprising 75 schemes sanctioned for the period 1995-2006) were test checked during January to June 2006. Significant audit findings are discussed in the succeeding paragraphs.

---

1. **Category – A** : Deshnok, Kapasan, Rawatbhata, **Category – B** : Anoopgarh, Balotra, Jaisalmer, Nokha, Pratapgarh, Shahpura, Suratgarh, **Category – C**: Hanumangarh, **Category – E** : Bikaner (UIT).

#### 4.1.7 Funding pattern

Under the Scheme, funds were to be provided as loan by the Central and State Governments in the ratio of 50:50 up to July 1995. As of 31 March 2009, loan of Rs 16.60 crore was outstanding (principal: Rs 3.09 crore and interest: Rs 13.51 crore) in respect of the projects sanctioned prior to August 1995. The funding pattern was revised with effect from August 1995 wherein the assistance of GOI/State Government was modified from "loan" to "grant-in-aid" and *inter alia* envisaged that after excluding 20 to 40 per cent of minimum project cost to be arranged by the local body as institutional finance, the balance cost was to be shared by GOI and State Government in the ratio of 60:40 as per table below:

**(Rupees in lakh)**

Category of town (Population)	Minimum project cost	Grant-in-aid		Loan from HUDCO/ Financial Institution loan / other sources (Percentage)
		Central share	State share	
A (<20,000)	100	48	32	20 (20)
B (20,000<50,000)	200	90	60	50 (25)
C (50,000<1,00,000)	350	150	100	100 (29)
D (1,00,000<3,00,000)	550	210	140	200 (36)
E (3,00,000<5,00,000)	750	270	180	300 (40)

While the project costs were based on a "Minimum Project Cost" concept, project of higher size could also be sanctioned subject to availability of extra loan/other resources including municipal share with the condition that the central assistance would have to be restricted based on minimum project cost.

The Central share was to be passed to the State Government as grant and thereafter both the Central and State shares were to flow as grant to a special Revolving Fund to be set up at the municipal level. Institutional finance and receipts on account of rent, sale proceeds, user charges, etc. were also required to be credited to the Revolving Fund of the IDSMT project concerned.

#### 4.1.8 Financial management

TCPO, Ministry of Urban Development, GOI approved 242 schemes for 42 towns of the State under IDSMT Scheme at a total project cost of Rs 100.09 crore<sup>2</sup> during 1995-2005. Against this, grants of Rs 53.55 crore (Central share : Rs 32.49 crore and State share : Rs 21.06 crore) were released to the implementing agencies for developmental works. A comprehensive position of grants released *vis-à-vis* expenditure incurred under IDSMT Scheme during 1995-2009 was as under:

2. Central share: Rs 37.31 crore; State share: Rs 24.95 crore and Institutional finance/share of implementing agencies: Rs 37.83 crore.

(Rupees in crore)

Year of approval	Number of towns (Projects)	Number of schemes	Approved project cost	Eligible share			Grants released			Expenditure* up to March 2009
				Central	State	Total	Central	State	Total	
1995-96	5	30	9.40	3.79	2.52	6.31	3.58	2.39	5.97	7.79
1996-97	2	11	12.03	4.28	2.85	7.13	4.28	2.85	7.13	12.16
1997-98	2	10	1.71	0.81	0.54	1.35	0.81	0.54	1.35	1.38
2000-01	3	19	8.43	3.30	2.20	5.50	3.30	2.20	5.50	4.03
2001-02	3	17	5.92	2.28	1.52	3.80	2.28	1.22	3.50	3.37
2002-03	5	34	15.24	5.90	3.94	9.84	3.88	2.59	6.47	4.71
2003-04	6	33	17.39	5.58	3.72	9.30	5.13	3.42	8.55	5.27
2004-05	16	88	29.97	11.37	7.66	19.03	9.23	5.85	15.08	10.05
<b>Total</b>	<b>42</b>	<b>242</b>	<b>100.09</b>	<b>37.31</b>	<b>24.95</b>	<b>62.26</b>	<b>32.49</b>	<b>21.06</b>	<b>53.55</b>	<b>48.76</b>

Source: Progress report of IDSMT scheme (up to March 2009) furnished by Chief Town Planner, Rajasthan, Jaipur.

\* (including grants, institutional finance and other sources)

(i) Out of 242 schemes sanctioned in these 42 projects, only 38 (15.70 per cent) were completed, 132 (54.55 per cent) were in progress and 72 (29.75 per cent) had not been started as of March 2009. It was further noticed that out of 75 schemes sanctioned during 1995-2004 in 12 test checked MBs/UIT, there was delay of 2 to 10 years in 50 schemes which were either incomplete or not started. Out of the total release of grants of Rs 53.55 crore, only Rs 48.76 crore could be utilised on implementation of the projects including institutional finance and the remaining amount of Rs 4.79 crore was lying unutilised (March 2009) with the local bodies concerned.

(ii) Under the IDSMT projects, mainly residential/commercial/infrastructural facilities were to be developed for economic growth and providing employment. However, as of March 2009, out of 242 schemes (56 residential, 58 commercial and 128 infrastructural schemes) for 42 MBs/UIT only four residential (seven per cent), six commercial (10 per cent) and 28 infrastructural (22 per cent) were completed which resulted in denial of scheme's benefits of economic growth and employment to the people of these towns.

#### 4.1.8.1 Non-contribution of institutional finance by the implementing agencies

(a) A detailed position of grants released vis-à-vis expenditure incurred under IDSMT scheme during 1995-2009 regarding the 12 test

checked MBs/UIT was as under:

(Rupees in lakh)

S. No.	Name of town	Year of approval	Number of schemes	Approved Project cost	Eligible share			Grant released			Expenditure up to March 2009
					Central	State	Total	Central	State	Total	
1.	Jaisalmer	1995-96	8	272.00	90.00	60.00	150.00	90.00	60.00	150.00	320.26
2.	Kapasan	1995-96	3	100.00	48.00	32.00	80.00	48.00	31.99	79.99	101.23
3.	Nokha	1995-96	9	232.04	90.00	60.00	150.00	90.00	60.00	150.00	143.25
4.	Pratapgarh	1995-96	4	134.62	60.58	40.39	100.97	40.00	26.67	66.67	85.59
5.	Shahpura	1995-96	6	201.29	90.00	60.00	150.00	90.00	60.00	150.00	128.80
6.	Bikaner	1996-97	7	764.88	270.00	180.00	450.00	270.00	180.00	450.00	816.86
7.	Deshnok	1997-98	6	102.50	48.00	32.00	80.00	48.00	32.00	80.00	81.48
8.	Balotra	2000-01	3	220.36	90.00	60.00	150.00	90.00	60.00	150.00	99.84
9.	Hanumangarh	2000-01	9	399.12	150.00	100.00	250.00	150.00	100.00	250.00	257.76
10.	Suratgarh	2001-02	10	274.20	90.00	60.00	150.00	90.00	60.00	150.00	188.11
11.	Anoopgarh	2002-03	6	420.69	90.00	60.00	150.00	90.00	60.00	150.00	166.11
12.	Rawatbhata	2002-03	4	216.28	90.00	60.00	150.00	90.00	60.00	150.00	158.76
	<b>Total</b>		<b>75</b>	<b>3,337.98</b>	<b>1,206.58</b>	<b>804.39</b>	<b>2,010.97</b>	<b>1186.00</b>	<b>790.66</b>	<b>1,976.66</b>	<b>2,548.05</b>

Source: Progress report of IDSMT scheme (up to March 2009) furnished by Chief Town Planner, Rajasthan, Jaipur.

It was observed that a sum of Rs 13.27 crore was to be arranged as institutional finance by the 12 test checked MBs/UIT. However, full amount (Rs 71 lakh) was contributed only by MB Balotra and no amount was arranged as institutional finance by four<sup>3</sup> local bodies against Rs 2.61 crore. The remaining seven<sup>4</sup> MBs/UIT contributed Rs 4.99 crore only against Rs 9.95 crore during 1995-2009. Non/short contribution of the institutional finance by the local bodies due to non-availability of funds with them was the major factor for tardy progress/non-completion of project. Incidentally it was also observed that Jaisalmer MB invested an amount of Rs 5.93 crore realised from sale of land as institutional finance though the same was to be deposited in the Revolving Fund.

(b) Work Status of Selected MBs/UIT

(Rupees in lakh)

S. No	Name of M.B/UIT	Sanctioned works	Expenditure On Works						Total Expenditure	Works not Started	
			Works Completed			Works Not completed				No.	Project cost
			No.	Project cost	Exp.	No.	Project cost	Exp.			
1	Nokha MB	9	3	36.82	33.49	5	178.50	109.76	143.25	1	16.72
2	Pratapgarh MB	4	1	18.60	25.52	2	59.36	60.07	85.59	1	56.66
3	Shahpura MB	6	-	-	-	6	201.29	128.80	128.80	-	-
4	Kapasan MB	3	1	30.00	35.97	2	70.00	65.26	101.23	-	-
5	Jaisalmer MB	8	7	180.00	232.72	1	92.00	87.54	320.26	-	-
6	Bikaner UIT	7	5	334.88	382.08	1	309.00	434.78	816.86	1	121.00

3. Deshnok (Rs 0.22 crore), Jaisalmer (Rs 1.22 crore), Rawatbhata (Rs 0.66 crore) and Shahpura (Rs 0.51 crore).

4. Kapasan (Rs 8 lakh out of Rs 20 lakh), Nokha (Rs 77.04 lakh out of Rs 82.04 lakh), Suratgarh (Rs 42.58 lakh out of Rs 124.20 lakh), Anoopgarh (Rs 254.58 lakh out of Rs 270.69 lakh), Bikaner (Rs 13.60 lakh out of Rs 314.88 lakh), Hanumangarh (Rs 71.08 lakh out of Rs 149.12 lakh) and Pratapgarh (Rs 31.99 lakh out of Rs 33.65 lakh).

S. No	Name of M.B/UIT	Sanctioned works	Expenditure On Works						Total Expenditure	Works not Started	
			Works Completed			Works Not completed				No.	Project cost
			No.	Project cost	Exp.	No.	Project cost	Exp.			
7	Deshnok MB	6	1	12.60	12.60	4	86.40	68.88	81.48	1	3.50
8	Hanumangarh MB	9	4	105.98	101.53	2	268.46	156.23	257.76	3	24.68
9	Balotra MB	3	-	-	-	3	220.36	99.84	99.84	-	-
10	Suratgarh MB	10	1	12.82	12.82	6	237.62	175.29	188.11	3	23.76
11	Rawatbhata MB	4	2	88.63	97.19	2	128.25	61.57	158.76	-	-
12	Anoopgarh MB	6	-	-	-	6	420.69	166.11	166.11	-	-
	<b>Total</b>	<b>75</b>	<b>25</b>	<b>820.33</b>	<b>933.92</b>	<b>40</b>	<b>2,271.93</b>	<b>1,614.13</b>	<b>2,548.05</b>	<b>10</b>	<b>246.32</b>

Source: Information provided by Chief Town Planner, Rajasthan, Jaipur in Progress reports (up to March 2009) of IDSMT scheme.

It was observed that in the test checked 12 projects in 12 MBs/UIT, 75 schemes were sanctioned at a cost of Rs 33.38 crore during 1995-2003, which were required to be completed within March 2006. However, as of March 2009 none of the projects could be completed and only 25 schemes (33.33 per cent) could be completed in the stipulated period of five years after spending Rs 9.33 crore against project cost of Rs 8.20 crore whereas 10 schemes (13.33 per cent) sanctioned for Rs 2.46 crore could not be started by the concerned local bodies. This is indicative of slow progress of the projects/schemes sanctioned under IDSMT scheme. Non-completion of projects in prescribed time schedule led to denial of the scheme's benefits of economic growth and employment to the people of these towns, besides possibility of cost overrun.

#### 4.1.8.2 Short/ delayed release of funds

(a) As per GOI sanctions, State Government was required to release its matching share along with Central assistance to the implementing agencies within one month for execution of the approved projects.

It was observed that:

(i) State Government did not release its share of Rs 2.24 crore<sup>5</sup> to seven test checked local bodies and instead, directed them (between February 1997 and November 2002) to contribute the amount out of the grant received by them in lieu of octroi abolished by Government or from their own resources. This led to extra financial burden on the already financially deprived ULBs.

(ii) Grants of Rs 10.06 crore (Central share: Rs 7.31 crore and State share: Rs 2.75 crore) were released (February 1997- March 2006) by State

5. Balotra : Rs 0.13 crore, Bikaner: Rs 1.37 crore, Hanumangarh: Rs 0.01 crore, Nokha: Rs 0.09 crore, Pratapgarh: Rs 0.13 crore, Shahpura: Rs 0.21 crore and Suratgarh: Rs 0.30 crore.



Government in the Personal Deposit (PD) Accounts (non-interest bearing) of 12 implementing local bodies<sup>6</sup> with delay of one to 23 months; and

(iii) State share of Rs 20.34 lakh was released (March 2002) to MB, Hanumangarh with a delay of 13 months which was lying unutilised in the PD Account of MB due to the condition imposed (March 2002) on withdrawal of the amount of State share with the prior permission of Finance Department. The MB informed (May 2009) that it was awaiting permission of Finance Department for transfer of money from PD account to the Scheme Account.

(b) Seven local bodies belatedly transferred (August 1996-August 2005) funds of Rs 6.79 crore<sup>7</sup> from their PD accounts to the saving bank accounts of the Scheme with delays of one to 40 months.

Non/short release/delayed transfer of funds to the implementing agencies/ Scheme accounts not only affected the implementation of the projects adversely but also resulted in loss of interest of Rs 28.17 lakh to the Scheme funds which could have been utilised as additional resources to meet the cost overrun by the projects.

#### 4.1.8.3 Release of grants at the fag end of the financial year

Grants of Rs 6.91 crore were released by the State Government at the fag end i.e. during the month of March of the respective financial years 1995-2006 making it difficult for the implementing local bodies to spend the money during the financial year itself. Non-availability of funds throughout the year affected the *pro rata* progress of works leading to delay in completion of projects.

#### 4.1.8.4 Diversion of funds

The scheme funds were required to be utilised for implementation of the IDSMT projects/schemes for which these were released.

It was observed that in contravention of guidelines:

(i) 10 local bodies<sup>8</sup> spent Rs 4.73 crore either on unapproved works/activities or on those not covered under the Scheme e.g. advertisement, legal charges, stationery and printing, acquisition of land, investment in Fixed Deposit Receipts (FDRs), etc.

---

6. Anoopgarh: Rs 0.75 crore, Balotra: Rs 1.09 crore, Bikaner: Rs 3.13 crore, Deshnok: Rs 0.60 crore, Hanumangarh: Rs 0.16 crore, Jaisalmer: Rs 0.94 crore, Kapasan: Rs 0.41 crore, Nokha: Rs 0.41 crore, Pratapgarh: Rs 0.20 crore, Rawatbhata: Rs 0.30 crore, Shahpura: Rs 0.87 crore and Suratgarh: Rs 1.20 crore.

7. Balotra: Rs 0.97 crore, Deshnok: Rs 0.41 crore, Hanumangarh: Rs 1.50 crore, Jaisalmer: Rs 0.96 crore, Kapasan: Rs 0.80 crore, Nokha : Rs 1.41 crore and Shahpura: Rs 0.74 crore.

8. Anoopgarh (Rs 24.22 lakh), Balotra (Rs 170.89 lakh), Bikaner UIT (Rs 147.50 lakh), Hanumangarh (Rs 17.16 lakh), Kapasan (Rs 68.21 lakh), Nokha (Rs 6.22 lakh), Pratapgarh (Rs 0.62 lakh), Rawatbhata (Rs 34.24 lakh), Shahpura (Rs 2.30 lakh) and Suratgarh (Rs 2.13 lakh).

(ii) Scheme funds of Rs 88.75 lakh were diverted for temporary investments in FDRs/ Post Office or for incurring expenditure on other works by four MBs for seven to 19 months, which resulted in loss of interest of Rs 3.09 lakh as detailed below:

(Rupees in lakh)

Name of Municipal Board	Nature of diversion	Amount diverted	Period of diversion	Loss of interest	Remarks (Reasons of diversion/loss of interest)
Jaisalmer	Loan by MB	10.00	December 1996 to August 1997 (9 months)	0.29	To meet expenditure on other works.
Pratapgarh	FDRs	17.54 1.21	September 2002 to May 2003 (9 months) August 2003 to February 2004 (7 months)	0.44	FDRs of Rs 17.54 lakh and Rs 1.21 lakh which had matured in December 2002 and December 2003 respectively, but amounts were withdrawn in May 2003/ February 2004 after delays of one to four months.
Rawatbhata	Loan by MB	25.00 25.00	June 2005 to April 2006 (11 months) June 2005 to May 2006 (12 months)	1.53	For payment of cost of land to Irrigation Department.
Shahpura	Investment in Small Saving Scheme in the Post Office	10.00	December 1997 to August 1999 (19 months)	0.83	Investment in small saving scheme in the Post Office. Interest earned from the Small Saving Scheme was not credited to the IDSMT scheme fund.
<b>Total</b>		<b>88.75</b>		<b>3.09</b>	

#### 4.1.8.5 Non- maintenance of separate books of accounts/ bank account

Scheme funds were to be credited to a separate bank account to be operated jointly by the Chief Executive of the local body and Chief Town Planner or an officer designated by the State Government. Separate books of accounts for Central assistance, State share and Institutional finance were also to be maintained by the local bodies in respect of the approved projects and these were not to be mixed up with any other funds.

It was observed that UIT, Bikaner received (February 1997 to October 2002) Rs 4.50 crore (Central assistance: Rs 2.70 crore; State share: Rs 1.80 crore) for implementation of the IDSMT project, but in contravention of guidelines, the funds were kept in PD account by the local body instead of opening a separate

account due to which the actual financial status of schemes could not be ascertained.

#### **4.1.8.6 Loss of interest due to parking of funds in current bank accounts**

As per guidelines of the scheme, the funds were required to be kept in saving bank account. However, MBs, Deshnok and Suratgarh kept the scheme funds in current bank accounts during July 1998 to March 2009 and January 2003 to March 2009 respectively. This resulted in loss of interest of Rs 8.19 lakh (Deshnok: Rs 3.42 lakh and Suratgarh: Rs 4.77 lakh), which could have accrued in saving bank account and used as additional resources for developmental works in scheme.

On being pointed out, both the MBs stated (June 2006) that action would be taken for opening the saving bank accounts, but no action was taken up till May 2009, in this regard.

#### **4.1.9 Programme implementation**

Projects under IDSMT envisaged development of selected 42 small and medium towns by improving infrastructural and residential/commercial facilities with a view to enhancing their capacity to attract private investment thereby reducing migration of people of these towns to bigger cities and towns for jobs. However, in the test checked 12 MBs/UIT, it was seen that while formulating project reports no yardsticks were prescribed to ascertain the migration of people of these towns to big urban cities. Hence no specific survey was conducted to know the number of persons of these small and medium towns who had actually migrated to big urban centres.

##### **4.1.9.1 Unfruitful expenditure on incomplete works**

(i) The scheme guidelines provide that in cases where the land is not readily available, advance action should be initiated by the local body of city/town concerned before drawing IDSMT project proposals and the stage of acquisition of land should be indicated in the project report. The title of land should be clear and without dispute. It was observed that construction of ring road by MB, Nokha was lying incomplete after incurring an expenditure of Rs 5.20 lakh out of Rs 23.17 lakh during 1998-99 to June 2003 for want of acquisition of 1,778 metres private land (May 2009). This resulted in unfruitful expenditure of Rs 5.20 lakh on the scheme.

(ii) The UIT, Bikaner and MB Jaisalmer awarded (August 1997 to March 1998) three works for Rs 26.00 lakh to contractors for construction of *nallah*, boundary wall of park and footpath. However, the works were left incomplete after incurring expenditure of Rs 11.59 lakh<sup>9</sup> as (i) the local residents protested because of their plots on the sides of *nallah*, (ii) there was unauthorised possession by slum dwellers in the park and (iii) abandoning of work by

---

9. UIT, Bikaner (two works : Rs 10.62 lakh) and MB, Jaisalmer (one work : Rs 0.97 lakh).

contractor. Thus, Rs 11.59 lakh spent on works lying incomplete for more than 10 years proved unfruitful (May 2009).

On being pointed out (May 2006), UIT Bikaner, MBs Jaisalmer and Nokha did not furnish any reply.

#### **4.1.9.2 Idle expenditure on infrastructure works**

##### **(A) Construction of bus stands**

###### **(a) Shahpura (Bhilwara district)**

With a view to shift the present bus stand situated in the congested area of Shahpura town, MB Shahpura proposed to construct a bus stand with 88 shops at Deoli Road under IDSMT scheme, which was approved (1995-96) by TCPO at a cost of Rs 78.91 lakh (Bus stand: Rs 47.92 lakh and shops: Rs 30.99 lakh). Sale proceeds of 88 shops were estimated at Rs 1.57 crore. Subsequently on being proposed by the MB, Urban Development Department of State Government approved (November 1997) the change in the site of bus stand from Deoli Road to Bhilwara Road. The work of construction of bus stand at changed site initially awarded (August 1998) by MB, Shahpura to *Avas Vikas Sansthan (AVS)*, Bhilwara was completed (May 2005) (with 6 shops) by Rajasthan Housing Board, Bhilwara due to liquidation of AVS in March 1999 at a total cost of Rs 84.61 lakh. However, the newly constructed bus stand, though inaugurated in May 2005 could not be made operational (April 2009) as it was constructed two km away from the main town. Since the bus stand was constructed without the consent of Rajasthan State Road Transport Corporation (RSRTC) buses were still being operated from the old bus stand. Thus, defective planning by MB resulted in idle expenditure of Rs 84.61 lakh on construction of bus stand and six shops, besides loss of projected income of Rs 1.57 crore (from sale of 88 shops) to the scheme funds thereby defeating the purpose of shifting of the present bus stand outside the congested area.

On being pointed out, MB Shahpura informed (April 2009) that as the bus stand was constructed away from present bus stand, the public was being prepared mentally and action for using the bus stand was being taken on priority.

###### **(b) Suratgarh (Sriganganagar district)**

A bus stand was constructed at Suratgarh town at a cost of Rs 81.27 lakh against the approved cost of Rs 76.50 lakh (2001-02) with a projected income of Rs 9.96 lakh to be received from sale of plots/shops developed under IDSMT Scheme. The bus-stand was being operated by RSRTC without pre-settlement of terms and conditions regarding parking charges and rent of bus stand between Local Self Government Department and RSRTC. This had resulted in non-realisation of the revenue from these sources. Executive Officer (EO), MB, Suratgarh intimated (May 2009) that action was being taken to handover the bus stand to RSRTC.

**(B) Residential/commercial schemes**

Under three IDSMT projects (Balotra, Deshnok and Shahpura) test checked, five residential/commercial schemes (to be completed in three years) were approved (1995-2001) to be developed at a cost of Rs 1.99 crore and income from disposal of 873 residential and 146 commercial plots was estimated at Rs 3.94 crore. It was, however, observed that though Rs 1.66 crore was spent during 1996-97 to 2008-09 by the concerned MBs on development works such as construction of internal roads, laying of pipeline, installation of electric line, etc., only 33 residential plots were disposed out of 873 and 09 commercial plots could be disposed out of 146 till March 2009, due to non-participation of bidders, high reserve price and dispute over land etc. This deprived the MBs of the targeted income, besides resulting in deterioration of the executed works and idling of expenditure as detailed below:

**(Rupees in lakh)**

Name of project	Name of scheme	Approved cost	Residential plots		Commercial Plots		Income From Plots		Expenditure
			Proposed	Sold	Proposed	Sold	Proposed	Receipts	
Balotra	Residential scheme	86.53	435	-	24	-	150.23	-	94.31
Deshnok	(i) Residential scheme on Bikaner - Nagaur road	31.00	96	-	-	-	60.04	-	31.84
	(ii) commercial schemes at Bikaner-Nagaur Road	21.20	-	-	72	9	34.41	2.86	22.90
Shahpura	Gokul Lal Asawa Nagar								
	(i) Sector 'A'	24.56	102	33	-	-	46.52	15.72	8.51
	(ii) Sector 'B'	35.68	240	-	50	-	102.58	-	8.10
	<b>Total</b>	<b>198.97</b>	<b>873</b>	<b>33</b>	<b>146</b>	<b>9</b>	<b>393.78</b>	<b>18.58</b>	<b>165.66</b>

On being pointed out, while no reply was furnished by MB Balotra, MBs Deshnok and Shahpura stated (June 2006 and May 2009) that auctions were organized from time to time, but only 33 residential plots (Shahpura) and nine commercial plots (Deshnok) could be sold realising only Rs 18.58 lakh (4.72 per cent) due to non-participation by residents of the town/bidders. This indicated improper selection of sites for the residential/ commercial schemes or preparation of the schemes without actual requirements resulting in unfruitful expenditure of Rs 1.66 crore and deprivation of the envisaged income of Rs 3.75 (Rs 3.94 crore - Rs 0.19 crore) crore to the Scheme funds.

**(C) Hotel complex**

A project approved (1995-96) at a cost of Rs 2.72 crore for Jaisalmer under IDSMT included sanction of Rs 87.00 lakh for development of infrastructure for a hotel complex in an area of 30 acre at Barmer road. The developmental works were to be completed by 2001. The proposals envisaged development of 14 plots with expected sale return of Rs 5.97 crore. It was observed that though auctions were arranged many times but due to non-participation of bidders the sale could not materialise. Subsequently, at the instance of CMC, the Sr. Town Planner, Jodhpur submitted the revised plan (June 2001) which

envisaged development of facilities like road, LT line, *nallah* etc. It was further seen (May 2009) that an expenditure of Rs 1.06 crore was incurred on these works and 14 plots were fragmented into 217 plots of small size with a view to attract bidders. However, only 18 plots could be sold for Rs 4.59 crore and 199 plots remained unsold up to May 2009. Thus, due to lack of proper planning, the MB was not able to generate the targeted revenue to be realised from this project and further the object of tourism promotion and infrastructure development could not be achieved.

#### **4.1.9.3 Irregular/excess expenditure over the approved cost**

Expenditure on execution of works (schemes) should not exceed the costs approved in the project in respect of the concerned town. It was observed that out of test checked 12 MBs/UIT, nine MBs irregularly incurred excess expenditure of Rs 3.49 crore<sup>10</sup> on execution of the schemes/works. As a result of excess expenditure the other schemes under the project remained incomplete/under progress/could not be taken up.

On being pointed out the EOs of the concerned MBs/UIT stated (June 2006 and March 2009) that the excess expenditure was got approved in the meetings of CMCs. The reply is not tenable, as incurring excess expenditure on works/activities against the scheme guidelines had adversely affected other components of the project resulting in non-completion of project.

#### **4.1.10 Execution of works- Extra avoidable expenditure due to unnecessary re-invitation of tenders**

Construction of a community hall was approved (1995-96) at a cost of Rs 18.60 lakh under IDSMT project in Pratapgarh town. Tenders for this work were invited (September 1996) by MB Pratapgarh and as the lowest rate of tenderer "A" at 19 *per cent* below Schedule 'G' of Rs 9.90 lakh based on BSR 1993 was considered unworkable, second lowest tenderer "B" who had offered 26 *per cent* above Schedule 'G' aggregating Rs 12.47 lakh was directed (October 1996) to deposit five *per cent* performance guarantee before issuing the work order. The contractor's request for deducting performance guarantee from his first running bill though acceptable in accordance with the condition No.7 of NIT<sup>11</sup>, was turned down by CMC and fresh tenders (based on BSR 1996) were invited in April 1997. The work order for Rs 14.92 lakh at 12.99 *per cent* above Schedule 'G' (Rs 13.20 lakh) was issued (August 1997) to the lowest tenderer "C". It was noticed that in this case, the amount of performance guarantee was deducted from the first running bill. Thus, rejection of the second lowest tenderer "B" merely due to non-depositing of performance guarantee was unjustified resulting in extra avoidable expenditure of Rs 2.45 lakh (Rs 14.92 lakh minus Rs 12.47 lakh).

---

10. Anoopgarh (Rs 4.62 lakh), Deshnok (Rs 2.54 lakh), Jaisalmer (Rs 52.72 lakh), Kapasan (Rs 20.84 lakh), Pratapgarh (Rs 20.18 lakh), Shahpura (Rs 5.70 lakh), Suratgarh (Rs 4.77 lakh), Balotra (Rs 94.47 lakh) and Bikaner (Rs 143.38 lakh).

11. Also clause 7 of contract prescribed in Appendix-XI of Public Works Finance and Accounts Rules.

#### **4.1.11 Monitoring and evaluation**

The overall monitoring and evaluation of the Scheme was to be carried out by TCPO and its officers were also required to conduct inspections of the IDSMT projects. The SLMC under the chairmanship of Principal Secretary, Urban Development Department and the CMC set up under the Chairmanship of District Collectors for proper co-ordination, monitoring and evaluation of the programme and to review the progress, were required to meet once in every three months<sup>12</sup>. The SLMC met only eight times<sup>13</sup> during 2003-09 instead of twenty four times. Therefore, main objective of periodical monitoring of the progress of fund mobilisation and implementation of various projects taken up under the scheme could not be regularly done by SLMCs. Besides, CMCs also failed in watching the progress of work and timely completion of works due to which all 42 projects sanctioned under IDSMT could not be completed fully. Evaluation of the Scheme was not conducted by any agency.

Relevant records/information regarding number of inspections conducted by the concerned officers of TCPO/TPD and pre/post IDSMT data sought by Audit from Chief Town Planner, Jaipur were not furnished due to which the status of monitoring and evaluation of the IDSMT projects could not be ascertained.

#### **4.1.12 Conclusion**

Under IDSMT projects mainly residential/commercial/infrastructural facilities were to be developed for economic growth and providing employment opportunities so as to arrest immigration of people from rural areas to smaller towns and large cities. However, as of March 2009, out of 242 schemes (56 residential, 58 commercial and 128 infrastructural schemes) for 42 MBs/UIT only four residential (seven *per cent*), six commercial (10 *per cent*) and 28 infrastructural (22 *per cent*) were completed which resulted in denial of schemes benefits of economic growth and employment to the people of these towns.

None of the 42 projects sanctioned under IDSMT scheme could be completed fully during a period of more than one decade (1995-2005) despite incurring an expenditure of Rs 48.76 crore. As against required institutional finance of Rs 13.27 crore for 12 towns, only Rs 5.70 crore (43 *per cent*) could be contributed by the local bodies. This resulted in non-completion of the projects within the scheduled time. While some works were lying incomplete, some of the remunerative assets created were lying unutilised/undisposed off.

Specific study was not done by the State Government so far to quantify the number of persons of the small and medium towns who had actually been prevented from migrating to large urban centres.

---

12. SLMC meeting dated 9 December 2002 (Agenda item No. 10.3).

13. Dated 6 March 2003, 12 October 2004, 18 January 2005, 8 June 2005, 25 October 2005, 28 February 2006, 21 August 2006 and 20 February 2009.

## AUDIT OF TRANSACTIONS

### 4.2 Non/short realisation of revenue

#### Loss due to non-recovery of compensation and risk and cost amount from contractors

#### **Municipal Board, Sawai Madhopur failed to recover compensation and risk and cost amounting to Rs 13.05 lakh from defaulting contractors.**

Rule 43 of Rajasthan Municipal Accounts Rules, 1963 envisage adopting the same procedure as adopted in the Public Works Department of the State Government for invitation of tenders, execution of works etc. in municipalities. Conditions of Notice Inviting Tender (NIT) prescribed in Public Works Financial and Accounts Rules stipulate that if any contractor whose tender has been accepted does not execute agreement or start the work or does not complete the work and work has to be put to retendering, Earnest Money/Security Deposit/Performance Guarantee should be forfeited and other action as specified in the agreement should be initiated. Further, clauses 2 and 3(c) of conditions of contract agreement provide for recovery of 10 *per cent* compensation of contracted work remaining unexecuted and execution of work through another contractor at the risk and cost of the original contractor.

Test check (April 2006) of records of Municipal Board (MB), Sawai Madhopur for the period 2003-06 revealed that seven works awarded (December 2004 and February 2005) to three contractors for Rs 47.14 lakh were not started by them. Consequently, the works after retendering had been allotted (February - April 2005) to other contractors at a cost of Rs 56.53 lakh. While the MB forfeited the Earnest Money of Rs 1.05 lakh belonging to defaulting contractors, the compensation of Rs 3.66 lakh (Rs 4.71 lakh - Rs 1.05 lakh) and risk and cost amount of Rs 3.40 lakh (in respect of five works) from the original contractors as per provisions of clause 2 and 3 (c) of contract agreement (*Appendix-IX*) had not been recovered. Further, due to failure of the department in observing due formalities in respect of two works (S. No. 6 and 7 of *Appendix-IX*), recovery of Rs 5.99 lakh leviable against the contractors under clause 3 of the agreements is doubtful as agreements were not got executed before issuing work orders to the contractors.

On being pointed out (April 2006), the MB stated (June 2008 and April 2009) that recovery notices were issued (December 2007) to the defaulters. However, the recovery had not been effected (April 2009).

Thus, failure of MB, Sawai Madhopur to recover the due amount from defaulting contractors for breach of contracts and also to execute the agreements before awarding the works, led to non-recovery of Rs 13.05 lakh from contractors and consequential loss to the MB.



The matter was referred to Government in June 2006; reply has not been received (September 2009).

### 4.3 Blocking of funds/unfruitful expenditure

#### Improper/non-utilisation of assets created for specific purposes

**Two Working Women hostels and two 'Ren Baseras' completed during 1989-2003 at a cost of Rs 51.76 lakh have never been put to use for the intended purposes.**

Test check of records of Municipal Councils (MCs), Beawar (August 2004) and Ajmer (October 2005) and Municipal Corporation, Jodhpur (MCJ) (July 2006) revealed that two working women hostels and two *Ren Baseras* constructed at a cost of Rs 51.76 lakh to provide secure accommodation to working women and shelter to urban poor in winter and rainy seasons respectively were never put to use for the intended purposes since its construction as detailed below:

S. No.	Name of Municipal Corporation/ Council	Name of building	Month of Administrative and Financial sanction (amount)	Month of completion (cost)	Status of use
1.	Municipal Corporation, Jodhpur	<i>Ren Basera</i> at Kabir Nagar	October 1989 (Rs 9.65 lakh)	February 2002 (Rs 10.16 lakh)	The building was never put to use for the intended purpose and is in dilapidated condition.
2.	Municipal Council, Ajmer	Working Women hostel	March and September 1999 (Rs 20.50 lakh)	July 2003 (Rs 20.30 lakh)	The hostel remained unused for want of woman residents.
		<i>Ren Basera</i> at Harijan Basti	March 1993, March 1995 and March 1999 (Rs 15.00 lakh)	June 1999 (Rs 13.59 lakh)	The <i>Ren Basera</i> was completed in June 1999 except for plastering of a portion of outer wall of first floor due to proximity of an electricity line. On this untenable pretext, the MC did not put the <i>Ren Basera</i> to the intended use.
3.	Municipal Council, Beawar	Working Women hostel	February 1987 (Rs 6.96 lakh)	November 1989 (Rs 7.71 lakh)	Though the hostel building was completed in November 1989, it was never put to use for the intended purpose for want of women residents. Meanwhile the condition of the hostel deteriorated, but could not be repaired due to financial constraints.

On referring the matter (June 2006 and August 2006), Government stated (June 2007) that building of working women hostel at Beawar had been let-out (December 2005) for four years to a *Vridhashram* (an old-age home) on annual rent of Rs 1200. The Executive Engineer, MCJ stated (May 2008) that financial and administrative sanctions has been obtained for repair work of *Ren Basera*. Commissioner, MC, Ajmer stated (June 2008) that the hostel has been allotted for running the Office of Jawahar Lal Nehru Urban Mission from May 2008 and the *Ren Basera* was being used by local people of weaker

sections of *Valmiki Samaj* of *Kacchi basti* for social works. Commissioner, MC, Beawar stated (April 2008) that the hostel building could not be utilised as no working women applied for it and it had not been repaired due to poor financial condition of the MC.

The above facts indicate that the necessity of hostels for women was not assessed before commencing their construction and sufficient efforts were not made to use the *Ren Baseras* leading to improper/non-utilisation of these buildings costing Rs 51.76 lakh for the intended purposes. This defeated the very objective of providing secure accommodation to working women and shelter to urban poor.

#### **4.4 Non-crediting/non-depositing of amounts in prescribed account/fund**

##### **Failure to deposit statutory recoveries/contributions in the prescribed funds**

**In Municipal Council, Beawar and ten Municipal Boards statutory recoveries on account of General Provident Fund/Contributory Provident Fund made from salary of employees and pension contribution/gratuity contributions aggregating to Rs 1.20 crore had not been deposited in the prescribed funds for the last four to 24 years.**

The Rajasthan Municipalities (Contributory Provident Fund and Gratuity) Rules, 1969 provide for depositing of subscription to GPF/CPF made from the salary of municipal employees into a separate interest bearing Personal Deposit (PD) Account every month. Similarly, municipalities are to pay every month, an amount to a PD Account, for discharging liability towards gratuity of its employees. Further, the Rajasthan Municipal Service (Pension) Rules, 1989 also provide for creation of a pension fund and depositing monthly pension contribution by all municipalities at the rates prescribed by the Government.

Test check (August 2005 - February 2006) of records of Municipal Council (MC), Beawar and ten Municipal Boards (MBs)<sup>14</sup>, for the year 1999-2005 revealed that statutory recoveries towards GPF/CPF, pension and gratuity contributions aggregating to Rs 3.39 crore<sup>15</sup> during 1984-2005 were not deposited in the prescribed funds. This was not only contrary to rules but also resulted in loss of interest to the prescribed funds. Besides, it enhanced the risk of delay in final payments and short payments of PF, gratuity and pension at the time of retirement/death of municipal employees. On this being pointed out in audit an amount of Rs 2.19 crore<sup>16</sup> was deposited during 2005-09 leaving an outstanding balance of Rs 1.20 crore (*Appendix-X*) for four to 24 years.

---

14. MB - Bhadra, Bhinder, Churu, Deeg, Gajsinghpur, Indergarh, Kishangarh-Renwal, Mandalgarh, Srivijaynagar and Todabhim.

15. GPF/CPF Rs 1.21 crore, Pension contribution Rs 1.55 crore and Gratuity Rs 0.63 crore.

16. GPF/CPF Rs 0.49 crore, Pension contribution Rs 1.29 crore and Gratuity Rs 0.41 crore.

Departmental authorities while admitting the facts stated (May 2008-July 2009) that amounts deducted from the salary of employees had not been deposited in the prescribed funds due to poor financial position of the municipalities.

Matter was reported to State Government in October 2005, October 2006 and July 2007; reply had not been received (September 2009).

#### 4.5 Irregular expenditure/excess payments

##### Irregular utilisation of funds meant for pollution control/ treatment on other activities.

**In disregard to Government instructions Municipal Council Bhilwara incurred an expenditure of Rs 54.23 lakh on works/activities other than pollution control in excess of prescribed limit.**

The water used during processing in the textile and textile related industries in Bhilwara after getting contaminated with chemicals flows back into open and causes abnormal levels of environmental pollution. To address this problem, the State Government, (Local Self Government Department) approved (December 2001) Municipal Council, Bhilwara (Tax on Pollution Generating Trades) Rules, 2001 thereby authorising Municipal Council (MC), Bhilwara to levy tax on importer at the rate of Rs 20 per quintal of yarn, gray cloth and fibre and at the rate of 0.5 *per cent* on chemicals brought/used/sold in textile mills and cloth processing units established within the municipal areas. The State Government instructed (April 2002) MC that at least 75 *per cent* amount of tax so collected would be incurred on execution of works and activities relating to pollution control/treatment and be kept in a separate account. The rules (*ibid*) were repealed (September 2004) by the State Government.

However, the quantum of tax collected in pursuance of the Government instructions (*ibid*) and the expenditure incurred there against as revealed during test check (November 2005) of the records of MC, Bhilwara is enumerated in the table below:

(Rupees in lakh)

Year	Income from tax collection	Expenditure against tax collection	Expenditure on non-pollution control activities	Expenditure allowed for non-pollution control activities (25 <i>per cent</i> of tax collected)	Amount spent in excess (4)-(5)
1	2	3	4	5	6
2001-02	49.00	--	-		
2002-03	187.67	--	-		
2003-04	201.64	367.64	185.16 <sup>17</sup>	130.93	54.23
2004-05	85.40	21.35			
<b>Total</b>	<b>523.71</b>	<b>388.99</b>	<b>185.16<sup>18</sup></b>	<b>130.93</b>	<b>54.23</b>

<sup>17</sup> The year wise segregation of the expenditure could not be ascertained as no separate accounts were maintained.

<sup>18</sup> Purchase of escort loader (Rs 8.83 lakh), expenditure on hiring of vehicles for inspection works (Rs 1.53 lakh) and pay and allowances of staff (Rs 174.80 lakh).

It would be seen that an amount of Rs 54.23 lakh was irregularly spent on non-pollution control activities in contravention of the Government instructions (*ibid*) which in turn adversely impacted the activities aimed at controlling abnormal levels of pollution in Bhilwara.

On this being pointed out (May 2009), the Commissioner, MC, Bhilwara stated (May 2009) that there was no mention in the Government instructions (*ibid*) about the manner in which the expenditure against the income earned through tax collection was required to be incurred and accordingly this income was treated as synonymous with income from other sources. The MC, Bhilwara thus failed to interpret the explicit provision in the Government instructions (*ibid*) that restricted the expenditure on activities not related to controlling pollution to 25 *per cent* and as such the reply was not sustainable. Further, the test reports in respect of contamination level of water though called for (May 2006) were not made available to Audit. Thus, the pollution control/treatment activities so crucial for bringing down level of pollution in Bhilwara were adversely affected to the extent.

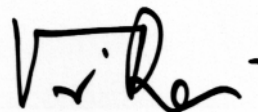
The matter was referred to the State Government in May 2006 and the State Government confirming the reply of Commissioner, MC, Bhilwara (May 2009) stated (October 2009) that there was no restriction imposed on the expenditure incurred from the income earned by way of tax on pollution generating trades. The reply is not correct, as it is contradictory to the instructions of the Government issued in this regard in April 2002.



JAIPUR,  
The

(SUMAN SAXENA)  
Principal Accountant General (Civil Audit), Rajasthan

Countersigned



NEW DELHI,  
The

(VINOD RAI)  
Comptroller and Auditor General of India