

## PREFACE

This Report has been prepared for submission to the Governor under Article 151 of the Constitution. This is the first Report for placement in the State Legislature.

Chapters I and III of this Report contain observations arising from examination of accounts and finances of Panchayati Raj Institutions and Urban Local Bodies respectively.

Chapters II and IV deal with the findings of Audit in respect of financial transactions of Panchayati Raj Institutions and Urban Local Bodies respectively.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2004-05 as well as those which had come to notice in earlier years; matters relating to the periods subsequent to 2004-05 have also been included wherever necessary.

## OVERVIEW

*This Report includes four Chapters. Chapters I and III present an overview of the accounts and finances of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. Chapters II and IV comprise seventeen and eighteen audit paragraphs respectively arising out of the audit of financial transactions of the PRIs and ULBs.*

*A synopsis of important findings contained in this Report is presented in this overview.*

### (A) Panchayati Raj Institutions

#### 1. An Overview of the Accounts and Finances of Panchayati Raj Institutions

'Own Revenue' of PRIs constituted only two *per cent* of their total receipts during 2002-03 and thus they were largely dependent on Government funds.

*(Paragraph 1.5.1)*

There was short release of grants of Rs 4.07 crore and delays in devolution of funds to PRIs by State Government during 2001-04.

*(Paragraphs 1.5.3 (i) & 1.5.4)*

Although the State Government had accepted (August 2003) the formats of annual accounts prescribed by the Comptroller and Auditor General of India, PRIs were maintaining the accounts in conventional formats. Database on the finances of PRIs had not been created as of February 2006.

*(Paragraph 1.6)*

Irregularities/ deviations in accounting procedures were observed. Difference of Rs 1.23 crore between cash books and Personal Deposit/ bank accounts was not reconciled. Interest of Rs 2.12 crore earned on scheme funds was treated as 'Own/Miscellaneous Income' instead of crediting to the concerned scheme fund.

*(Paragraphs 1.6.2 & 1.6.3)*

Budgetary and internal control mechanisms in PRIs were weak. Excess expenditure (Rs 13.31 crore) over allotted funds, unauthorised diversion (Rs 36.34 lakh), irregular investment (Rs 1.77 crore), non-refund (Rs 31.40 crore) of unspent balances of closed schemes, unadjusted advances (Rs 88.91 lakh) and outstanding utilisation certificates of Rs 739.67 crore were noticed.

*(Paragraphs 1.7.1 to 1.7.5)*

Audit fees of Rs 4.67 crore for the period 1998-2004 was yet to be paid to Director, Local Fund Audit (DLFA) by PRIs.

*(Paragraphs 1.7.6)*

Embezzlement cases (8285) involving Rs 14.94 crore were pending settlement.

*(Paragraph 1.8.1)*

## **2. Non-utilisation/diversion of funds**

(i) Due to non-selection of best performing PRIs, 'Incentive grant' of Rs 7.41 crore released (1995-2000) as per the recommendations of the First State Finance Commission remained unutilized.

*(Paragraph 2.2.1)*

(ii) The State Government irregularly diverted (March 2003) Rs 1.63 crore from centrally sponsored scheme 'Integrated Child Development Services' as its share to another central scheme.

*(Paragraph 2.2.2)*

## **3. Unfruitful /unproductive expenditure**

(i) Improper implementation of the programme for development of non-conventional energy sources led to unproductive expenditure of Rs 1.77 crore on installation of biogas plants.

*(Paragraph 2.3.1)*

(ii) Failure of Zila Parishad (ZP), Chittorgarh and two Panchayat Samitis (PSs) to ensure proper utilisation of assets created under various schemes at a cost of Rs 22.54 lakh led to unfruitful expenditure .

*(Paragraph 2.3.2)*

(iii) Non-completion and poor maintenance of 23 community halls by PRIs in Jaisalmer district resulted in blockage of Rs 18.34 lakh incurred on their construction.

*(Paragraph 2.3.3)*

(iv) Failure to provide proper infrastructural facilities in ZP, Ajmer and commencement of work at a site without ensuring clear title of the land in PS, Kolayat resulted in unfruitful expenditure of Rs 37.77 lakh on the projects/works lying incomplete for 2 to 5 years.

*(Paragraph 2.3.4 (i) & (ii))*

(v) Failure to redeploy 58 surplus employees of the Octroi establishment in three Gram Panchayats led to unfruitful expenditure of Rs 1.49 crore on their pay and allowances for the period August 1998 to December 2004.

(Paragraph 2.3.5)

#### **4. Irregularities in implementation of schemes/execution of works**

(i) Contrary to the guidelines of Member of Parliament Local Area Development (MPLAD) scheme, ZP Sirohi irregularly released (July 2003) scheme funds of Rs 20 lakh to a trust engaged in commercial activities. While ZP Jodhpur incurred expenditure of Rs 19.77 lakh on providing computers/construction of computer room in ineligible institutions, ZP Jaipur irregularly released (February 2003) excess funds (Rs 21 lakh) to an institution for construction of auditorium which was lying incomplete for more than two years after incurring an expenditure of Rs 25 lakh.

(Paragraph 2.4.1(i) to (iii))

(ii) Expenditure of Rs 66.65 lakh incurred on construction of caste/community based *Sabha Bhawan*/Community Centres, etc. and places of worship was against the guidelines of MPLAD/ MLALAD schemes.

(Paragraph 2.4.3 (i))

(iii) Use of short quantity of cement in construction of 101 Cement Concrete roads by 18 *Gram Panchayats* during 2001-04 led to execution of sub-standard works worth Rs 1.02 crore, besides non-recovery of amount of works over-valued by Rs 14.91 lakh from the Sarpanchs/Secretaries of GPs concerned.

(Paragraph 2.4.3 (ii))

#### **5. Non-recovery of excess expenditure/rent/other dues**

(i) Inaction on the part of two *Panchayat Samitis* in effecting timely recovery/adjustment of the outstanding advances from Ex-Sarpanchs resulted in accumulation of outstanding amount of Rs 1.15 crore pertaining to the period 1962-March 2004.

(Paragraph 2.5.2)

(ii) In ZP Pali, excess administrative overhead of Rs 64 lakh was charged on the funds of watershed development projects and was deposited (March 1996-July 2003) by the project implementing 'Soil Conservation and Watershed Development Department' in the Government account as departmental receipts.

(Paragraph 2.5.4)

## **(B) Urban Local Bodies**

### **6. An Overview of the Accounts and Finances of Urban Local Bodies**

'Own Revenue' of ULBs accounted for only 13 *per cent* of their total receipts during 2003-04 and as such they were largely dependent on grants-in aid of the Central and State Governments.

*(Paragraphs 3.3.2 (ii) & 3.3.3(i))*

The share of entertainment tax released by State Government to ULBs for the year 2001-02 was Rs 3.15 crore which gradually declined by 53 *per cent* to Rs 1.47 crore during 2003-04. There were delays in devolution of funds to ULBs by State Government, besides short release of grants of Rs 53.53 crore during 2001-05.

*(Paragraphs 3.3.4 & 3.4.2 to 3.4.4)*

Annual accounts were maintained by the ULBs in conventional formats. 'Accrual Based Accounting System' as suggested by the Comptroller and Auditor General of India was yet to be introduced. Database on the finances of ULBs was also not developed in the formats prescribed by C&AG.

*(Paragraph 3.5)*

Reconciliation of a difference of Rs 2.56 crore between cash books and PD/bank pass books was not conducted by the ULBs for 1 to 25 years.

*(Paragraph 3.6.1)*

Budgetary and internal control measures in ULBs continued to be weak and inadequate. Excess expenditure of Rs 23.37\* crore was incurred over the allotted funds and advances of Rs 5.82\* crore were lying unadjusted/unrecovered against individuals since long.

*(Paragraphs 3.6.2 & 3.6.4)*

Arrears of revenue of ULBs aggregating Rs 75.20\* crore were also outstanding against Government departments/undertakings/statutory bodies since long periods which require Government's initiative for their expeditious settlement.

*(Paragraph 3.6.3)*

As of June 2005, 5846 IRs containing 77,452 paragraphs issued by DLFA upto 2004-05 remained pending for settlement. These included 412 cases of embezzlement amounting to Rs 1.54 crore. Audit of 48 Municipal Boards by DLFA was in arrears and audit fees of Rs 16.79 lakh was yet to be paid to DLFA by ULBs.

*(Paragraphs 3.9 & 3.10)*

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\* Refer to Statement of updated figures/details at page-97.

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**7. Blocking of funds/unfruitful expenditure**

(i) Due to short release of funds by the District Rural Development Agency, Churu and lack of proper monitoring by the Directorate of Local Bodies, construction of town hall in Ratangarh was lying incomplete and expenditure of Rs 62.44 lakh incurred on its construction remained blocked for more than four years.

(Paragraph 4.2.1)

(ii) Improper selection of site for construction of houses by Municipal Board, Pratapgarh led to deprival of housing at affordable cost to the persons belonging to economically weaker sections, besides expenditure of Rs 18.04 lakh on construction of 95 houses proved unfruitful.

(Paragraph 4.2.2)

**8. Irregular expenditure/excess payments**

(i) Allotment of 15 works costing Rs 1.20 crore to nine ineligible contractors and unauthorised persons by Jaipur Municipal Corporation was in violation of Public Works Financial and Accounts Rules.

(Paragraph 4.3.2)

(ii) Development works of Rs 46.15 lakh were executed irregularly by Jaipur Municipal Corporation in non-regularised *kutchi basties* and *kutchi basties* settled on forest land.

(Paragraph 4.3.3)

**9. Non-eviction of unauthorised possessions**

(i) Municipal Board, Suratgarh failed to recover regularisation charges of Rs 7.68 lakh towards the land which could have been regularised under the prescribed ceiling. Eviction of unauthorised occupants of Municipal land valuing Rs 42.38 lakh was also not resorted to.

(Paragraph 4.4.1(i))

(ii) Jaipur Municipal Corporation unauthorisedly regularised the possession of municipal land valuing Rs 6.48 lakh by seven ineligible employees. It also failed to evict 216 employees unauthorisedly in possession of land worth Rs 3.01 crore in *kutchi basties*.

(Paragraph 4.4.1(ii))

**10. Non/short realisation of revenue**

(i) Failure to recover conversion charges for commercial use, application of inappropriate reserve prices for the determination of conversion charges and

short recovery of lease money/slaughtering fee by municipalities resulted in non/short realisation of revenue of Rs 2.48 crore.

(Paragraphs 4.5.1 to 4.5.3)

(ii) Issuance of lease deed to a private institution by Municipal Council, Ajmer without recovering urban assessment resulted in loss of Rs 78.94 lakh.

(Paragraph 4.5.4)

### **11. Non-crediting/non-depositing of amounts in concerned account/fund**

(i) Urban assessment amounting to Rs 6.04\* crore which was required to be deposited in the Consolidated Fund of State Government, was unauthorisedly retained/utilised by 11\* municipalities.

(Paragraph 4.6.1)

(ii) Statutory recoveries on account of General Provident Fund/Contributory Provident Fund made from salaries of employees and Pension contribution/ Gratuity contribution aggregating Rs 14.78\* crore had not been deposited by ULBs in the concerned accounts/funds for 1 to 30 years.

(Paragraph 4.6.2)

### **12. Other points**

Out of Central/State subsidy amounting to Rs 3.69 crore received more than seven years back for construction/conversion of flush latrines under 'Integrated Low Cost Sanitation and Scavengers Rehabilitation Scheme', Rs 1.81 crore was lying unutilised with three municipalities and recovery of loan and contribution amounting to Rs 74.78 lakh had not been effected from the beneficiaries.

(Paragraph 4.7.1)

### **13. Implementation of Municipal Solid Waste, Biomedical Waste and Prevention of Cruelty to Animals Rules**

Review of implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000, Bio-Medical Waste (Management and Handling) Rules, 1998 and Prevention of Cruelty to Animals (Slaughter House) Rules, 2001 in four Municipal Councils (Ajmer, Alwar, Bhilwara and Udaipur) revealed the following deficiencies:

- In the absence of category-wise bins, storage facilities and specially designed vehicles, municipal solid waste was being littered on roads, streets and open spaces and its transportation was not proper.

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\* Refer to Statement of updated figures/details at page-97.

- Sanitary landfill sites conforming to the prescribed standards had not been made ready for operation /dumping of waste and the waste processing units had not been set up.
- No system for the disposal and treatment of Bio Medical Waste (BMW) was established which was fraught with the risks of health hazards due to mixing of BMW with the municipal solid waste.
- Slaughter houses with prescribed facilities were not established and thus sale of contaminated and uncertified meat could not be prevented.

*(Paragraph 4.8)*

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# **CHAPTER-I**

## **AN OVERVIEW OF ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS**

### **1.1 Introduction**

The Rajasthan Panchayat Act, 1953 was enacted keeping in view the philosophy enshrined in Article 40 of the Constitution of India, which lays down that the State shall take steps to organise village Panchayats and endow them with such powers and authority so as to enable them to function as units of self Government. Subsequently, with a view to bringing in conformity with the new pattern of Panchayati Raj, the Rajasthan Panchayat Samitis and Zila Parishads Act was enacted in 1959 which provided for a three tier<sup>1</sup> structure of local self governing bodies at district, block and village levels and further decentralised powers. As a consequence of the Seventy-third Constitutional Amendment, the Rajasthan Panchayati Raj Act, 1994 came into existence in April 1994, which apart from mandatory provisions delineated functions and powers of Panchayati Raj Institutions (PRIs). Later, Rajasthan Panchayati Raj Rules, 1996 (Rules) were incorporated thereunder in order to ensure the smooth functioning of PRIs.

There are 32 Zila Parishads (ZPs), 237 Panchayat Samitis (PSs) and 9,189 Gram Panchayats (GPs) in the State with a total population of 4.33 crore (76.6 *per cent* of the State's total population of 5.65 crore<sup>2</sup>).

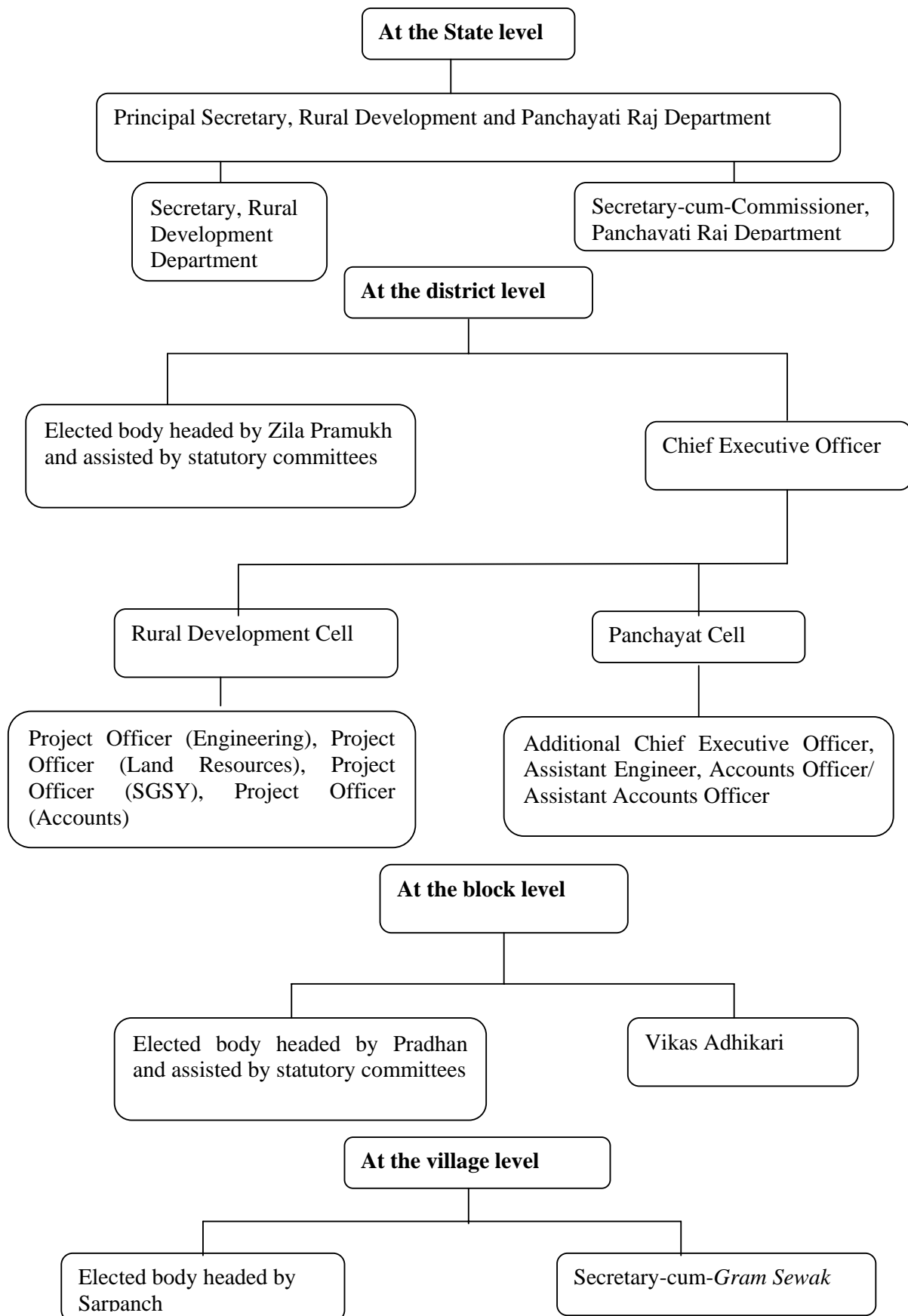
### **1.2 Organisational set up**

The overall administration of the Panchayati Raj Institutions vests with the Principal Secretary, Rural Development and Panchayati Raj Department. An organisational chart on the administration of PRIs is given below:

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<sup>1</sup> Zila Parishad at District level, Panchayat Samiti at Block level and Gram Panchayat at Village level.

<sup>2</sup> As per Census, 2001.



### 1.3 Audit arrangements

Director, Local Fund Audit (DLFA) is the primary auditor of the accounts of the PRIs under the Act. Test-check of such accounts is also being conducted by the Comptroller and Auditor General of India (C&AG) under Section 14 of C&AG's (DPC) Act, 1971 as well as under section 75(4) of the Rajasthan Panchayati Raj Act, 1994.

### 1.4 Audit coverage

Test-check of accounts of 32 Zila Parishads and 237 Panchayat Samitis including 1838 Gram Panchayats for the period 2002-04 was conducted during 2004-05.

### 1.5 Financial management, devolution of funds and functions

#### 1.5.1 Financial position of PRIs

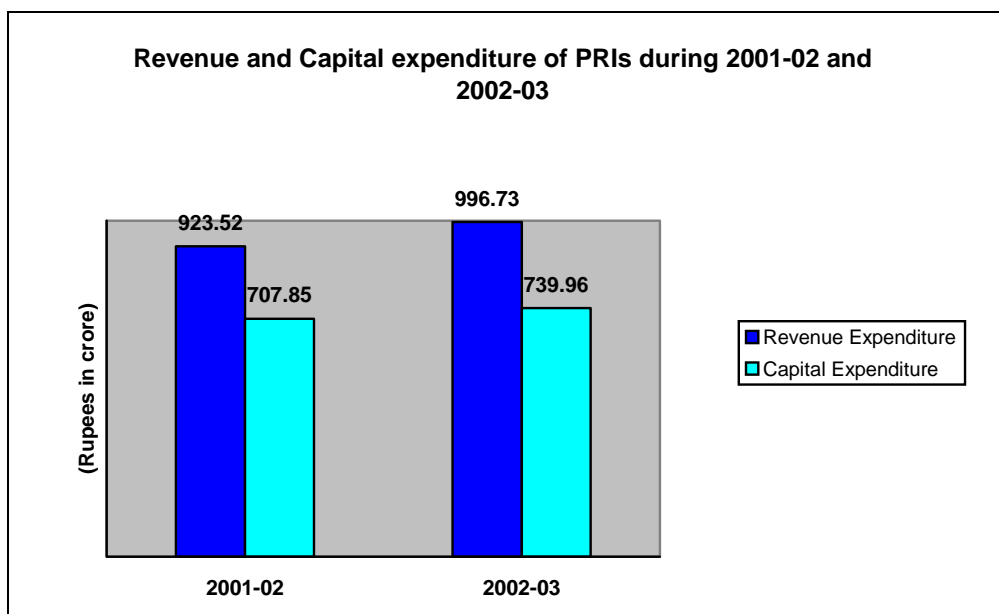
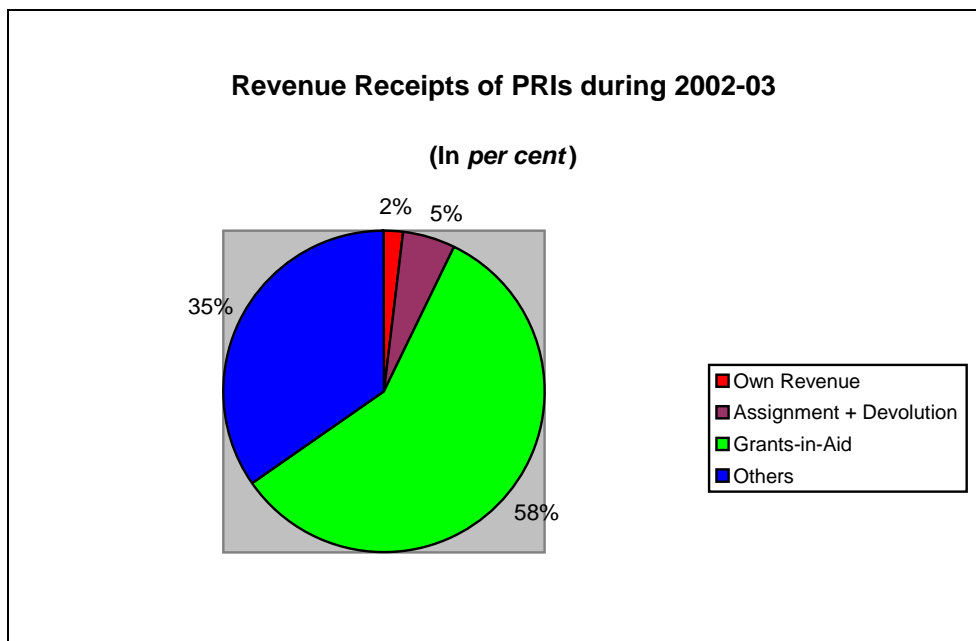
Apart from its own resources of tax and non-tax revenue e.g. fair tax, building tax, fees, rent on land and buildings, water reservoirs, etc. and capital receipts from sale of land, the PRIs receive funds from the State Government and Government of India (GOI) in the form of grants-in-aid/loans for general administration, implementation of developmental schemes/works and creation of infrastructure in rural areas, etc. Funds are also provided under recommendations of the State Finance Commission.

There was no mechanism with the Panchayati Raj Department for collection of data on the receipts and expenditure of the various tiers of PRIs at a centralised place where it would be compiled, processed and made available for analysis.

The position of receipts and expenditure of PRIs for all the three tiers for the period 2001-03 based on Twelfth Finance Commission data was as under:

Item	(Rupees in crore)	
	2001-02	2002-03
<b>(A) Revenue</b>		
Own Tax	4.79	4.84
Own Non-Tax	32.35	32.84
<b>Own Revenue</b>	<b>37.14</b>	<b>37.68</b>
Assignment + Devolution	92.51	93.87
Grants-in-Aid	1079.62	1052.66
Others	597.54	627.42
<b>Total Other Revenue</b>	<b>1769.67</b>	<b>1773.95</b>
<b>Total Revenue</b>	<b>1806.81</b>	<b>1811.63</b>

(Rupees in crore)		
Item	2001-02	2002-03
<b>(B) Expenditure</b>		
Revenue Expenditure	923.52	996.73
Capital Expenditure	707.85	739.96
<b>Total Expenditure</b>	<b>1631.37</b>	<b>1736.69</b>



The above table indicates that 'Own Revenue' of the PRIs constituted only two *per cent* of their total receipts. Thus, they were largely dependent on government funds. Further, revenue expenditure of PRIs accounted for 57 *per cent* of the total expenditure indicating that capital works/activities of a developmental nature received a lower priority.

### 1.5.2 Devolution of funds

(i) Allocation of grants to PRIs as a percentage of the annual budget of the State Government increased from 2.99 *per cent* during 2002-03 to 4.32 *per cent* in 2004-05 as shown below:

Year	Total budget provision (Revenue and capital) of the State	Allocation to PRIs	Percentage
	(Rupees in crore)		
2002-03	22564	675	2.99
2003-04	26242	691	2.63
2004-05	25926	1120	4.32

(ii) The position of grants to be released *vis-a-vis* actually released to the PRIs under recommendations of Eleventh Finance Commission (EFC) and the Second State Finance Commission (SFC) during 2002-05 was as under:

Year	Grants under EFC			Grants under SFC		
	To be released	Actually released	Short(-)/ Excess(+) released	Allocated	Actually credited in the PD accounts of PRIs	Short(-)/ Excess(+) credited
2002-03	98.18	49.09	(-)49.09	93.87	91.80	(-)2.07
2003-04	98.18	Nil	(-)98.18	93.87	90.79	(-)3.08
2004-05	98.19	245.18	(+)146.99	130.39	135.54	(+)5.15
<b>Total</b>	<b>294.55</b>	<b>294.27</b>	<b>(-) 0.28</b>	<b>318.13</b>	<b>318.13</b>	<b>Nil</b>

The short release of EFC grant amounting Rs 147.27 crore during 2002-04 was due to non-receipt of funds from GOI. The SFC grant of Rs 2.07 crore and Rs 3.08 crore was released by the State Government at the fag end of 2002-03 and 2003-04 respectively which could not be credited in the Personal Deposit (PD) Accounts of PRIs by Treasury Officers of three districts (Jaisalmer, Jhunjhunu and Jodhpur) during the respective years. The same had, however, been reallocated and credited in the next financial years i.e. 2003-04 and 2004-05.

### 1.5.3 Non-release/short release of funds

(i) During 2001-02, the State Government had released Rs 92.51 crore to Zila Parishads against Rs 93.87 crore recommended by Second State Finance Commission, resulting in short release of Rs 1.36 crore. Similarly, State Government released Rs 6.81 crore against Rs 9.52 crore as grants-in-aid in lieu of octroi to Gram Panchayats during 2002-04, resulting in short release of Rs 2.71 crore (2002-03: Rs 1.36 crore and 2003-04: Rs 1.35 crore). This deprived the rural population of developmental works and benefits of civic services to that extent.

(ii) Zila Parishads, Sikar and Udaipur did not release grants of Rs 21.69 lakh meant for Panchayat Samitis (Rs 0.48 lakh)<sup>3</sup> and Gram Panchayats (Rs 21.21 lakh)<sup>4</sup> during 2000-04 thereby denying the Panchayat Samitis and Gram Panchayats of their due shares in the grants mainly intended for creation of rural infrastructure and civic amenities.

### 1.5.4 Delayed release of funds

Cases of delayed release of funds were noticed as under:

(i) Out of Rs 25.90 crore provided by GOI under the National Family Benefit Scheme during July 2002 to October 2003, the State Government released Rs 18.74 crore to Zila Parishads with delay ranging from one to seven months. This led to delays in providing monetary relief to bereaved widows/other dependents belonging to BPL families.

(ii) While in respect of Swarnajayanti Gram Swarojgar Yojana (SGSY), the State Government was required to release its matching share to ZPs immediately after the release of central share by Government of India, in respect of Sampurna Gram\* Rojgar Yojana (SGRY), the state share was to be released within 15 days. However, during 2003-04, the State's share was released with delays ranging from 7 to 194 days in seven test-checked Zila Parishads as under:

Sl. No.	Zila Parishad	SGSY			SGRY		
		No. of cases	Period of delay	Amount of State share (Rs in lakh)	No. of cases	Period of delay	Amount of State share (Rs in lakh)
1.	Alwar	-	-	-	3	13 to 35 days	53.61
2.	Bharatpur	1	7 days	15.45	1	44 days	23.16
3.	Chittorgarh	3	7 to 29 days	43.31	1	24 days	25.48
4.	Dausa	2	13 to 194 days	15.95	2	9 to 22 days	42.46
5.	Jaipur	2	13 to 24 days	44.63	4	10 to 45 days	80.09
6.	Jaisalmer	2	13 to 24 days	6.95	1	44 days	29.63
7.	Pali	1	33 days	17.16	6	27 to 51 days	79.26
<b>Total</b>		<b>11</b>		<b>143.45</b>	<b>18</b>		<b>333.69</b>

<sup>3</sup> Udaipur: Rs 0.48 lakh.

<sup>4</sup> Sikar: Rs 6.86 lakh and Udaipur: Rs 14.35 lakh.

\* Refer to Statement of updated figures/details at page-97.

### ***1.5.5 Non-distribution of due share of EFC and SFC grants to Gram Panchayats***

It was observed that grants-in-aid of Rs 1.34 crore (Rs 85.94 lakh under Eleventh Finance Commission (EFC) and Rs 48.16 lakh under Second State Finance Commission (SFC) provided to Panchayat Samiti, Srimadhapur (District Sikar) during 2002-04 was distributed to 34 Gram Panchayats on the basis of cost of works sanctioned, instead of in proportion to their population<sup>5</sup>. Consequently, Rs 4.75 lakh under EFC and Rs 2.85 lakh under Second SFC were given in excess of their due shares to 13 GPs and 22 GPs respectively violating the instructions.

While confirming the facts, Government stated (March 2006) that appropriate action would be initiated against the officials responsible for the irregularity.

### ***1.5.6 Devolution of functions***

State Government decided (June 2003) to devolve all 29 functions listed in the Eleventh schedule of the Constitution to the PRIs. However, funds and functionaries of only 18 functions had been transferred as of February 2006 (*Appendix-I*).

## **1.6 Irregularities in maintenance of accounts**

Although the State Government had accepted (August 2003) the formats of annual accounts prescribed by the Comptroller and Auditor General of India, annual accounts for the years 2003-04 and 2004-05 were maintained by the PRIs in conventional formats. Further, database on the finances of PRIs on the basis of formats suggested by C&AG as recommended by the Eleventh Finance Commission and for which separate funds were earmarked was yet to be developed (February 2006).

Following irregularities were noticed in the maintenance of accounts.

### ***1.6.1 Delayed submission of annual accounts***

Annual accounts of ZPs were required to be sent to the State Government by 15 May of the following year. However, accounts for 2003-04 were sent (June-December 2004) by 17 ZPs after delays of one to seven months and those of ZP, Barmer had not been received in the Panchayati Raj Department as of February 2006.

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<sup>5</sup> Based on Census, 1991 as per guidelines issued by Panchayati Raj Department of State Government under EFC and Second SFC in March 2002 and June 2002 respectively.

### **1.6.2 Non-reconciliation of differences between cash books and Personal Deposit/Bank pass books**

In Zila Parishad, Kota and nine Panchayat Samitis, there was a difference of Rs 1.23 crore (**Appendix-II**) between the cash book balances and PD/bank accounts pass books for want of reconciliation with treasuries/banks. This was fraught with the risks of misappropriation/embezzlement of funds.

On being pointed out, Government while accepting the facts stated (March 2006) that action for reconciliation/rectification of the differences is being taken by the concerned ZP/PSs.

### **1.6.3 Non-crediting of interest in the scheme funds**

Interest of Rs 2.12 crore earned during 2001-04 on the funds of various Central<sup>6</sup>/State<sup>7</sup> sponsored schemes and other programmes<sup>8</sup>/activities in 10 ZPs and 15 PSs was irregularly credited as their 'Own/Miscellaneous Income' instead of crediting the same to the concerned scheme fund. This deprived the rural population of the benefits of development works/activities which would have accrued out of these additional funds.

On being pointed out, 9 ZPs and 9 PSs while accepting the facts attributed treating of interest as their 'Own Income' to the fact that scheme-wise accounts were not being maintained and stated that action would be taken for rectification of the accounting error. No reply was furnished by ZP, Dungarpur and six PSs (March 2006).

## **1.7 Budgetary and internal controls**

### **1.7.1 Excess expenditure over the allotted funds**

(i) Three Zila Parishads (Dholpur, Kota and Rajsamand) and 27 Panchayat Samitis incurred excess expenditure of Rs 13.31 crore irregularly over the funds authorised during the years 1998-2004 under various schemes. This reflects weak internal controls and financial indiscipline in the PRIs.

On being pointed out, all the three Zila Parishads and 19 Panchayat Samitis while accepting facts, stated (May 2004-March 2006) that the excess expenditure related to the period 1998-2004 and action for its reimbursement from the concerned departments was being taken. No reply was furnished by eight Panchayat Samitis (March 2006).

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<sup>6</sup> Sampoorna Gramin Rojgar Yojana, Member of Parliament Local Area Development Scheme, Integrated Child Development Scheme, Eleventh Finance Commission etc.

<sup>7</sup> State Finance Commission, Janata Awas Yojana, Member of Legislative Assembly Local Area Development Scheme etc.

<sup>8</sup> Famine Relief, Industries Establishment, Labour Employment etc.



(ii) Five Zila Parishads (Jhalawar, Jodhpur, Sikar, Tonk and Udaipur) irregularly diverted Rs 36.34 lakh during 2003-04 from funds meant for implementation of schemes to the repairs and maintenance of vehicles, office contingencies, etc.

### **1.7.2 Irregular investment of scheme funds in fixed deposit receipts**

Zila Parishad, Jodhpur in contravention of the provisions of the Centrally sponsored schemes invested (December 1995 and April 1996) unutilised funds of Rs 1.16 crore pertaining to 23 schemes/activities in five Fixed Deposit Receipts (FDRs) with banks. On maturity, funds aggregating to Rs 1.77 crore were reinvested (December 2000 and May 2001) in eight FDRs. Investment of scheme funds in FDRs without the approval of the government, besides being irregular, implied that these funds could not be utilised for the development works/activities for which these were provided.

### **1.7.3 Non-utilisation/non-refund of unspent funds of closed schemes**

(i) In four Zila Parishads<sup>9</sup> and 12 Panchayat Samitis<sup>10</sup> unspent funds relating to various closed schemes, aggregating to Rs 5.61 crore (ZPs: Rs 2.28 crore and PSs: Rs 3.33 crore) were lying for one to 15 years as of March 2005. These were neither utilised in accordance with guidelines of the schemes nor refunded to the Departments concerned.

On being pointed out (May-December 2004), three Zila Parishads<sup>11</sup> and seven Panchayat Samitis<sup>12</sup>, while accepting the facts stated (May-December 2004) that the unspent funds would be refunded after obtaining guidance from the Panchayati Raj Department. The reply was, however, not tenable as the government had clearly reiterated its instructions (October 1997 and March 2004) in this regard. No reply was furnished by Zila Parishad, Barmer and five Panchayat Samitis.

(ii) Similarly, funds of Rs 25.79 crore relating to various closed schemes were lying unutilised in nine other Zila Parishads (Rs 6.58 crore) and 46 Panchayat Samitis (Rs 19.21 crore) for 1 to 22 years as of March 2005.

Such unutilised funds from various schemes indicated that the beneficiaries of the schemes were deprived of the intended benefits, besides lack of proper monitoring for effective utilisation of funds.

### **1.7.4 Advances lying unadjusted/unrecovered**

In three Zila Parishads and 28 Panchayat Samitis, advances of Rs 88.91 lakh were outstanding against 867 individuals (Rs 15.24 lakh against 71 elected representatives and Rs 73.67 lakh against 796 employees) for the last one to

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<sup>9</sup> Banswara, Barmer, Dausa and Udaipur.

<sup>10</sup> Atru (Baran), Chhabra (Baran), Dhariawad (Udaipur), Girwa (Udaipur), Jhunjhunu, Kishanganj (Baran), Newai (Tonk), Pali, Shahbad (Baran), Suwana (Bhilwara), Talera (Bundi) and Todaraisingh (Tonk).

<sup>11</sup> Banswara, Dausa and Udaipur.

<sup>12</sup> Chhabra, Dhariawad, Girwa, Newai, Pali, Suwana and Talera.

44 years as of March 2006. This indicated lack of effective and efficient internal control mechanism in these PRIs. Further, the possibility of recovery of advances outstanding for a very long period was extremely remote.

While accepting the facts, Panchayat Samiti, Pindwara stated (December 2004) that difficulties were being experienced in effecting recoveries as the advances were very old and whereabouts of the defaulters were not available. While the Zila Parishads and 21 Panchayat Samitis intimated (July 2004-March 2006) that action for recovery of the outstanding advances was being taken, the six remaining Panchayat Samitis<sup>13</sup> did not furnish replies.

### 1.7.5 Outstanding Utilisation Certificates

(i) As of February 2006, Utilisation Certificates (UCs) of Rs 101.03 crore for the period up to March 2004 were pending against PRIs in respect of the following three major schemes of Panchayati Raj Department:

(Rupees in crore)

S. No.	Name of scheme	Amount of UCs pending
1.	Mid Day Meals Scheme	64.81
2.	National Family Benefit Scheme	6.22
3.	Rashtriya Sam Vikas Yojana	30.00
<b>Total</b>		<b>101.03</b>

(ii) In respect of other schemes implemented through Zila Parishads (Rural Development Cell), UCs of Rs 638.64 crore for the period up to March 2005 were pending against different executing agencies, out of which UCs of Rs 136.71 crore ( 21 per cent) were more than one year old as under:

(Rupees in crore)

Executing agencies from whom pending	Period of UCs		
	Up to March 2004	2004-05	Total (up to March 2005)
PRIs	45.15	322.11	367.26
Line Departments	39.49	107.71	147.20
Others	52.07	72.11	124.18
<b>Total</b>	<b>136.71</b>	<b>501.93</b>	<b>638.64</b>

(Scheme wise break-up of pending UCs was not available with the Rural Development Department.)

Due to non-furnishing of UCs, utilisation of grants for the purpose intended could not be ascertained.

### 1.7.6 Arrears of audit and audit fees

Accounts of 10 ZPs (31 per cent), 60 PSs (25 per cent) and 5450 GPs (59 per cent) for the period up to 2003-04 remained unaudited by DLFA as of March 2005 reportedly due to the staff remaining engaged in special audits and election duties. Further, audit fees of Rs 4.67 crore for the period 1998-2004 was yet to be paid to DLFAD by 16 ZPs (Rs 0.02 crore), 124 PSs (Rs 0.33 crore) and GPs (Rs 4.32 crore) as of August 2005.

<sup>13</sup> Basedi, Bonli, Gangapurcity, Khandar, Shivganj and Sikrai.

## 1.8 Lack of response to Audit observations

For early settlement of audit observations, Departmental Administrative Officers were required to take prompt steps to address the defects and irregularities brought to their notice by Audit.

**1.8.1** It was observed that of the Inspection Reports (IRs) issued by DLFAD upto March 2004, 1724 paragraphs of Zila Parishads, 47,826 paragraphs of Panchayat Samitis and 17,58,241 paragraphs of Gram Panchayats were pending for settlement at the end of June 2005. Besides, 8285 cases of embezzlements involving Rs 14.94 crore<sup>14</sup> were also pending as of November 2005.

**1.8.2** Further, 1136 IRs of Zila Parishads (Rural Development Cell and Panchayat Cell) and Panchayat Samitis containing 11,267 paragraphs issued by Principal Accountant General up to the period 2004-05 were pending settlement at the end of December 2005 as under:

Year	Inspection Reports	Paragraphs
Upto 1998-1999	167	361
1999-2000	35	210
2000-01	69	209
2001-02	149	954
2002-03	189	1742
2003-04	230	2643
2004-05	297	5148
<b>Total</b>	<b>1136</b>	<b>11267</b>

This indicates lack of prompt response on the part of the PRIs/departmental authorities towards audit observations which has not only resulted in recurrence of the deficiencies and lapses pointed out earlier, but has also eroded the accountability of the PRIs/departmental officers.

## 1.9 Impact of Audit

During 2004-05, the following actions were taken by the PRIs at the instance of Audit:

- Excess payments, dues etc. aggregating to Rs 1.72 crore were recovered in 322 cases;
- Centrally sponsored scheme funds of Rs 1.62 crore parked irregularly in PD accounts in three cases were transferred to Savings Bank accounts of the concerned schemes;

<sup>14</sup> ZPs (5 cases: Rs 0.86 crore), PSs (651 cases: Rs 8.93 crore) and GPs (7629 cases: Rs 5.15 crore).

- Rs 1.10 crore diverted from one scheme to another in six cases were credited to the concerned schemes;
- Unutilised funds of Rs 1.56 crore in 17 cases were surrendered to government/funding agencies; and
- In five cases involving Rs 0.12 crore remedial action such as amendment in rules/orders, disciplinary action against erring official, etc. was taken.

### **1.10 Conclusion**

The PRIs were largely dependent on Government funds because of an extremely low 'Own Revenue' base. In such a context, cases of short release of funds/delays in transfer of funds to PRIs have a significant impact on the overall position of availability of resources.

Inadequate budgetary and internal control mechanisms in PRIs resulted in expenditure in excess of the allotted funds, piling up of differences in balances as per cash book and bank, non-adjustment/recovery of outstanding advances against individuals for a long period and non-refund of unspent balances of closed/inactive schemes.

Annual accounts of PRIs were still being maintained in the conventional formats and they had not yet adopted the formats prescribed by the Comptroller and Auditor General of India.

The database on finances of PRIs in the formats suggested by C&AG was also yet to be developed. The department was unable to provide information regarding total receipts and expenditure of PRIs and scheme-wise pendency of UCs due to the absence of a nodal agency to monitor/compile such information at the State level.

The huge pendency of audit observations and delays in their settlement is fraught with the risk of continuance of the deficiencies observed during audit.

### **1.11 Recommendations**

- ▶ Bottlenecks in devolution of funds to PRIs should be minimised and PRIs should be encouraged to mobilise their own resources so as to minimise dependency on governmental assistance.
- ▶ A nodal agency at State level should be earmarked for monitoring the receipt and expenditure of funds and receipt of utilisation certificates in respect of various schemes being implemented by implementing agencies.

- ▶ PRIs should ensure that budgetary controls are in place. Internal control mechanism needs strengthening to ensure prompt recovery and adjustment of the advances, effective and efficient utilisation of scheme funds and timely refund of the unspent balances of closed schemes.
- ▶ PRIs should evolve a time bound programme to recover outstanding advances and funds embezzled/overpaid from the concerned persons.
- ▶ Accounts of PRIs should be prepared in the formats as prescribed by C & AG and effective checks should be exercised in PRIs to prevent excess expenditure over the allotted funds and to ensure monthly reconciliation of PD/ bank accounts and timely crediting of interest amount to the concerned schemes.
- ▶ Database on finances of PRIs should be developed and maintained at all levels of PRIs to facilitate proper monitoring and evaluation of schemes and should be made easily accessible by computerization as recommended by the Eleventh Finance Commission.
- ▶ The Government should also issue suitable instructions to all tiers of the PRIs /departments to ensure prompt response to the audit observations.

## CHAPTER-II

### AUDIT PARAGRAPHS - PANCHAYATI RAJ INSTITUTIONS

#### 2.1 Embezzlement/ theft

##### 2.1.1 Non-reporting of embezzlement/theft cases

Any loss of public money, departmental revenue or receipts, stamps, stores or other properties held by or on behalf of government caused by misappropriation, fraudulent drawal/payment or otherwise, which is detected is to be reported immediately to the Accountant General (AG)<sup>1</sup> by the officer concerned. Further, the Head of Office is responsible for making prompt recovery of the amount of loss and for lodging First Information Report (FIR) with the Police. Departmental investigation is also required in such cases followed by a report on causes or circumstances leading to the misappropriation or loss, steps taken to prevent its recurrence and the disciplinary or any other action against the person responsible.

In the Panchayati Raj Department, of 8285 embezzlement/theft cases involving Rs 14.94 crore pending as of November 2005, only 34 cases were reported to the AG. These cases were analysed jointly with Panchayati Raj Department during February to April 2005 and their scrutiny revealed the following:

#### (A) Embezzlement cases

##### (a) Non/short recovery of amount embezzled

(i) Against Rs 29.81 lakh involving nine embezzlement cases detected during 1998-2003, only Rs 6.06 lakh (20 per cent) was recovered till December 2005. These recoveries pertained mainly to cashiers, Gram Sewak-cum-Secretaries and Sarpanchs.

(ii) While no action was taken in respect of four embezzlement cases involving Rs 16.14 lakh detected during the period 2000 to 2003 by the department under the Rajasthan Land Revenue (RLR) Act, 1956 and/or Public Demand Recovery (PDR) Act, 1952, action in two other cases was taken after abnormal delays ranging from two to six years. Sending recovery proposals belatedly under RLR/PDR Acts<sup>2</sup> increased the possibility of alienation of the properties and hence reduced the chances of recovery.

##### (b) Non-filing/ delay in filing of FIRs

(i) While no First Information Report (FIR) was lodged in seven cases involving Rs 12.57 lakh, in one case involving Rs 1.36 lakh, FIR was lodged after a delay of 10 months.

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<sup>1</sup> Now Principal Accountant General (PAG).

<sup>2</sup> Rajasthan Land Revenue Act, 1956/Public Demand Recovery Act, 1952.

(ii) In two cases where the cashiers of Panchayat Samitis committed embezzlement, no action was taken against the officers responsible for the supervisory negligence.

(c) ***Non-initiation of departmental proceedings against delinquents***

In six cases, penal action could not be imposed against officials/*Sarpanchs* involved in embezzlement since no departmental proceedings had been initiated. Further, in two cases where officials had been put under suspension and were getting subsistence allowance from September 1998 and August 2001, no departmental inquiry has been instituted as of April 2005.

**(B) Theft cases**

(a) ***Non/short recovery of theft amount***

(i) In the departmental inquiry conducted in connection with a theft of Rs 0.88 lakh which had occurred (March 1998) in Panchayat Samiti, Bandikui (District Dausa) both *Vikas Adhikari* and cashier were held guilty and equal amount was directed (August 2000) to be recovered from them in a month's time. While Rs 0.44 lakh was recovered (April 2001) from the cashier, no recovery was made from *Vikas Adhikari* (December 2005).

(ii) In a Departmental inquiry conducted with reference to a theft of Rs 0.72 lakh in Panchayat Samiti, Buhana (District Jhunjhunu), although the then *Vikas Adhikari* and cashier were found guilty, no recovery could be made as of March 2005. Moreover, the cashier was again (June 2004) given the same assignment.

(b) ***Non-release of recovered vehicle***

In a theft case in Panchayat Samiti, Sridongargarh (District Bikaner), the office Jeep which was stolen (January 1996) had been recovered in September 1998 by the Police Station, Kishangarhbas (District Alwar). The Panchayat Samiti had not taken any action to get the vehicle back inspite of request (March 2002) from the Police Station. Consequently, the jeep was lying in the campus of Police Station, Kishangarhbas for more than six years.

The government, while accepting the facts in the above cases, stated (November 2005) that instructions have since been issued to the concerned CEOs and *Vikas Adhikaris* to expedite recovery of the embezzled amounts. It added that in order to ensure financial discipline and improve the financial management system in PRIs, Accounts Officers of Zila Parishads have also been directed to conduct monthly inspection of books of accounts.

## 2.2 Non-utilisation/diversion of funds

### 2.2.1 Non-utilisation of incentive grant

**Failure of the department in formation of committees/non-selection of best performing Panchayati Raj Institutions led to non-utilisation of incentive grant of Rs 7.41 crore.**

In pursuance of the First State Finance Commission (SFC) recommendations (December 1995), the Government decided (February 1996) to provide incentive grant<sup>3</sup> ranging from Rs 0.50 lakh to Rs 8 lakh to three best performing Zila Parishads (ZPs), 18 Panchayat Samitis and 96 Gram Panchayats selected annually throughout the State. For this purpose, Rs 7.41 crore was released by Panchayati Raj Department to 32 ZPs during 1995-2000.

During test-check (June-September 2004) of records of the Director, Panchayati Raj Department, Rajasthan, Jaipur for the period April 2003 to March 2004, it was observed that incentive grant released to 32 ZPs during 1995-2000 was not utilised since either the committees were not formed or where formed, the work of selection of the best performing PRIs for providing incentives was not done in any of the year. On the advice (March 2001) of the Finance Department, ZPs were directed (April 2001) to deposit the unutilised amount into the Government account. As of July 2005, Rs 6.84 crore had been deposited into Government account and balance of Rs 0.57 crore was lying with two ZPs<sup>4</sup>.

The department attributed (July 2005) the reasons for non-selection to non-receipt of proposals from the PRIs. However, the contention of the department was not tenable as there was delay of more than one year in formation of committees and no efforts were made by the department for obtaining the proposals after October 1998.

Thus, failure of the department either to get the committees formed or to ensure selection of best performing PRIs led to non-utilisation of incentive grant of Rs 7.41 crore, of which Rs 0.57 crore were still lying with ZPs. Consequently, the objective of improving the working of PRIs by offering incentives was also not achieved.

On being referred, the government confirmed the facts and stated (September 2005) that efforts were being made by the department to get Rs 0.57 crore deposited into the government account.

### 2.2.2 Diversion of Central grant

**State Government had diverted Rs 1.63 crore from one centrally sponsored scheme to another in lieu of the state share to be contributed.**

For imparting training to the newly elected representatives of Panchayats and its functionaries for capacity building of Panchayati Raj Institutions (PRIs), a perspective training plan of Rs 13.38 crore was prepared by Indira Gandhi

<sup>3</sup> ZPs ranking first Rs 8 lakh, second Rs 5 lakh and third Rs 2 lakh; Panchayat Samitis ranking first Rs 5 lakh, second Rs 3 lakh and third Rs 2 lakh and Gram Panchayats ranking first Rs 2 lakh, second Rs 1 lakh and third Rs 0.50 lakh.

<sup>4</sup> Dholpur: Rs 3.50 lakh and Kota: Rs 54 lakh.



Panchayati Raj and Gramin Vikas Sansthan (Sansthan), Jaipur and sent (February 2000) to Government of India (GOI), Ministry of Rural Development (MoRD) for approval. MoRD approved the plan for Rs 11.41 crore (Central share: Rs 3.81 crore and State share: Rs 7.60 crore) as per norms and sanctioned (March 2000) Central share of Rs 3.81 crore and released (March 2000) Rs 1.72 crore as its first instalment to the State Government.

During test-check (June-September 2004) of records of Panchayati Raj Department, Jaipur for 2003-04, it was observed that GOI released second instalment of Central share amounting to Rs 1.72 crore in March 2003. The State share of Rs 2.98 crore was released (October 2001-March 2003) to the Sansthan through four departments<sup>5</sup>, including Rs 1.63 crore withdrawn (March 2003) from 'Training' component of Integrated Child Development Services (ICDS) Programme-a centrally sponsored scheme being run by Child and Women Development Department. This resulted in unauthorised and irregular diversion of Central grant of Rs 1.63 crore, thereby defeating the purpose of imparting training to functionaries of ICDS for which the grant was provided by GOI.

On being pointed out (August 2004), the department contended (September 2004) that although the amount of Rs 1.63 crore pertained to GOI, this was provided by a State department and as such was treated as State share. The contention of the department was not tenable as the Government was liable to arrange State share from its own sources and not divert Central grants relating to other schemes.

The matter was referred to the Government in June 2005; reply has not been received (March 2006).

### **2.2.3 Unauthorised diversion of educational cess**

**Rs 18.55 lakh of educational cess was diverted (2003-05) for construction of non-educational buildings despite schools of the block lacking adequate educational infrastructure and materials.**

Rajasthan Panchayati Raj Rules, 1996 envisaged that income from educational cess was to be spent only on educational buildings/activities. In addition to this, own income from other sources could also be spent on such buildings/activities. These instructions were reiterated in Panchayati Raj Department's order of June 2003.

During audit of Panchayat Samiti, Khandela (District Sikar) for the period April 2002 to March 2004 it was observed that Rs 18.55 lakh<sup>6</sup> of educational cess was irregularly diverted by the Panchayat Samiti on construction of office building and shops during 2003-05. This was despite the fact that out of 197 primary/upper-primary schools in the block, 13 primary schools were functioning without buildings and 79 schools were without library and store rooms. Besides this, there was

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<sup>5</sup> Medical and Health Department: Rs 1 crore; Rajasthan Prathmik Shiksha Parishad under District Poverty Initiatives Project (DPEP): Rs 0.30 crore; Rural Development Department under DPEP: Rs 0.05 crore and Finance Department under Integrated Child Development Services Programme: Rs 1.63 crore.

<sup>6</sup> Block Elementary Education Office building (Rs 8.00 lakh), Construction of 15 shops in Panchayat Samiti campus (Rs 6.48 lakh), Construction of four shops in Panchayat Samiti campus (Rs 1.80 lakh), Construction of five shops in Panchayat Samiti campus (Rs 2.27 lakh) and Construction of canteen in Panchayat Samiti campus (Nil).

shortage of 192 classrooms, furniture, sports and teaching materials, etc. (April 2005), inspite of which the educational cess was utilised for construction of non-educational buildings/activities by the Panchayat Samiti.

On this being pointed out, Vikas Adhikari, Panchayat Samiti, Khandela accepted the facts and stated (May 2005) that the amount of educational cess was spent on these non-educational buildings as sufficient funds were not available under 'Own Income' of the Panchayat Samiti. The reply is not tenable as the diversion was unauthorised and was against the provisions of the Rules.

Government stated (March 2006) that the amount has since been recouped by the Panchayat Samiti on maturity of a Fixed Deposit Receipt of 'Own Income' (Rs 20.96 lakh) in January 2006. The facts, however, remain that Rs 18.55 lakh of educational cess was unauthorisedly diverted for one to three years thereby reducing the overall availability of dedicated funds for creating educational infrastructure that was lacking.

### **2.3 Unfruitful /unproductive expenditure**

#### **2.3.1 Unproductive expenditure on biogas plants**

#### **Failure of the department in selection of proper executing agency led to unproductive expenditure of Rs 1.77 crore on installation of 20 biogas plants.**

Government of India (GOI), Ministry of Non-conventional Energy Sources had launched (1990-91) a programme of development of non-conventional energy sources through installation of Community/Institutional/ Night-Soil Biogas Plants (CBPs/IBPs/NBPs). The main objectives of the programme were (i) to develop alternative source of energy, (ii) to make available pollution free fuel and good quality fertiliser as an alternative to chemical fertilisers, (iii) to link toilets/sewerage lines with Biogas plants to improve the environmental and sanitary conditions, and (iv) to use Biogas as a gas light.

The Special Schemes and Integrated Rural Development Department (now Rural Development Department) of the State Government decided (September 1997) to get the IBPs/NBPs installed through Khadi and Village Industries Commission or other recognised institutions/Non-Governmental Organisations (NGOs) having past experience. For the installation of each IBP<sup>7</sup> and NBP<sup>8</sup>, subsidy of Rs 2.30 lakh and Rs 9.20 lakh respectively was to be provided to the executing agency/NGOs by District Rural Development Agencies (DRDAs) and the executing agency was required to install the plants within six months from the award of the work. Test-check of the records (April 2004-April 2005) of the Rural Development Department and six Zila Parishads<sup>9</sup> for the period 1997-2004 revealed that expenditure of Rs 1.77 crore (including subsidy of Rs 1.68 crore) incurred on the installation of 20 IBP/NBPs proved unproductive owing to non-completion/non-functioning of the IBP/NBP (*Appendix-III*).

<sup>7</sup> Of 60 cum, based on animal excreta.

<sup>8</sup> Of 35 cum, based on human excreta.

<sup>9</sup> Erstwhile DRDA, Ajmer, Jaipur, Jodhpur, Rajsamand, Tonk and Udaipur.

Other shortcomings/deficiencies as observed on the part of the department and DRDAs leading to failure of IBP/NBPs were as under:

▶ While allotting work, the prerequisite that the NGO should have a past experience of construction of biogas plants was ignored by the department.

▶ An NGO- Aryan Society for Environmental Research and Development<sup>10</sup> (ASERD), Jaipur, barely seven days after its coming into existence/registration and having no past experience was given work of installation of IBP/NBPs. As a result, while three Biogas plants installed by this NGO stopped functioning immediately after their installation, three others were left incomplete. The department while accepting that ASERD was technically incompetent stated (March 2001) that in future no work of installation of Biogas plant would be given to this NGO.

▶ 14 NBPs installed by M/s Aryan Associates, Jaipur also stopped working after a few days mainly due to non-functioning of toilets, construction of the NBPs without conforming to the prescribed designs/standards and without carrying out feasibility of the sites before installation of the NBPs.

▶ After installation of plants neither the department nor the DRDAs ever had verified/tested the feasibility/benefits of IBP/NBPs as projected by the NGOs. Had the department got the benefits/performance of plants evaluated immediately after their installation, allotment of further work to an unqualified NGO and the resultant infructuous expenditure on the IBP/NBPs installed subsequently could also have been avoided.

▶ Progress of setting-up of IBP/NBPs and quality of construction/ installation was not closely monitored by the concerned officers of DRDAs. Further, out of 17 NBPs installed, eight<sup>11</sup> were not completed within the stipulated period of six months for which no penalty was imposed on the NGOs.

Thus, failure of the department in proper implementation of the programme led to unproductive expenditure of Rs 1.77 crore on installation of IBP/NBPs in six districts. The Biogas plants were thus rendered non-functional/closed/incomplete defeating the very objectives of the programme.

On being referred, Government stated (September 2005) that action against concerned NGOs has since been initiated to recover the loss of public money spent on the Biogas plants left incomplete and the matter would be pursued with the concerned beneficiary organisations to make the closed plants functional.

However, due to lack of monitoring and informed selection, the scheme did not succeed in providing the intended benefits besides the funds remaining unfruitful and lying blocked for so many years.

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<sup>10</sup> An NGO formed by an ex-employee of M/s Aryan Associates and came into existence by getting registration on 17 September 1998.

<sup>11</sup> Three each at Municipal Corporations, Jaipur and Jodhpur and one each at Police Line and Central Jail, Udaipur.

### 2.3.2 Unfruitful expenditure on assets lying unutilised

#### (i) Water reservoirs and school building

**Failure of Panchayati Raj Institutions to ensure utilisation of 36 water reservoirs and one school building led to unfruitful expenditure of Rs 17.12 lakh incurred on their construction.**

The Panchayati Raj Institutions (PRIs) were responsible for proper utilisation and maintenance of all the assets created under various schemes.

Test-check of records in Panchayat Samitis, Bhinmal and Sayala (District Jalore) for the period April 2002 to March 2004 revealed that 36 Ground Level Reservoirs (GLRs) and a school (*Rajeev Gandhi Pathshala*) building created between March 2001 and July 2004 at a cost of Rs 17.12 lakh<sup>12</sup> were lying unused for one to four years as the GLRs were not connected to water sources and no teacher was posted in the school. On being pointed out, while Panchayat Samiti Bhinmal accepted the facts and stated (March 2006) that action would be taken to connect the GLRs with water sources, PS Sayala did not furnish reply.

Government stated (January 2006) that efforts would be made to get the remaining GLRs connected with water sources and that the District Education Officer was being asked to utilise the school building.

Thus, failure of PRIs to ensure utilisation of these assets for intended purposes as of March 2006 led to expenditure of Rs 17.12 lakh incurred on their construction remaining unfruitful, besides denying people of the benefits of the assets/facilities.

#### (ii) Tube-well bores

**Expenditure of Rs 5.42 lakh incurred on the construction of 20 tube well bores proved unfruitful.**

Rural Development Department directed (January 2000) the District Rural Development Agencies (DRDAs)<sup>13</sup> that under the Member of Parliament Local Area Development (MPLAD)/ Members of Legislative Assembly Local Area Development (MLALAD) schemes, works of water supply be sanctioned in totality with end results. Accordingly, drilling of tube-wells alone was not to be sanctioned and it had to be sanctioned instead with power connection/pump sets, panel boards, pipe lines and/or Ground Level Reservoirs (GLRs), so that the system could be used by the public after completion of the work without incurring any extra expenditure.

Test-check of records of Zila Parishad, Chittorgarh for 2003-04, revealed (January-February 2005) that drilling works of 20 tube-well bores alone were sanctioned under MLALAD scheme during March 2001-October 2003 for Rs 5.64 lakh. However, as of December 2005 the works executed through Panchayat Samiti, Chittorgarh and 15 Gram Panchayats at Rs 5.42 lakh could not be commissioned for supply of water to the public as the bores, though having sufficient water, had not

<sup>12</sup> Bhinmal (36 GLRs: Rs 14.78 lakh) and Sayala (1Rajeev Gandhi *Pathshala* building: Rs 2.34 lakh).

<sup>13</sup> Now Zila Parishads.

been equipped with power connection/pump sets and pipelines/GLRs. Thus, expenditure of Rs 5.42 lakh incurred thereon became unfruitful.

On being pointed out, Chief Executive Officer of the Zila Parishad stated (February 2005) that the works of water supply were sanctioned according to recommendations of MLAs and availability of funds. The reply was not acceptable as contrary to directives, the works were not sanctioned in totality with power connection, pump sets and pipelines, etc. due to which tube well bores could not be commissioned for supply of water.

On being referred, Government stated (September 2005) that all the tube well bores had since been connected under other schemes and were being used now for supply of water to public. The reply was, however, not tenable as subsequent verification revealed (December 2005) that these 20 tube well bores were still lying unconnected/uncommissioned.

Thus, expenditure of Rs 5.42 lakh incurred on the construction of 20 tube well bores, lying unconnected/uncommissioned for the last one to two years as of December 2005, proved unfruitful and also denied the benefits of water supply to the public.

### 2.3.3 Blockage of funds on construction of community halls

**Non-completion/lack of proper maintenance of community halls resulted in blockage of funds amounting to Rs 18.34 lakh.**

*Jawahar Rojgar Yojana* guidelines issued by Government of India (effective from April 1991) stipulated that completion of incomplete works should be given priority over taking up of new works in the annual action plan of DRDAs / *Zila Parishads* and that no work should be taken up which could not be completed within two financial years. This position was further reiterated by the Rajasthan Panchayati Raj Rules, 1996 which came into effect from December 1996. Further, the *Gramin Karya Nirdeshika* (GKN), 1997 which compiled instructions relating to execution of works in rural areas, envisages that only those works which can be completed during the same financial year should generally be taken up. In case works which cannot be completed in the same financial year are taken up under special circumstances, the executing agency will be responsible to ensure their completion in the next financial year. It was the duty of work sanctioning authority to ensure that there was no possibility of wasteful expenditure on construction of the works.

During test-check of records of Zila Parishad, Jaisalmer (June 2004) for April 2002 to March 2003, it was observed that construction works of 23 community halls in various villages of Panchayat Samitis, Sam (21 halls) and Jaisalmer (2 halls) were sanctioned during 1991-2000 under *Jawahar Rojgar Yojana*. These halls were constructed at a cost of Rs 18.34 lakh and were shown as completed. Zila Parishad intimated (November 2005) that 21 halls of Panchayat Samiti Sam were being utilised for intended purposes. However, verification of these halls of Panchayat Samiti Sam revealed (December 2005) that these were still lying unutilised as work on 10 halls was incomplete and these did not have doors and windows. Eleven halls had been damaged due to lack of proper maintenance. This facilitated the unhindered entry of stray animals and villagers into these halls causing further

damage to the construction and their misuse for storing fodder, etc. Two community halls in Panchayat Samiti Jaisalmer were also lying incomplete.



**A view of the community hall at Mairasi Pada (Baiya village) with a cow inside and garbage dumped outside**

Thus, non-completion/lack of proper maintenance of 23 community halls resulted in their non-utilisation and blockage of funds of Rs 18.34 lakh.

The matter was referred to the Government in April 2005; reply has not been received (March 2006).

#### **2.3.4 Unfruitful expenditure on works lying incomplete**

##### **(i) Incomplete projects**

**Failure of department and executing agencies in effective implementation of schemes resulted in unfruitful expenditure of Rs 30.02 lakh on projects lying incomplete besides, depriving the villagers of intended benefits.**

Rural Development and Panchayati Raj Department (Department) sanctioned (April 1993) two projects under Site and Service Scheme for Rural Housing (SSH) and Rural Growth Centre Scheme (RGC) for Bandanwara village (Tehsil Bhinai of Ajmer district) at a cost of Rs 18.72 lakh and Rs 57.32 lakh respectively. In 1998, the cost was subsequently revised to Rs 37 lakh and Rs 1.02 crore. After acquiring land, rural housing sites were to be developed in a systematic manner by providing roads, drainage, drinking water, sanitation, electricity etc., and thereafter, plots were to be sold at a suitable price to all categories of society. Under RGC, commercial plots were to be sold after development of missing links of infrastructure facilities.

The works were to be got executed through Public Works Department (PWD) and Rajasthan State Road Development and Construction Corporation Limited<sup>14</sup>.

Audit scrutiny (October-November 2004) of the records of Zila Parishad, Ajmer revealed that against Rs 30 lakh released to the executing agencies, an amount of Rs 30.02 lakh<sup>15</sup> was spent during 1996-2000 on development works and many works like bituminisation of roads, lighting and water facilities etc. could not be executed by the executing agencies due to non-sanctioning of revised estimates of the works and funds not being released by the department/Zila Parishad. As the developmental works remained incomplete, the plots could not be sold (June 2003). Subsequently, the Panchayati Raj Department of State Government decided (September 2003) to transfer semi-developed schemes (through PWD/RSBCC) to Gram Panchayat, Bandanwara on an "as is where is" basis for disposal of plots by auction and to maintain common facilities as per direction/guidelines of the department. However, none of the plots could be sold by the Gram Panchayat as of September 2005 due to its high prices and large size, apart from the sites being located far off the main village/habitation.



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<sup>14</sup> Previously known as Rajasthan State Bridge and Construction Corporation (RSBCC) Limited.

<sup>15</sup> SSH: Rs 12.13 lakh and RGC: Rs 17.89 lakh.





**Views of incomplete project works at Bandanwara village**

Thus, failure of the department and executing agencies in effective implementation of schemes resulted in unfruitful expenditure of Rs 30.02 lakh on projects lying incomplete, besides depriving the villagers of the intended benefits.

On being pointed out, Government while confirming the facts stated (October 2005) that Chief Executive Officer, Zila Parishad, Ajmer has since been instructed to reconsider size and price of the plots. However, the fact remains that works are yet to be completed.

**(ii) Incomplete stadium**

**Commencement of work on forest land without ensuring clear title of the land led to unfruitful expenditure of Rs 7.75 lakh.**

Under the Forests (Conservation) Act, 1980 no works on forest land are to be executed unless prior approval of Government of India for its dereservation is obtained.

Test-check (January 2005) of the records of *Panchayat Samiti*, Kolayat (District Bikaner) for the year 2003-04 revealed that the work of 'Construction of Stadium in Kolayat', for which an amount of Rs 10 lakh was sanctioned (January 2002) by the District Rural Development Agency<sup>16</sup>, Bikaner. The work which was to be completed by March 2002, had to be abandoned by the executing agency Gram Panchayat, Kolayat in May 2002, after incurring an expenditure of Rs 7.75 lakh, since the work had been undertaken on forest land and clear title of the land was not ensured before commencement of the work.

On this being pointed out, Vikas Adhikari, Panchayat Samiti, Kolayat accepted the facts and stated (January 2005) that the work would be resumed after obtaining approval from the Forest Department.

<sup>16</sup> Now Zila Parishad.



The expenditure of Rs 7.75 lakh has proved unfruitful till date due to failure of the Panchayat Samiti/Gram Panchayat to ensure clear title of the land before commencement of work. The stadium is lying incomplete for more than two years and the beneficiaries have also been deprived of the benefits of the Stadium.

The matter was referred to Government in April 2005; reply has not been received (March 2006).

### 2.3.5 Unfruitful expenditure on pay and allowances of surplus employees

**Failure of department to adjust surplus staff of octroi branch of Gram Panchayats led to unfruitful expenditure of Rs 1.49 crore on pay and allowances of 58 employees during August 1998 to December 2004.**

The Octroi leviable under Section 65 (b) of Rajasthan Panchayati Raj Act, 1994 was abolished by the State Government with effect from 1 August 1998 and therefore, employees engaged for collection of Octroi were rendered surplus. Such surplus employees who were matriculate and above were adjusted against the posts of *Gram Sewak*-cum-Secretary of Gram Panchayat (GP), but non-matriculate employees had not been adjusted and their pay and allowance were paid from grant provided by the State Government in lieu of Octroi.

During audit of Zila Parishad, Sriganganagar and Panchayat Samitis (PS), Bhensrodgarh (District Chittorgarh) and Shahpura (District Jaipur) for the period April 2002 to March 2004, it was observed that even after six years of abolition of octroi, the department could not adjust 58 surplus employees of three Gram Panchayats (GPs)<sup>17</sup> by posting them against appropriate vacant posts in other offices. Consequently, Rs 1.49 crore<sup>1</sup> incurred on their pay and allowances during August 1998-December 2004 was rendered unfruitful.

Government in the Panchayati Raj Department stated (January 2006) that redeployment of the surplus employees in other departments was under consideration of the State Government as there was no vacancy in the Panchayati Raj Department.

Thus, failure to redeploy the surplus staff over seven years resulted in unfruitful expenditure of Rs 1.49 crore on idling staff.

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<sup>17</sup> Gram Panchayat, Rawala of PS, Anoopgarh (16 employees: Rs 8.31 lakh during August 1998-March 2004); Gram Panchayat, Badoliya of PS, Bhensrodgarh (32 employees as 15 out of 47 surplus employees had been adjusted from September 2002: Rs 128.29 lakh during August 1998-March 2004) and Gram Panchayat, Manoharpur of PS, Shahpura (10 employees: Rs 12.67 lakh during August 1998-December 2004).

## 2.4 Irregularities in implementation of schemes

### 2.4.1 Member of Parliament Local Area Development Scheme

- (i) Irregular allotment of land and release of scheme fund to a trust engaged in commercial activities

**Allotment of land at concessional rates as well as release of scheme funds of Rs 20 lakh to a trust engaged in commercial activities was irregular.**

The guidelines issued by Government of India in February 1994 for the implementation of Member of Parliament Local Area Development Scheme (MPLADS) prohibit sanctioning of works belonging to commercial organisations, private or cooperative institutions. With the partial amendment in the guidelines in January 2001, sanctioning of the works belonging to registered societies and trusts were made permissible subject to the conditions that (i) beneficiary organisation shall be engaged in social service/welfare activities and not in profit earning and (ii) assets created with the scheme funds should be available for public use.

Test-check (January 2005) of records of Zila Parishad<sup>18</sup>, Sirohi for 2003-04 revealed that on the recommendations of two Members of Parliament, the construction work on the second floor of 'Shri Raghunath Das Parihar Dharamshala Trust, Mount Abu' was sanctioned (April 2003) and Rs 20 lakh was released (July 2003) from the scheme. The trust claimed that it was engaged in social service by providing accommodation/room facility to the public at a very nominal rate of Rs 25 per day for a double bed room and functioning at no profit no loss basis. Further, the Municipal Board, Mount Abu had also allotted (June 1994) land to the same trust at 50 per cent reserve price for construction of *Dharamshala* on the basis of its not being run for profit. As per the lease deed issued by Municipal Board, Mount Abu, the trust was to provide free of cost stay to the public for first three days.

During inspection (January 2005), Project Officer of the Zila Parishad observed that the trust was charging room rent ranging from Rs 350 to Rs 1000 per day and also providing dining facilities to the public at commercial rates. The '*Dharamshala*' was actually functioning in the name of 'Seth Shri Raghunath Das Parihar Inn' which was like a hotel. Thus, assets created by the trust were not made available for public use at large but were used for commercial purposes with profit motives which was in violation of the scheme guidelines.

<sup>18</sup> Earlier District Rural Development Agency (DRDA).



A view of Seth Shri Raghunath Das Parihar Inn, Mount Abu.

On being referred, Government stated (August 2005) that legal action against the trust was being taken by the Zila Parishad for violation of terms and conditions of the agreement. However, the fact remains that allotment of land at concessional rates as well as sanctioning of scheme funds of Rs 20 lakh to a trust without ensuring the nature of its activities was irregular.

**(ii) Irregular expenditure**

**Irregular expenditure of Rs 19.77 lakh on providing computers and construction of computer room under MPLADS.**

The works permissible under MPLADS included installation of computers in high schools/colleges not belonging to trusts, registered societies, private or co-operative institutions. In April 2002, GOI clarified that installation of computers is permissible only in government or government aided schools/educational institutions.

During test-check of the records of Zila Parishad<sup>19</sup>, Jodhpur for 2002-04, it was observed that expenditure of Rs 19.77 lakh<sup>20</sup> was incurred under MPLADS on providing computers and construction of computer room in non-government aided schools and a caste based hostel during February 2000 to June 2003 in contravention of the scheme guidelines thereby depriving more needy projects of such funds.

The Government while accepting the other facts stated (March 2006) that one of the schools<sup>21</sup> was government aided and construction of computer room in the hostel was covered under the scheme guidelines. The reply was not tenable as the school was not a government aided school as per records of District Education Officer (Secondary), Jodhpur and the caste based hostel did not belong to the State Government or to any local body.

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<sup>19</sup> Formerly District Rural Development Agency.

<sup>20</sup> Non-Government aided schools (Primary: 1; Upper Primary: 4 and Higher Secondary: 1): Rs 15.27 lakh; and caste based hostel: Rs 4.50 lakh.

<sup>21</sup> Adarsh Bal Senior Higher Secondary School, Jodhpur.

**(iii) Unfruitful expenditure on construction of auditorium**

**Release of funds amounting to Rs 21 lakh to an institution in violation of the MPLADS guidelines resulted in the work of construction of auditorium remaining incomplete and the expenditure becoming unfruitful.**

Under Member of Parliament Local Area Development Scheme (MPLADS) funds upto Rs 25 lakh could be spent for a particular society/trust irrespective of the number of institutions/works under that society/trust. It was also clarified (November 2001) that the scheme funds could be shared with funds from other sources for larger works. In such cases, however, funds from the scheme should be released towards the end after release of funds from other sources. Further, funds should be provided with reference to a clearly identifiable part of the work, so that the use of the scheme funds would result in completion of at least that part of the work and not in wastage in case of non-receipt of funds from other sources due to any reason.

Test-check (September 2004) of the records of Zila Parishad<sup>22</sup>, Jaipur for 2002-03 revealed that an Institution<sup>23</sup> was sanctioned Rs 21 lakh and Rs 25 lakh in June 2001 and February 2003 for the construction of eight rooms and an auditorium respectively. While all the rooms had been constructed at a cost of Rs 20.99 lakh, the work of construction of the auditorium at an estimated cost of Rs 32.82 lakh was incomplete (December 2005) after incurring expenditure of Rs 25 lakh up to June 2003 reportedly due to paucity of funds with the Institution.

Thus, not only was the Institution irregularly sanctioned Rs 21 lakh over the prescribed limit for construction of auditorium, the release of such funds without first ensuring availability of funds from other sources as envisaged in the guidelines resulted in the expenditure becoming unfruitful, besides the Institution being deprived of the facility of an auditorium.

On being referred, the State Government stated (December 2005) that sanctioning of excess funds was not irregular as administrative sanction of the work of auditorium for Rs 35 lakh had been issued (February 2002) by the DRDA prior to the GOI's clarification (April 2002) prescribing the limit of Rs.25 lakh and efforts were being made to get the work completed by the Institution. The reply was not tenable as the revised administrative-cum-financial sanction for Rs 25 lakh was issued only in February 2003 i.e. after issuance of the clarification by GOI.

**2.4.2 Belated financial assistance under National Family Benefit Scheme**

**The Panchayat Samitis failed to provide timely financial assistance of Rs 11.20 lakh to 112 bereaved BPL families under the National Family Benefit Scheme.**

The Centrally Sponsored National Family Benefit Scheme, 1995 provides for a lump sum financial assistance of Rs 10,000 to each bereaved family living below the poverty line (BPL) on death of a family member in the age group 18-64 years, whose earnings contributed substantially to the total household income. According to the instructions issued (September 1998) by the Rural Development and Panchayati Raj Department, the financial assistance was to be provided within a

<sup>22</sup> Erstwhile DRDA.

<sup>23</sup> Agrawal P.G. College, Jaipur run by Sri Agrawal Shiksha Samiti, Jaipur.

period of four weeks after the death of the family member. The payment of assistance in rural areas was to be made by *Vikas Adhikari* of concerned *Panchayat Samiti*. The Supreme Court also directed (November 2001) the State Governments that payment of assistance should be made within four weeks.

Test-check (September-October 2004) of records in four Panchayat Samitis<sup>24</sup> for the period 2001-04 revealed that out of 119 cases where primary earners of BPL families had died, in 112 cases<sup>25</sup> financial assistance of Rs 11.20 lakh was provided with delays ranging from one to 19 months.

On being pointed out, *Vikas Adhikaris* of the concerned Panchayat Samitis attributed (September-October 2004) the delays to belated receipt of funds from State Government and/or Zila Parishads and delayed receipt of applications from the bereaved families. The reply is not tenable as, there was no record to show that concerned Gram Panchayats and/or Panchayat Samitis had reported shortage of funds in their fortnightly/monthly reports. Besides, Gram Panchayats/Panchayat Samitis were required to get the beneficiaries identified on the basis of record relating to Death Register being maintained by them and collect applications<sup>26</sup> to avoid delay in providing assistance to the bereaved BPL families.

While confirming the facts, Government attributed (February 2006) the belated payments to non-availability of funds with PRIs and delayed allotment of funds by the State Government due to the scheme being new during 2002-03.

Thus, the State Government/Panchayat Samitis failed to provide financial assistance to the bereaved BPL families within four weeks time as envisaged in the scheme guidelines and as stipulated by the Supreme Court. This defeated the very purpose of providing immediate monetary relief to the bereaved families.

#### 2.4.3 Other/miscellaneous schemes

##### (i) Irregular expenditure under MPLAD and MLALAD schemes

**Expenditure of Rs 66.65 lakh incurred on construction of caste/ community based Sabha Bhawan/Community Centres and places of worship was against the guidelines of MPLAD/MLALAD schemes.**

Member of Parliament Local Area Development Scheme (MPLADS) provides that the funds may be used for creation of durable assets, which shall always be available for public use at large, and the ownership of such assets created would vest in the Government. Likewise, Rural Development Department of State Government prohibited (December 2001) District Rural Development Agencies (DRDAs) from sanctioning of works under Member of Legislative Assembly Local Area Development Scheme (MLALADS) on lands, the ownership of which does not vest in the Government/Panchayati Raj Institutions. The schemes also prohibit execution of works in places of worship.

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<sup>24</sup> Dungala (District Chittorgarh), Malpura (District Tonk), Newai (District Tonk) and Sujangarh (District Churu).

<sup>25</sup> Dungala 8 cases: Rs 0.80 lakh, Malpura 42 cases : Rs 4.20 lakh, Newai 41 cases: Rs 4.10 lakh and Sujangarh 21 cases: Rs 2.10 lakh.

<sup>26</sup> As per guidelines issued by the Rural Development and Panchayati Raj Department, Jaipur in September 1998.

During audit of the records of Zila Parishad, Jodhpur and Panchayat Samitis, Ratangarh, Sujangarh (District Churu), Bikaner and Nokha (District Bikaner) for 2002-04, the following irregularities were noticed:

**(a) Construction of caste/community based buildings not meant for public use at large**

Expenditure of Rs 63.57 lakh was incurred on construction of caste/community based sabha bhawan/community centres, etc., the ownership of which does not vest in the Government. The expenditure was thus incurred in violation of the schemes.

**(b) Irregular expenditure on places of worship**

Expenditure of Rs 3.08 lakh<sup>27</sup> was incurred on construction of boundary walls, pillar gates on places of worship, violating the provisions of the schemes.

Thus, expenditure of Rs 66.65 lakh incurred on construction of caste/community based sabha bhawan/community centres, etc., the ownership of which does not vest in the Government and on places of worship was not only against the guidelines of MPLADS/MLALADS, but also against the standards of financial propriety that expenditure from public money should not be incurred for the benefit of a particular person or a section of the people.

The matter was referred to the Government in June 2005; reply has not been received (March 2006).

**(ii) Execution of sub-standard works and non-recovery of amount of works over valued**

**Use of short quantity of cement in construction of roads by 18 Gram Panchayats (GPs) resulted in sub-standard works worth Rs 1.02 crore, besides non-recovery of amount of works over-valued by Rs 14.91 lakh from the Sarpanchs/Secretaries of GPs concerned.**

As per norms prescribed in the material consumption statement of Integrated Basic Schedule of Rates of the Public Works Department, 6.44 bags, 4.51 bags and 2.82 bags each of 50 kg cement are required for one cubic metre of Cement Concrete (CC) mortar in the ratio of 1:2:4, 1:3:6 and 1:5:10 (being the ratio of cement: coarse sand: stone grit) respectively. Further, expenditure incurred in excess of valuation of works was recoverable from Sarpanch/Secretaries of Gram Panchayats (GPs) concerned.

Test-check (August to October 2004) of the records of Panchayat Samitis (PSs) Kathumar, Kotkasim and Ramgarh (District Alwar) for 2002-04 revealed that during 2001-04, 101 works of CC roads were got executed by 18 Gram Panchayats under six schemes<sup>28</sup> by incurring expenditure of Rs 1.02 crore<sup>29</sup>. Scrutiny revealed

<sup>27</sup> Rs 0.97 lakh on construction of boundary wall and pillar gate around Ram Deo ji ki Khejari, in village Kakku (Panchayat Samiti, Nokha) under MPLADS and Rs 2.11 lakh on construction of boundary walls around 'Peer Baba Ki Mazaar' (Panchayat Samiti, Sujangarh) under MLALADS.

<sup>28</sup> Employment Assurance Scheme, Sampoorna Gramin Rojgar Yojana, Member of Parliament Local Area Development Scheme, Member of Legislative Assembly Local Area Development Scheme, State Finance Commission and Eleventh Finance Commission.

<sup>29</sup> Panchayat Samitis: Kathumar 47 works: Rs 35.85 lakh, Kotkasim 22 works: Rs 38.07 lakh and Ramgarh 32 works: Rs 28.22 lakh.

that as against the standard, for construction work of 5966.03 cum CC mortar (4403.68 cum in 1:2:4, 1464.34 cum in 1:3:6 and 98.01 cum in 1:5:10) requiring 35,658 cement bags, only 23,287 bags (65 per cent) were used. The road works were thus executed by using less quantity of cement ranging between 24 and 59 per cent.

Thus, CC roads were constructed without conforming to standard specifications resulting in execution of sub-standard works worth Rs 1.02 crore. Besides, valuation of works done by Junior Engineers were on full item rates of *Gramin Karya Nirदेशिका* (GKN) instead of taking into account reduced rates in view of lesser quantity (12371 bags) of cement used. This resulted in overvaluation of works by Rs 14.91 lakh<sup>30</sup>, which was recoverable from the *Sarpanchs*/Secretaries of GPs concerned. The condition of 35 roads inspected in December 2005 by the Assistant/Junior Engineers of Panchayat Samitis and Secretaries of Gram Panchayats had deteriorated by 15 to 75 per cent. No responsibility for execution of such sub-standard works has been fixed.



**A view of damaged CC road of village Indravali**

On being pointed out (August to October 2004) while the Vikas Adhikaris, PS, Kathumar and Kotkasim did not furnish replies, Vikas Adhikari, PS, Ramgarh accepted (September 2004) the facts.

The Government stated (February 2006) that cement for construction of CC roads was consumed as per norms prescribed in GKN 2000 according to which there was no short consumption of cement and the roads are in good condition. The reply is not tenable as no norms for cement consumption were prescribed in the GKN 2000 and inspection of the roads had revealed (December 2005) deterioration in the condition of the roads by 15 to 75 per cent.

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<sup>30</sup> Panchayat Samitis, Kathumar: Rs 6.02 lakh; Kotkasim: Rs 5.01 lakh and Ramgarh: Rs 3.88 lakh.

(iii) Non-reclamation of wastelands

**Besides non-utilisation of Central assistance of Rs 27.59 lakh, failure of State Government to release its full share led to non-receipt of Central assistance of Rs 72 lakh resulting in shortfall in reclamation of 2033 hectares of water logged land.**

Rawatsar (District Hanumangarh) has been facing problem of water logging since long. In March 2000, Government of India granted financial assistance under Technology Development Extension and Training (TDET) Scheme to District Rural Development Agency (DRDA), Hanumangarh for implementation of a pilot project on Reclamation of Wastelands of waterlogged area in Rawatsar, for enhancing its productivity. Irrigation Division, Rawatsar was the executing agency.

The project envisaged reclamation of 5633 hectares of land at an outlay of Rs 4.61 crore (GOI share: Rs 3.05 crore and State/beneficiaries share: Rs 1.56 crore). The project period which was initially for three years (1999-2002) was extended upto March 2003.

A test-check of records of Zila Parishad<sup>31</sup>, Hanumangarh for 2001-04 revealed that as of March 2003, against Rs 3.33 crore provided (GOI: Rs 2.33 crore and State Government/beneficiaries: Rs 1.00 crore), Rs 3.05 crore (GOI: Rs 2.05 crore and State Government/beneficiaries: Rs 1.00 crore) was incurred for reclamation of 3600 hectares of land. The State Government did not release its full share which led to non-receipt of balance central assistance of Rs 72 lakh. Further, central assistance of Rs 27.59 lakh was lying unutilised with the Irrigation Department although the extended period of the programme had expired in March 2003. This resulted in non-reclamation of 2033 hectares of waterlogged area thereby defeating the objective of the scheme to enhance the productivity.

On being referred, the State Government while accepting the facts stated (February 2006) that the GOI has been requested in February 2006 to release the balance funds and extend the project period upto March 2007.

Thus, slackness of the State Government in providing its full share and non-utilisation of central funds by executing agency led to shortfall in reclamation of 2033 hectares of land thereby depriving the people from the benefits of enhanced productivity.

<sup>31</sup> Erstwhile DRDA.



## 2.5 Non-recovery of excess expenditure/rent/other dues

### 2.5.1 Non-recovery of expenditure incurred on works in excess of their valuation

**Expenditure of Rs 17.65 lakh incurred on 176 works in excess of their valuation had not been recovered from concerned Sarpanchs/Secretaries of Gram Panchayats.**

*Gramin Karya Nirdeshika* (GKN) as amended from time to time envisaged that valuation of works executed under various schemes would be done by the competent technical officers with reference to the item-wise rates specified therein and the amount of actual expenditure or valuation whichever is less would be adjusted in the accounts. Expenditure incurred by Gram Panchayats on works in excess of their valuation was recoverable from the concerned *Sarpanchs/Gram Sewaks-cum-Secretaries* who were responsible for execution of the works.

During test-check of the records of 18 Panchayat Samitis for the years 2002- 2004, it was observed that 224 works executed (2001-04) by 152 Gram Panchayats at a cost of Rs 2.96 crore under different schemes such as Member of Parliament Local Area Development Scheme, *Sampoorna Gramin Rojgar Yojana* and grants made under Eleventh Finance Commission recommendations, etc., were valued by technical officers at Rs 2.74 crore only. Accordingly, expenditure of Rs 21.99 lakh was incurred on these works in excess of their valuation, which was to be recovered from the concerned *Sarpanchs/Secretaries* of the Gram Panchayats.

On being referred, Government stated (February 2006) that out of the recoverable amount of Rs 21.99 lakh, an amount of Rs 4.34 lakh had since been recovered in respect of 48 works and efforts were being made to recover the balance amount of Rs 17.65 lakh in respect of 176 works.

The fact remains that excess expenditure of Rs 17.65 lakh relating to the period 2002-04 is still lying unrecovered from the concerned *Sarpanchs/Secretaries* of Gram Panchayats.

### 2.5.2 Non-recovery of outstanding advances from Ex-Sarpanchs

**Inaction on the part of Panchayat Samitis in effecting timely recovery or adjustment of the outstanding advances resulted in accumulation of dues of Rs 1.15 crore.**

The Rajasthan Panchayati Raj Act, 1994 provides that any sum due against Chairpersons of Panchayati Raj Institutions owing to lapse, defalcations or other reasons shall be recoverable as arrears of land revenue<sup>32</sup>. Further, Rule 215 (2) of Rajasthan Panchayati Raj Rules, 1996 envisaged that advances given to individuals for works or other specific purposes shall be got adjusted at the most within three months failing which it will amount to temporary embezzlement and unutilised cash balances shall be deposited along with interest at 18 *per cent*.

<sup>32</sup> The departmental officer is required to issue certificate of recovery to the concerned Collector (Recovery Officer) where the defaulter is having property.

Test-check (March 2005) of the records of Panchayat Samitis (PSs) Karanpur (District Sriganganagar) and Lalsot (District Dausa) for 2003-04 revealed that advances of Rs 40.44 lakh<sup>33</sup> in 227 cases given to Ex-Sarpanchs of Gram Panchayats dating as far back as the year 1962 to March 2004 for works/other purposes were lying unadjusted/ unrecovered. Effective action, if any, for adjustment/recovery of such advances by PS concerned was not on record.

On being pointed out, *Vikas Adhikaris*, PSs, Karanpur and Lalsot stated (March 2005) that the recovery/adjustment of advances was in progress and old cases were being sent to Panchayati Raj Department for writing off the advances, as the whereabouts of Ex-Sarpanchs are not known. However, no case had been sent to the Department for writing off as of February 2006.

Due to inaction/laxity for timely recovery or adjustment on the part of Panchayat Samitis, huge outstanding advance of Rs 1.15 crore (including interest of Rs 75.05 lakh<sup>34</sup>) is yet to be recovered. In most cases, in the absence of the details of the whereabouts of the Ex-Sarpanchs, possibility of recovery of amount outstanding for long is remote.

The matter was referred to the Government in June 2005; reply has not been received (March 2006).

### 2.5.3 Non-recovery of outstanding rent

**Six Panchayat Samitis failed to effect recovery of outstanding rent of Rs 14.42 lakh from occupants and evict the defaulters from the premises.**

Panchayati Raj Institutions are authorised to let out shops and other commercial sites for not more than three years and only through open auction by the prescribed committee. The agreements for leasing out shops and sites on rent shall include the condition of 10 *per cent* increase of rent every year. In case the premises are not vacated after three years or it is sub-let to some other persons or rent is not deposited regularly, the Chief Executive Officer of Zila Parishad, on the request of Gram Panchayat or Panchayat Samiti, shall get the premises vacated after giving notice for eviction of premises. Gram Panchayats and Panchayat Samitis may also negotiate for extending the terms of three years by mutual agreement subject to 20 *per cent* yearly increase in rent.

Test-check of the records of Panchayat Samiti (PS), Reodar (District Sirohi) for the period April 2002 to March 2004 revealed that since November 1979, the PS had let out 52 plots and 15 shops (including one video hall) on rent. Rent of Rs 7.46 lakh (including interest<sup>35</sup> Rs 2.64 lakh) for the period from December 1995 to December 2004 was not recovered from 45 occupants<sup>36</sup>. Similarly, in five other PSs<sup>37</sup> rent of Rs 9.06 lakh for the period from October 1988 to January 2005 was not recovered from the occupants of 65 shops.

<sup>33</sup> PS Karanpur: Rs 28.22 lakh (47 cases) and PS Lalsot: Rs 12.22 lakh (180 cases).

<sup>34</sup> PS Karanpur: Rs 39.13 lakh and PS Lalsot: Rs 35.92 lakh.

<sup>35</sup> At 18 *per cent* per annum as per agreement.

<sup>36</sup> 33 plots and 12 shops (including one video hall).

<sup>37</sup> PSs Ataru (Baran): Rs 3.06 lakh of 13 shops ; Chaksu (Jaipur): Rs 1.62 lakh of 17 shops ; Dudu (Jaipur): Rs 1.31 lakh of 15 shops ; Mundawa (Nagaur): Rs 1.34 lakh of 13 shops and Talera (Bundi): Rs 1.73 lakh of 7 shops.

Government stated (March 2006) that out of Rs 16.52 lakh, recovery of Rs 2.10 lakh<sup>38</sup> had since been made by four PSs and action for recovery of the remaining amount was being taken.

Thus, the failure of the PSs in taking timely action for effecting recovery of outstanding rent from occupants and non-eviction of premises from defaulters resulted in accumulation of rent of Rs 14.42 lakh (including interest of Rs 2.64 lakh).

#### 2.5.4 Excess charging of administrative overheads

<b>Excess administrative overheads of Rs 64 lakh were charged by PIA on watershed development projects.</b>
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Watershed development schemes envisaged that each Project Implementation Agency (PIA) shall carry out its duties through a Watershed Development Team (WDT) having at least four members, one each from the disciplines of plant sciences, animal sciences, civil/agriculture engineering and social sciences. The WDT was required to work exclusively and full time for 10-12 Watershed Development Projects (WDPs) in the selected villages. The PIA was at liberty to either engage its own staff or recruit fresh candidates. Where the Government department acted as a PIA it was also entitled to draw establishment charges subject to the prescribed limits<sup>39</sup> provided the services of WDT were exclusively utilised on full time basis for the WDP.

During audit (November 2004) of records of Zila Parishad (Rural Development Cell), Pali for the period April 2003 to March 2004 it was observed that 86 WDPs<sup>40</sup> were undertaken under five Centrally sponsored schemes during 1996-2003 for which Deputy Director, Watershed Development and Soil Conservation (WD and SC), Pali was the PIA.

The PIA had charged administrative overheads of Rs 1.16 crore on the WDP funds on *pro rata* basis at 4.7 *per cent* of funds released for the projects and deposited (March 1996-July 2003) the same in the State Government account as departmental receipts, instead of ascertaining and charging the actual expenditure incurred on administrative overheads. The action of PIA was not justified because (a) except Junior Engineer of PIA, all other members of WDT did not work exclusively and full time on the projects and they were drawing their pay and allowances from their departments and (b) one WDT was handling only 4-5 WDPs as against 10-12 WDPs. Thus, maximum administrative overheads admissible to the PIA for 86 WDPs worked out to Rs 52.20 lakh<sup>41</sup> thereby resulting in excess charging of administrative overheads amounting to Rs 64 lakh on the WDP funds which could have been spent on development works under the projects.

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<sup>38</sup> PSs Dudu: Rs 0.25 lakh, Mundawa: Rs 0.47 lakh, Reodar: Rs 0.88 lakh and Talera: Rs 0.50 lakh.

<sup>39</sup> At PIA/WDT level for 10 WDPs : WDT members honorarium/TA/DA (Rs 12.00 lakh) and Office staff/contingencies (Rs 3.00 lakh).

<sup>40</sup> (a) Desert Development Programme (DDP)-I (41), (b) DDP II (10), (c) DDP III (08), (d) Employment Assurance Scheme (17) and (e) Gandhi Gram Yojana (10).

<sup>41</sup> (i) For honorarium/TA/DA of 22 WDTs (86/ 4 WDPs) each having one full time member handling 4 WDPs : Rs 26.40 lakh (Rs 12.00 lakh/4 members x 4/10 x 22) and (ii) For office staff/contingencies for 86 WDPs : Rs 25.80 lakh (Rs 3.00 lakh for 10 WDPs x 1/10 x 86).

On being referred, the State Government stated (October 2005) that since its exchequer had borne the expenditure on payment of salaries to the Government employees engaged in WDT, the same was deposited into the Government account by drawing the *pro rata* amount from the WDP funds. The reply was not tenable as full establishment charges were not admissible to the PIA because services of three members of the WDT were not exclusively utilised on full time basis for the WDPs and each WDT was handling only 4 WDPs.

Thus, an amount of Rs 64 lakh, which could have been spent on watershed development works, was credited to the State Government account as departmental receipts.

## 2.6 Other points

### 2.6.1 Non-deposit of statutory recoveries in concerned accounts/departments

**Statutory recoveries made from salaries of employees on account of General Provident Fund, State Insurance, income tax, etc. aggregating Rs 60.20 lakh had not been deposited in the concerned accounts/departments by nine Panchayat Samitis.**

The cheques prepared for the amounts deducted from the salary bills of employees on account of subscription/contribution to General Provident Fund (GPF), State Insurance (SI), premium of Life Insurance Corporation (LIC), Income-Tax (IT), Licence fee etc. were required to be forwarded to the concerned departments by the first week of the next month<sup>42</sup>.

Test-check of the records of nine Panchayat Samitis revealed that Rs 60.20 lakh<sup>43</sup> deducted from salary bills of employees as their subscription/contribution towards GPF/SI/LIC/ income tax etc. was not deposited into concerned heads of account/departments even after a lapse of five months to four years of its recovery as of March 2006. Besides loss of interest on employees' GPF accounts, Panchayat Samitis would also be liable to pay penal interest for delayed remittance of statutory recoveries.

On being pointed out, six Panchayat Samitis stated that the amount of statutory deductions made would now be deposited in concerned heads of account/departments; no reply was furnished by the remaining three<sup>44</sup> Panchayat Samitis (March 2006).

Government stated (March 2006) that complete details of these recoveries being very old were not available and as such difficulties were being faced in depositing the amount in the concerned accounts/departments.

<sup>42</sup> Rule 212 of Rajasthan Panchayati Raj Rules 1996.

<sup>43</sup> GPF: Rs 14.64 lakh, SI: Rs 15.12 lakh, LIC: Rs 6.34 lakh, IT: Rs 0.01 lakh, Rajasthan Pensioners Medical Fund: Rs 1.77 lakh, Term Deposits, license fee, repayment of loan etc.: Rs 5.37 lakh and Rs 16.95 lakh for which item-wise break-up was not available.

<sup>44</sup> Bonli (Sawaimadhopur), Neemkathana (Sikar) and Piprali (Sikar).

Thus, the fact remains that the concerned Vikas Adhikaris of these Panchayat Samitis not only violated the rules warranting fixation of responsibility, but also created a liability on the Panchayat Samitis on account of interest payable to employees on their subscription/contribution to GPF, SI, Term Deposits and instalments towards repayment of loan, etc, remaining un-deposited.

## **CHAPTER-III**

### **AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES**

#### **3.1 Introduction**

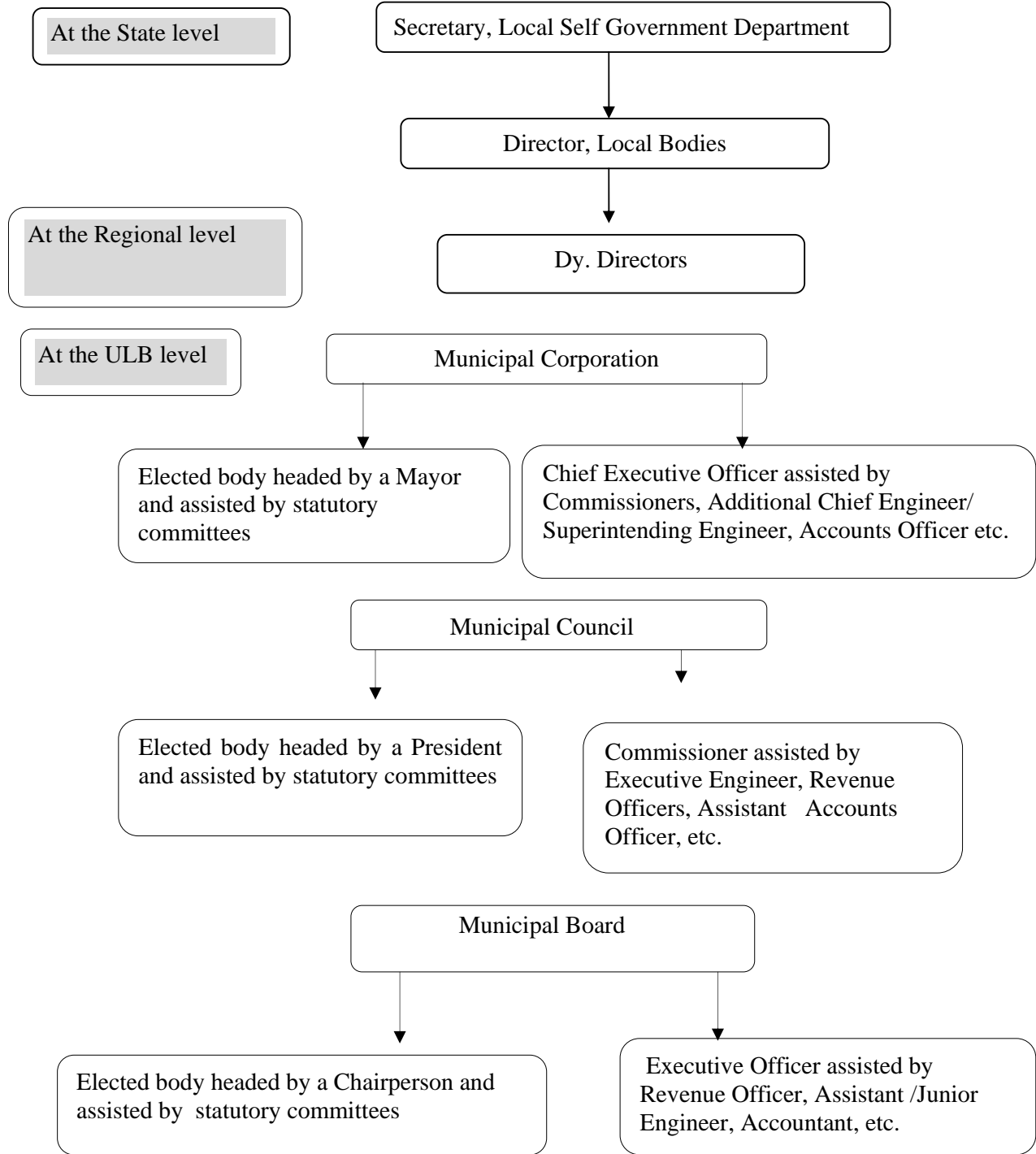
The Rajasthan Municipalities Act, 1959 was enacted by repealing all the prevailing municipal laws and enactments<sup>1</sup>. Consequent upon the Seventy-fourth Constitutional Amendment in 1992, new Articles 243-P to 243-ZG were inserted whereby the legislatures could endow certain powers and duties to the Municipalities in order to enable them to function as institutions of Self-Government and to carry out the responsibilities conferred upon them, including those listed in the Twelfth Schedule of the Constitution. Accordingly, the Rajasthan Municipalities Act was suitably amended (vide Raj. Act No.19 of 1994) to incorporate the provisions of the new articles.

#### **3.2 Organisational set up**

In Rajasthan, as per census 2001, the urban population was 1.32 crore, which constituted 23.36 *per cent* of total population (5.65 crore) of the State. There were three Municipal Corporations<sup>2</sup>, 11 Municipal Councils (MCs)<sup>3</sup> and 169 Municipal Boards (MBs)<sup>4</sup> in Rajasthan as of 31 March 2005. At the State level, Secretary, Local Self Government Department is the administrative head and Director, Local Bodies (DLB) is responsible for monitoring and coordination of various activities of Urban Local Bodies (ULBs).

The organisational set up of ULBs is as shown below:

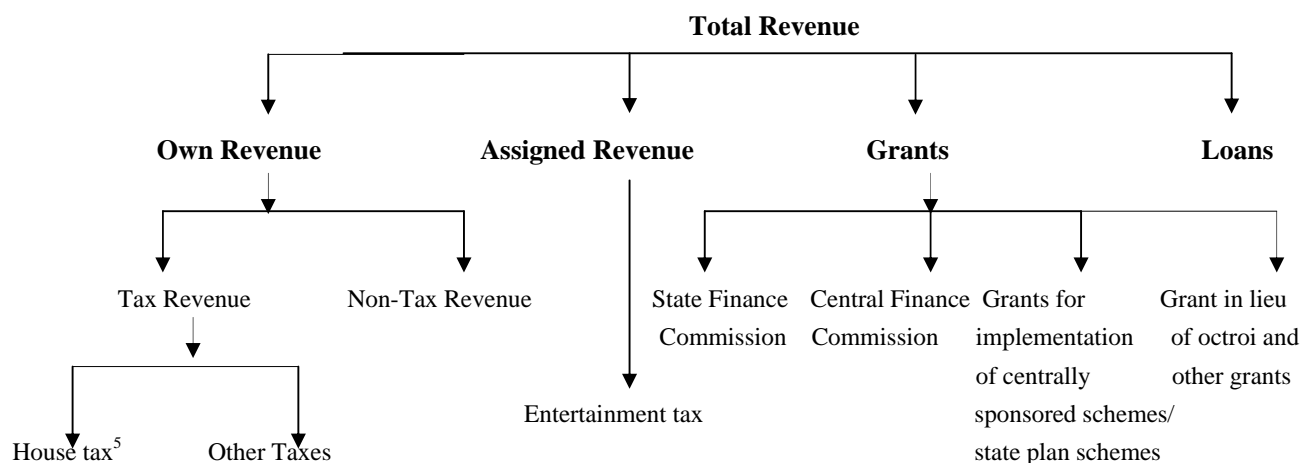
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- 1 Bikaner Municipal Act, 1923; Udaipur City Municipal Act, 1945; Alwar State Municipalities and Small Towns Act, 1934 etc.
  - 2 Municipal Corporations of Jaipur, Jodhpur and Kota.
  - 3 Ajmer, Alwar, Beawar, Bharatpur, Bhilwara, Bikaner, Pali, Sikar, Sriganganagar, Tonk and Udaipur.
  - 4 Class II-39 (with population 50,000-99,999), Class III-58 (with population 25,000-49,999) and Class IV-72 (with population less than 25,000).



### 3.3 Financial management

#### 3.3.1 Source of revenue

Various sources of revenue of ULBs are depicted as under:



#### 3.3.2 Receipts and expenditure

(i) The total receipts and expenditure of the ULBs during 2002-03 and 2003-04<sup>6</sup> were as under:

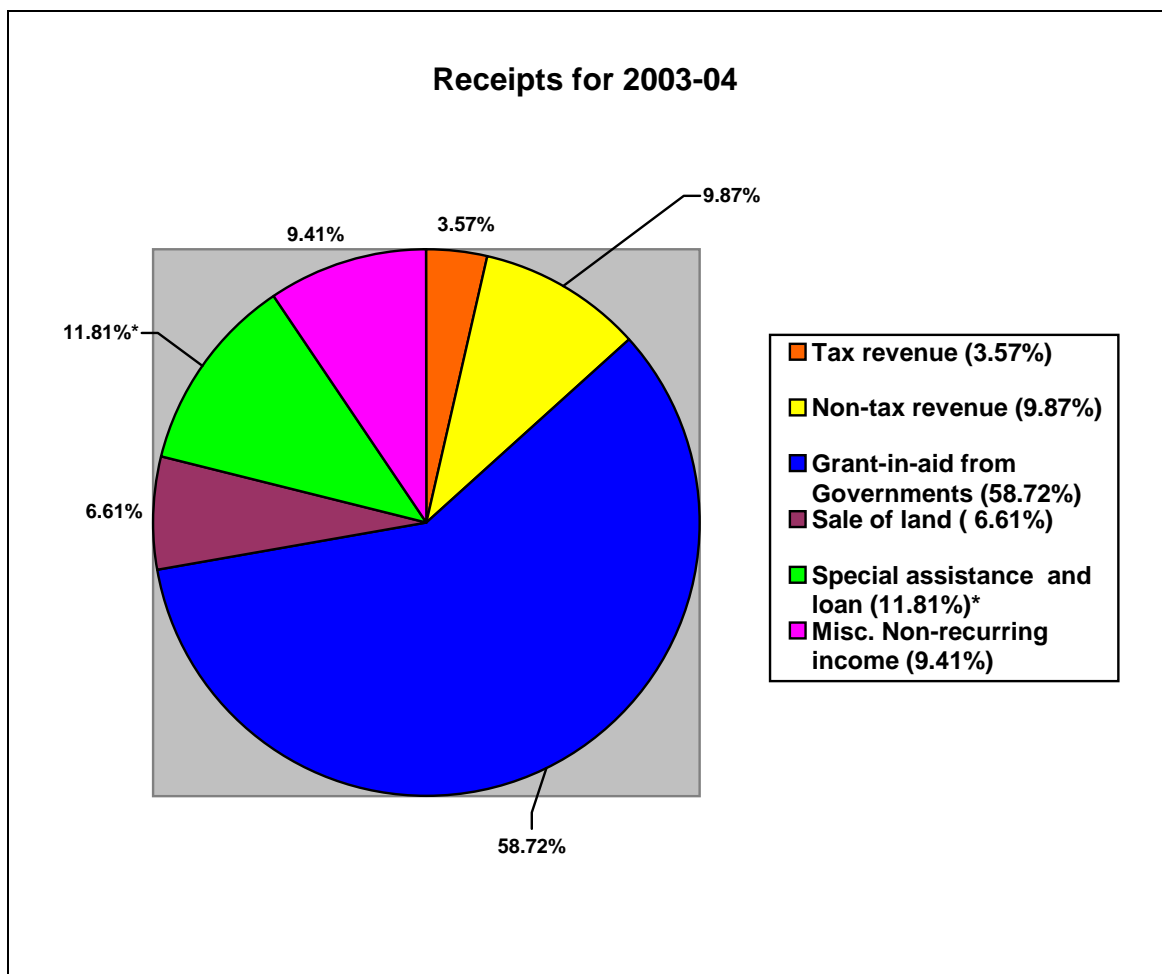
Receipts	(Rupees in crore)	
	2002-03	2003-04
(a) Tax revenue	25.73	26.81
(b) Non-tax revenue	84.15	74.22
(c) Grant-in-aid from Governments	409.92	441.48
(d) Sale of land	49.25	49.73
(e) Special assistance and loan <sup>7</sup>	73.75	88.83
(f) Misc. non-recurring income <sup>7</sup>	75.89	70.77
<b>Total</b>	<b>718.69</b>	<b>751.84</b>

<sup>5</sup> Tax on annual letting value of building or land or both.

<sup>6</sup> As intimated by the Director, Local Bodies. Figures for 2003-04 are provisional.

<sup>7</sup> Also includes special grants/assistance provided by State Government to ULBs in specific cases.

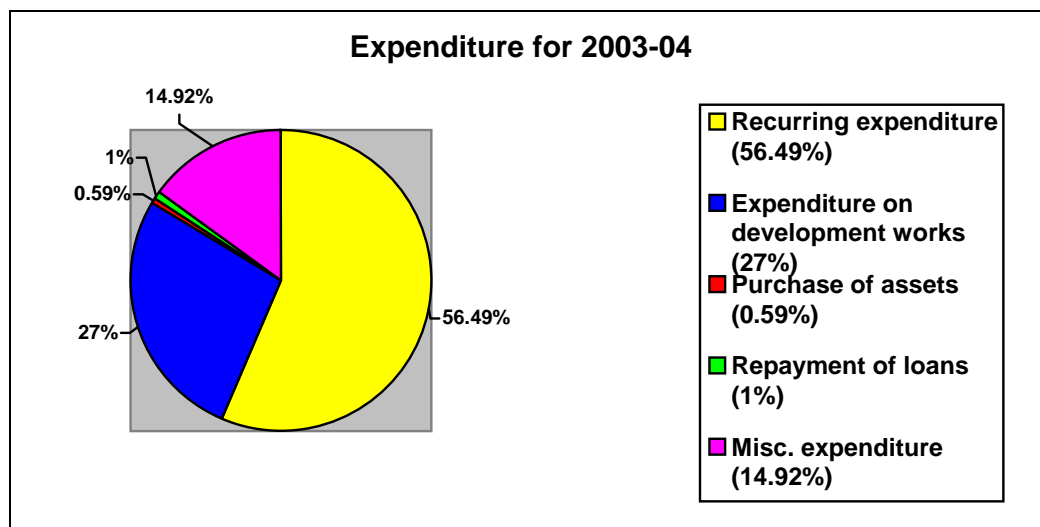




(Rupees in crore)

Expenditure	2002-03	2003-04
<b>(A) Recurring expenditure</b>	412.16	419.34
<b>(B) Non-recurring expenditure</b>		
(a) Expenditure on developmental works	208.92	200.42
(b) Purchase of new assets	3.71	4.35
(c) Repayment of loans	7.55	7.48
(d) Misc. expenditure	97.16	110.78
<b>Total</b>	<b>729.50</b>	<b>742.37</b>

\* Refer to Statement of updated figures/details at page-97

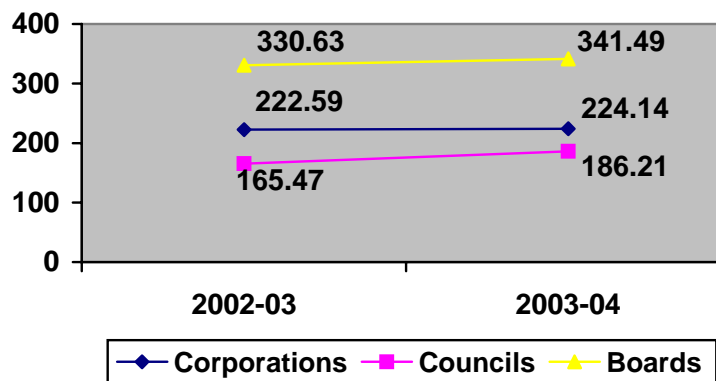


(ii) The category-wise break-up of receipts and expenditure of ULBs is as under:

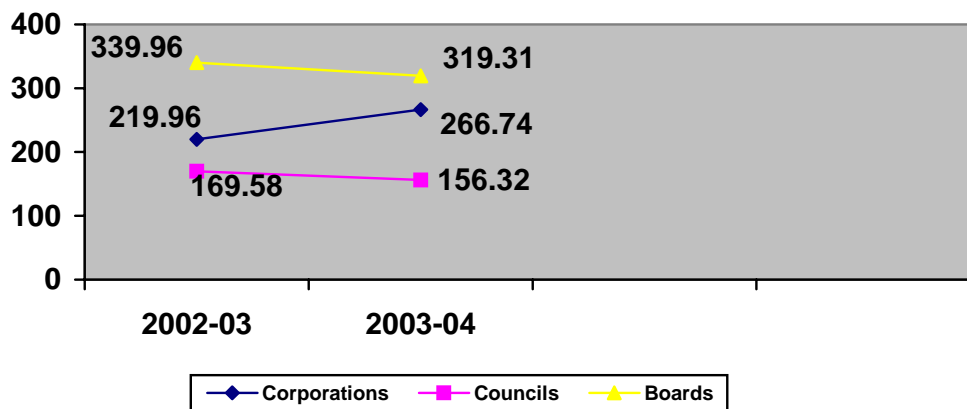
(Rupees in crore)

Category of ULBs	2002-03		2003-04		Percentage of increase (+)/decrease (-)	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
(A) Municipal Corporations (3)						
(1) Jaipur	141.52	141.40	127.10	170.21	(-) 10	(+) 20
(2) Jodhpur	34.04	34.51	35.75	37.06	(+) 05	(+) 07
(3) Kota	47.03	44.05	61.29	59.47	(+) 30	(+) 35
<b>Total (A)</b>	<b>222.59</b>	<b>219.96</b>	<b>224.14</b>	<b>266.74</b>	<b>(+) 01</b>	<b>(+) 21</b>
(B) Municipal Councils (11)	165.47	169.58	186.21	156.32	(+) 13	(-) 08
(C) Municipal Boards (169)	330.63	339.96	341.49	319.31	(+) 03	(-) 06
<b>Grant Total (A+B+C)</b>	<b>718.69</b>	<b>729.50</b>	<b>751.84</b>	<b>742.37</b>	<b>(+) 05</b>	<b>(+) 02</b>

**Receipts of ULBs**



## Expenditure of ULBs



The above financial trends indicate that:

- Own resources of ULBs were not adequate and they were largely dependent on grants-in-aid (58.72 *per cent*) from the State and Central Governments.
- While the total receipts of Jaipur Municipal Corporation had decreased by 10 *per cent* during 2003-04 due to short recovery of house tax and license fees, there was substantial increase (30 *per cent*) in receipts of Municipal Corporation, Kota mainly due to recovery of arrears of Octroi. In respect of other ULBs increase in receipts (3 to 13 *per cent*) was due to receipt of additional grants and special assistance from the State Government during 2003-04.
- While recurring expenditure had increased by two *per cent* from Rs 412.16 crore in 2002-03 to Rs 419.34 crore in 2003-04, the expenditure on developmental works decreased by four *per cent* from Rs 208.92 crore to Rs 200.42 crore in 2003-04.
- The recurring expenditure on pay and allowances of the staff and office contingencies, etc. amounted to 56 *per cent* of the total expenditure.

### 3.3.3 Own Revenue

- (i) The category-wise position of 'Own Revenue' realised by the ULBs and the percentages of own revenue to total receipts and recurring expenditure

are as under:

Category of ULBs	2002-03					2003-04**				
	Tax	Non-Tax	Total own revenue	Percentage of own revenue to total receipts	Percentage of own revenue to recurring expenditure	Tax	Non-Tax	Total own revenue	Percentage of own revenue to total receipts	Percentage of own revenue to recurring expenditure
<b>(A) Municipal Corporations</b>										
Jaipur	14.44	23.48	37.92	27	43	5.59	21.55	27.14	21	30
Jodhpur	0.74	4.18	4.92	14	18	0.52	5.00	5.52	15	19
Kota	0.57	3.15	3.72	8	12	11.58	2.25	13.83	23	32
<b>Total (A)</b>	<b>15.75</b>	<b>30.81</b>	<b>46.56</b>	<b>21</b>	<b>32</b>	<b>17.69</b>	<b>28.80</b>	<b>46.49</b>	<b>21</b>	<b>29</b>
(B) Municipal Councils	5.66	15.69	21.35	13	22	5.03	12.90	17.93	10	19
(C) Municipal Boards	4.32	37.65	41.97	13	25	4.09	32.52	36.61	11	23
<b>Grand Total (A+B+C)</b>	<b>25.73</b>	<b>84.15</b>	<b>109.88</b>	<b>15</b>	<b>27</b>	<b>26.81</b>	<b>74.22</b>	<b>101.03</b>	<b>13</b>	<b>24</b>

\*\* Provisional figures

The analysis of the above indicates that:

- Total 'Own Revenue' of ULBs accounted for only 13 *per cent* of their total receipts which was enough to meet only 24 *per cent* of their recurring expenditure during 2003-04.
- While 'Own Revenue' of Municipal Corporation, Jodhpur had increased by 12 *per cent*, it had declined by 28 *per cent* from Rs 37.92 crore in 2002-03 to Rs 27.14 crore in 2003-04 in respect of Jaipur Municipal Corporation mainly owing to short realisation of house tax and licence fees under various bye-laws.
- In Kota, 'Own Revenue' had increased from Rs 3.72 crore in 2002-03 to Rs 13.83 crore in 2003-04, only due to recovery of arrears of Octroi (Rs 11.58 crore) for the years 1982-98 from the assesseees. In fact, tax revenue of Municipal Corporation, Kota, excluding the arrears of Octroi during the years 2002-04 was nil and its non-tax revenue had actually declined by 29 *per cent* in 2003-04.
- Similarly, 'Own Revenue' of Municipal Councils and Municipal Boards had decreased by 16 *per cent* and 13 *per cent* respectively during 2003-04 mainly due to non- collection of house tax.

(ii) The position of tax and non-tax revenue (excluding miscellaneous receipts) projected and actually realised by Municipal Corporations during 2002-05 was as under:

(Rupees in crore)

Name of Corporation	Tax Revenue						Non-tax Revenue (excluding misc. receipts)					
	2002-03		2003-04**		2004-05**		2002-03		2003-04**		2004-05**	
	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual	Projected	Actual
Jaipur	20.00	14.44 (72)	20.00	5.59 (28)	25.00	8.73 (35)	18.53	22.90 (124)	20.51	14.64 (71)	24.41	15.15 (62)
Jodhpur	2.50	0.74 (30)	2.50	0.52 (21)	2.00	0.68 (34)	2.64	2.42 (92)	4.05	2.71 (67)	3.67	2.26 (62)
Kota	33.10	0.57 (2)	34.00	11.58 (34)	4.10	2.54 (62)	2.34	2.23 (95)	2.32	1.57 (68)	2.61	1.55 (59)

\* (Figures in brackets denote the percentage of actual realisation to the projected revenue.)

\*\* Provisional figures

The above trend indicates that:

- During 2002-03 to 2004-05, the realization of tax revenue against the revenue projected in respect of the three Municipal Corporations ranged between 2 to 72 per cent. While Jaipur Municipal Corporation attributed the shortfall to lack of clarity in the rules relating to collection of house tax, Municipal Corporation, Jodhpur explained it on the basis of re-assessment of house tax not having been done. The contentions of these corporations were, however, not tenable as collection of house tax was obligatory under the provisions of the Act.
- In Kota, no amount was realized towards house tax due to the corporation's decision to not collect house tax in public interest.
- The substantial drop in targets for Municipal Corporation, Kota during 2004-05 was stated to be due to a decision taken in the high level committee set up by State Government to waive the interest on the arrears of Octroi/Dharmada<sup>8</sup> recoverable from Thermal Power Project, Kota (a unit of Rajasthan State Electricity Board) and adjustment of the major portion of the principal amount towards corporation's dues towards electricity to RSEB.
- In Jaipur, Jodhpur and Kota, the actual realisation of non-tax revenue against the projected for the year 2002-03 was 124 per cent, 92 per cent and 95 per cent respectively which gradually came down to 62 per cent, 62 per cent and 59 per cent respectively during 2004-05. The reasons for shortfalls as attributed by the corporations *inter-alia* include the budget provisions being unrealistic, practical difficulties in actual realisation of revenue, due shares not provided by Urban Improvement Trust, Kota/ Jaipur Development Authority, stay on

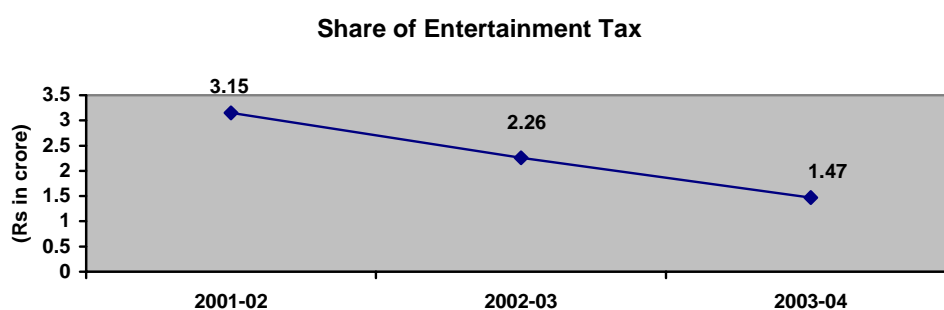
<sup>8</sup> A tax for maintenance of cattle pounds.

revenue collection by courts and non-regularisation of change in land use in Kota.

### 3.3.4 Assigned Revenue (Entertainment Tax)

The Second SFC had recommended (2000-01) that State Government should release 15 per cent of net proceeds of entertainment tax<sup>9</sup> to ULBs.

The share of entertainment tax released by State Government (Commercial Taxation and Finance Departments) to ULBs for the year 2001-02 was Rs 3.15 crore which gradually declined (53 per cent) to Rs 1.47 crore in 2003-04 as the amount of entertainment tax collected by Government itself had decreased mainly due to closure of cinema houses and option of composition scheme<sup>10</sup> availed by cable operators.



### 3.3.5 Recurring and non-recurring expenditure

The position of recurring and non-recurring expenditure incurred in ULBs during 2002-03 and 2003-04 was as under :

**(Rupees in crore)**

Category of ULBs	2002-03			2003-04		
	Recurring expenditure	Non-recurring expenditure	Total	Recurring expenditure	Non-recurring expenditure	Total
<b>(A) Corporations</b>						
(i) Jaipur	87.31 (62)	54.08	141.39	90.84 (53)	79.37	170.21
(ii) Jodhpur	27.56 (80)	6.96	34.52	28.65 (77)	8.40	37.05
(iii) Kota	31.93 (72)	12.12	44.05	43.49 (73)	15.98	59.47
<b>Total (A)</b>	<b>146.80 (67)</b>	<b>73.16</b>	<b>219.96</b>	<b>162.98 (61)</b>	<b>103.75</b>	<b>266.73</b>
(B) Councils	96.74 (57)	72.84	169.58	95.94 (61)	60.38	156.32
(C) Boards	168.62 (50)	171.34	339.96	160.42 (50)	158.90	319.32
<b>Grand Total</b>	<b>412.16 (56)</b>	<b>317.34</b>	<b>729.50</b>	<b>419.34 (56)</b>	<b>323.03</b>	<b>742.37</b>

(Figures in brackets denote the percentage of recurring expenditure to the total expenditure)

<sup>9</sup> Collected by Commercial Taxation Department of State Government under Section 14 of the Rajasthan Entertainment Tax and Advertisement Tax Act, 1957.

<sup>10</sup> Lump sum amount of tax to be remitted by cable operators irrespective of number of cable connections.

The above financial trend indicates that:

- Recurring expenditure of Municipal Corporations grew by 11 per cent from Rs 146.80 crore in 2002-03 to Rs 162.98 crore in 2003-04 primarily due to increase in pay and allowances, office contingencies, etc.
- While non-recurring expenditure mainly representing capital expenditure in Municipal Corporations had increased by 42 per cent from Rs 73.16 crore in 2002-03 to Rs 103.75 crore in 2003-04, it declined in Municipal Councils and Municipal Boards by 17 per cent and 7 per cent respectively indicating that developmental works were not adequately taken up in small ULBs.

### 3.4 Devolution of functions and funds

Out of 18 functions listed in the twelfth schedule of the Constitution, 13 functions<sup>11</sup> with funds and functionaries (*Appendix-IV*) were transferred to ULBs as of July 2005.

#### 3.4.1 Allocation of grants

During 2002-05, allocation of grants to ULBs constituted two per cent of annual budget of the State Government as shown below:

Year	Total budget provision of the State	Allocation to ULBs	Percentage
	(Rupees in crore)		
2002-03	22564	471.66	2.09
2003-04	26242	526.93	2.01
2004-05	25926	599.24	2.31

#### 3.4.2 Central Finance Commission grant

The position of grants released to ULBs under recommendations of EFC during 2002-05 was as under:

(Rupees in crore)			
Purpose of grant	2002-03	2003-04	2004-05
Improvement of slums	4.00	20.00	Nil
Fire brigade services	4.40	9.80	Nil
General grant for core activities of ULBs	9.94	19.88	29.71
<b>Total</b>	<b>18.34</b>	<b>49.68</b>	<b>29.71</b>

<sup>11</sup> 7 completely and 6 partially.

Against the general grant of Rs 19.88 crore to be provided to ULBs for core activities during 2002-03, only Rs 9.94 crore was released and the remaining grant of Rs 9.94 crore was released during 2004-05. The delayed release of this amount was attributed by the department to short receipt of funds from Government of India during 2002-03.

### 3.4.3 State Finance Commission grant

Based on the recommendations (August 2001) of the Second State Finance Commission (SFC) the State Government was required to provide grants annually to the local bodies at 2.25 *per cent* of the net tax revenue of the state (excluding entertainment tax).

The grants released to ULBs by State Government under recommendations of the SFC during 2002-05 were as under:

(Rupees in crore)

Year	Grants to be released	Grants actually released	Grants short released
2002-03	27.61	27.61	-
2003-04	27.61	27.61	-
2004-05	48.94	46.01	2.93

The short release of grants amounting to Rs 2.93 crore during 2004-05 relates to the incentive grant to be given to ULBs as per the recommendations of the SFC. The Finance Department attributed the short release to non-submission of proposals in accordance with the recommendations of SFC by the LSG Department.

### 3.4.4 Grant in lieu of octroi

Octroi which was a major source of revenue of ULBs was withdrawn by the State Government from August 1998. In order to make good the loss of Octroi, the State Government provided every month grants-in-aid equivalent to their actual collection in the year 1997-98 with 10 *per cent* increase every year. From 2001-02 onwards, the annual increase of 10 *per cent* was reduced to five *per cent*. Resultantly, during 2001-04, only Rs 1167.57 crore was released against the eligible grant of Rs 1218.17 crore, thereby depriving the ULBs of sufficient funds for discharging their civic responsibilities and the urban population of benefits of civic services and development works to that extent.

## 3.5 Accounting arrangements

The annual accounts of the ULBs were being prepared in conventional formats without exhibiting the position of assets and liabilities. Further, the 'Accrual



Based Accounting System' as suggested by the Comptroller and Auditor General of India is yet to be introduced. Database on the finances of ULBs was yet to be developed (February 2006) in the formats suggested by C&AG in August 2003, as recommended by the EFC.

### **3.6 Irregularities in budgetary control and maintenance of accounts**

#### ***3.6.1 Non-reconciliation of differences between cash books and Personal Deposit/Bank pass books***

Monthly reconciliation of differences between cash books and pass books of Personal Deposit (PD) and/or bank accounts was required to be conducted to avoid risk of fraud and misappropriation of funds.

It was observed that in Municipal Corporation Jodhpur, 5 MCs and 13 MBs there was a difference of Rs 2.56 crore as on 31 March 2004 between the cash books and PD/bank pass books for 1 to 25 years for want of reconciliation with treasuries/banks every month. This was fraught with the risk of misappropriation of funds.

On being pointed out, Municipal Boards Baran and Jhunjhunu stated (September 2004) that the differences being very old were lying un-reconciled due to non-availability of relevant records. While 11 ULBs stated that reconciliation would be done in due course, the remaining six ULBs did not furnish any reply.

#### ***3.6.2 Irregular/excess expenditure over the sanctioned budget***

No expenditure can be incurred out of municipal funds unless it is covered by a budget grant and the controlling officer should initiate action against the Drawing and Disbursing Officers (DDOs) who incur excess expenditure over the sanctioned budget grant<sup>12</sup>.

It was observed that Municipal Corporation Jodhpur and 42\* MBs had irregularly incurred (1999-2004) excess expenditure of Rs 23.37\* crore over the sanctioned budget grant under different items/schemes/heads of account, which indicates improper budget estimation and financial indiscipline requiring regularisation or action against concerned erring DDOs.

On being pointed out, 36\* ULBs stated (April 2004-September 2005) that excess expenditure was incurred on the basis of actual requirement and the same would be got regularised by obtaining *ex-post facto* sanction from DLB/ Government. The seven remaining ULBs did not furnish replies.

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<sup>12</sup> Paragraphs 29 and 32 of *Appendix-A* to the Rajasthan Municipalities (Budget) Rules, 1966.

\* Refer to Statement of updated figures/details at page-97.

### 3.6.3 Arrears of revenue outstanding against Government departments, undertakings, etc.

Rajasthan Municipalities Act, 1959 provides procedure for recovery of municipal claims from assesseees by issue of bills, demand notice or warrant for distress and by sale of property of the defaulters. Alternately, dues can be recovered by filing suit against the defaulters in the court or by invoking provisions of the Public Demand Recovery Act, 1952 and/or Rajasthan Land Revenue Act, 1956.

In two Municipal Corporations, four \* MCs and 31 \* MBs arrears of revenue of Rs 75.20 \* crore on account of cost or rent of land and buildings, octroi, road cutting charges, advertisement fees etc., were outstanding against Government departments /Public Sector Undertakings/ Statutory bodies for the last one to 43 years as detailed below:

S. No.	Particulars of revenue in arrears	Against whom outstanding	Name /number of municipalities to which arrears relate	Period to which arrears relate	Amount (Rupees in lakh)
(1)	Cost and/or rent of allotted/ occupied lands/buildings recoverable as per Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 and State Government instructions of August 1983 and arrears of octroi, house tax, urban assessment, etc.	(i) Public Health Engineering Department (PHED)  (ii) Rajasthan State Road Transport Corporation  (iii) Rajasthan State Electricity Board (now Vidyut Vitran Nigam Ltd.)  (iv) Rajasthan State Electricity Board (now Rajasthan Vidyut Prasaran Nigam Ltd.)	MC, Sikar and 3 MBs  11 * MBs  Municipal Corporation, Jodhpur and 14 * other MBs  MB, Phulera	1992-97  1975-2004  1961-2004  1968-2003	93.44  1675.44 *  2244.95 *  43.63
(2)	15 per cent of the sale proceeds of land in the municipal area vide Government, Urban Development Department circular of September 1983	Jaipur Development Authority/ Urban Improvement Trusts	Two Municipal Corporations (Jaipur and Jodhpur) and two MCs (Bharatpur and Sriganganagar)	1983-2004	2889.41
(3)	Road cutting charges	PHED and Bharat Sanchar Nigam Limited	4 MCs and 17 * MBs	1992-2004	288.24 *

\* Refer to Statement of updated figures/details at page-97.

S. No.	Particulars of revenue in arrears	Against whom outstanding	Name /number of municipalities to which arrears relate	Period to which arrears relate	Amount (Rupees in lakh)
(4)	License fees/charges for advertisement on dairy booths and mobile vans under Municipal Council, Jaipur (Advertisement) Bye-laws, 1974	Jaipur Zila Dugdha Utpadan Sahakari Samiti Limited	Jaipur Municipal Corporation	2002-04	285.27
	<b>Total</b>				<b>7520.38*</b>

On being pointed out, the municipalities stated that letters/notices for recovery were periodically issued and correspondence made with the concerned department and District Collectors but evoked minimal response. However, the fact remains that the ULBs were being deprived of huge amount of revenue (Rs 75.20\* crore) lying unrecovered for very long periods. Special and concerted efforts are required for speedy settlement of old dues.

### 3.6.4 Non-recovery of advances

In three Municipal Corporations, two MCs and 43\* MBs, advances of Rs 5.82\* crore were outstanding against individuals in 2213\* cases<sup>13</sup> for the last one to 58\* years.

On being pointed out, Municipal Corporation, Kota, two MCs and 39\* MBs while accepting facts stated that action was being taken to adjust/recover the outstanding advances. No reply was furnished by the Municipal Corporations, Jaipur, Jodhpur and the four remaining MBs<sup>14</sup>.

Thus, the fact remains that inaction on the part of these ULBs in timely adjustment/recovery had resulted in accumulation of advances of Rs 5.82\* crore, besides loss of interest. Further, the possibility of recovery of long outstanding advances is extremely remote. This was also indicative of lack of effective internal control in these ULBs.

## 3.7 Audit arrangements

Director, Local Fund Audit is the Statutory Auditor for ULBs. The Comptroller and Auditor General conducts audit of local bodies under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The State Government is yet to entrust the technical guidance and supervision over the maintenance of accounts of these bodies and their audit as per the recommendations of the Eleventh Finance Commission.

<sup>13</sup> Contractors : (297\* cases: Rs 4.09\* crore), Elected representatives (30 cases: Rs 0.05 crore) and employees (1886\* cases: Rs 1.68\* crore).

<sup>14</sup> Fatehnagar, Nainwa, Pokaran and Taranagar.

\* Refer to Statement of updated figures/details at page-97

### 3.8 Audit coverage

Test-check of accounts of three Municipal Corporations, 11 MCs and 126\* MBs was conducted for the period upto 2003-04 during 2004-05. Out of 2551\* paragraphs included in the Inspection Reports, 2239\* paragraphs involved money value of Rs 800.10\* crore as detailed below:

S. No.	ULBs test-checked	Number of Paragraphs	Money Value involved (Rupees in crore)
1.	Municipal Corporations	248	188.07
2.	Municipal Councils	288	227.59
3.	Municipal Boards	1703*	384.44*
	<b>Total</b>	<b>2239*</b>	<b>800.10*</b>

### 3.9 Arrears of DLFA audit and audit fees

Director, Local Fund Audit (DLFA) is the Statutory Auditor for ULBs. Audit fees at prescribed rate is paid to DLFA by ULBs. As of June 2005, Rs 16.79 lakh towards audit fees was yet to be paid by various ULBs. Audit of accounts of 48 MBs for 2003-04 was also in arrear.

### 3.10 Lack of response to Audit observations

For early settlement of audit observations, Departmental Administrative Officers were required to take prompt steps to remove defects and irregularities brought in their notice during the course of audit and/or pointed out through Inspection Reports (IRs)<sup>15</sup>.

It was observed that:

(i) At the end of June 2005, 5846 IRs containing 77,452 paragraphs issued by DLFAD during the years upto 2004-05 remained pending for settlement. These included 412 cases of embezzlement of money amounting to Rs 1.54 crore and large number of paragraphs pertaining to the period prior to 1998-99. Further, first compliance to 172 IRs was still awaited.

(ii) Two hundred eight\* IRs containing 3,299\* paragraphs issued during the years 2002-05 by the Principal Accountant General (Civil Audit) were also pending for settlement as of June 2005. These included two IRs containing 45 paragraphs for which even first compliance had not been furnished and are pending for one to two years as of February 2006.

<sup>15</sup> Section 307(3) of Rajasthan Municipalities Act, 1959 and Rule 15(1) of Rajasthan Municipalities Accounts Rules, 1963.

\* Refer to Statement of updated figures/details at page-98

This indicated lack of prompt response on the part of the municipal/departmental authorities which had not only resulted in recurrence of the deficiencies and lapses pointed out earlier, but also eroding the accountability of the ULBs/departmental officers.

### **3.11 Impact of Audit**

Recoveries amounting to Rs 15.74 crore were made at the instance of audit for excess payments, dues, etc. in 43 cases relating to the period 1982-2004. Besides, rectification of mistakes/irregularities involving Rs 1.68\* crore was made in 34\* cases.

### **3.12 Conclusion**

The 'Own Revenue' of ULBs was extremely meagre and therefore these local bodies were largely dependent on government grants eroding their financial autonomy. Further, cases of short release of funds/delays in downward transfer of funds to ULBs were noticed in audit.

Widespread and persistent irregularities and deviations from prescribed accounting and budgetary control procedures such as non-reconciliation of differences in cash balances carrying the risk of misappropriation and expenditure in excess of the allotted funds were observed in audit of ULBs.

Annual accounts of ULBs were still being maintained in the conventional formats on cash basis instead of accrual basis on double entry accounting system and database of finances was yet to be developed on the basis of formats suggested by C&AG, as recommended by the EFC.

There was poor response and delays in settlement of audit observations and cases of embezzlement.

### **3.13 Recommendations**

Following recommendations are made:

- ▶ The ULBs should take effective steps to augment their own resources so as to reduce dependency on government assistance and to provide better civic facilities.
- ▶ The Government needs to strengthen the system of budgetary controls. The internal control mechanism should be bolstered to ensure prompt adjustment of advances.

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\* Refer to Statement of updated figures/details at page-98

- ▶ The Government should evolve a time bound programme to recover losses, amounts embezzled and overpayments. A suitable mechanism be developed to ensure prompt response to the audit observations.
- ▶ Accounts of ULBs should be prepared in the formats suggested by C&AG in order to improve the financial information system and to ensure accountability and transparency of financial transactions.
- ▶ To facilitate meaningful analysis of the decentralization process and monitoring and evaluation of financial and physical performance of the ULBs, data base on their finances in the prescribed formats should be developed and maintained at all levels of ULBs, Directorate of Local Bodies and Finance Department.

## CHAPTER-IV AUDIT PARAGRAPHS - URBAN LOCAL BODIES

### 4.1 Revenue loss

#### 4.1.1 *Non-collection of passenger tax*

**Failure to abide by the provisions of the Act by the Collector and lack of sufficient follow-up by Directorate of Local Bodies and Municipal Board, Karauli in collection of passenger tax led to revenue loss of Rs 27.09 lakh.**

Nagar Palika Karauli (Passenger Tax) bye-laws, 1984, authorises the Municipal Board (MB), Karauli to levy and collect passenger tax at Rupee 0.25 per trip from every person entering the municipal limits of Karauli by a motor vehicle, excluding certain categories of passengers such as inhabitants of municipal areas of Karauli, Government servants, etc.

Test-check of records of Municipal Board, Karauli for the period April 1999 to March 2004 revealed that passenger tax was collected by the Board itself upto 1991-92 and on contractual basis from 1992-93 to 2000-01. The Board decided (March 2001) to increase the rate of tax from Rupee 0.25 to Rupee 1.00 and to collect tax at the enhanced rate after obtaining approval of Government. Meanwhile, bids for collection of tax were invited for the year 2001-02. Since the maximum bid of Rs 3.01 lakh received was less than that obtained during 2000-01, the MB decided (April 2001) to collect the tax itself.

Meanwhile, the District Collector, Karauli, suspended (April 2001) the collection of passenger tax till further orders. However, the Local Self Government (LSG) Department set aside the orders of District Collector and directed (October 2001) the MB to send a proposal for amendments in the aforesaid bye-laws. The proposed amendments were approved (January 2002) by enhancing the rate of passenger tax to Rupee 1.00 per passenger per trip by the LSG Department. However, the District Collector deferred the collection of passenger tax at the revised rate till receipt of sanction of the government. Thus, no passenger tax was collected during April 2001 to March 2004.

On being pointed out, the MB stated (June 2004) that passenger tax could not be collected as per directions of the District Collector. The reply was not tenable as the LSG Department had already approved the revised rate and also amended the bye-laws. No other sanction was required to be issued by Government.

Thus, the unwarranted intervention by the District Collector in collection of passenger tax and also lack of sufficient follow-up by the Directorate of Local Bodies and MB, Karauli led to revenue loss of Rs 27.09 lakh to the MB.

The matter was referred to Government in February 2005; reply has not been received (March 2006).

## **4.2 Blocking of funds/unfruitful expenditure**

### **4.2.1 Blocking of funds on construction of town hall**

**Due to short release of funds by the DRDA and lack of proper monitoring by the Directorate of Local Bodies, construction of town hall was lying incomplete and expenditure of Rs 62.44 lakh incurred remained blocked for more than four years.**

In September 1998, Municipal Board (MB), Ratangarh (District Churu) decided to construct a town hall for cultural activities and meetings at a cost of Rs 81 lakh. The State Government accorded (January 1999) administrative sanction for Rs 81 lakh to be shared on a 50:50 basis by the State Government and the MB under Sahbhagi Nagar Vikas (SNV) Yojana through DRDA, Churu. The work was awarded to Rajasthan State Road Development and Construction Corporation (RSRDCC)<sup>1</sup> Limited in September 1998.

During test-check of the records of MB, Ratangarh it was observed that MB had provided (September 1998 - June 2000) its share of Rs 40.50 lakh to DRDA. The DRDA had also received (December 1998 and August 1999) Rs 25 lakh against state share and released only Rs 48.50 lakh<sup>2</sup> to RSRDCC. As of July 2000, RSRDCC had incurred Rs 62.44 lakh on construction of the town hall. DRDA did not release the remaining funds of Rs 32.50 lakh to RSRDCC with the result the work was left incomplete in July 2000. Meanwhile, the SNV Yojana was closed in October 2000 and out of its unutilised State share an amount of Rs 17 lakh was deposited back into government account (April 2005) on the advice of the Rural Development Department.

Thus, due to short release of funds by the DRDA and lack of proper monitoring by the Directorate of Local Bodies, construction of town hall was lying incomplete and expenditure of Rs 62.44 lakh incurred remained blocked for more than four years. Besides, the very purpose of construction of town hall was defeated.

On being pointed out, the MB Ratangarh stated (September 2004) that the fact regarding non-provision of funds by DRDA had been intimated to Directorate of Local Bodies. The contention of the DRDA (now Zila Parishad) that completion of the work would be possible on allotment of funds by the Government was not tenable as it had failed to release the sanctioned amount in time despite availability of funds. The possibility of receipt of funds now is also remote as the SNV Yojana has already been closed in October 2000.

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<sup>1</sup> Formerly Rajasthan State Bridge and Construction Corporation (RSBCC) Limited, a Government undertaking.

<sup>2</sup> Excluding agency charges of Rs 7.29 lakh provided by MB.



The matter was referred to the Government in May 2005; reply has not been received (March 2006).

#### 4.2.2 Improper selection of site

**Improper selection of site for construction of houses for persons of EWS led to deprivation of housing at affordable cost to them, besides proving expenditure of Rs 18.04 lakh on construction of 95 houses unfruitful.**

In January 1991, the Local Self Government Department accorded administrative and financial sanction of Rs 17.65 lakh for construction of 95 houses in Pratapgarh (District Chittorgarh) for persons belonging to Economically Weaker Sections (EWS) under the 20-Point Programme. The houses were to be constructed by Municipal Board (MB), Pratapgarh by obtaining loan from HUDCO<sup>3</sup>. The MB obtained a loan of Rs 9.88 lakh from HUDCO at seven *per cent* per annum interest. Each beneficiary had to pay Rs 20,000 in five instalments. Allottees who had made payment of second instalment (Rs 10,000) were eligible for taking possession of the houses.

Test-check of the records of MB, Pratapgarh for 1999-2003 revealed that:

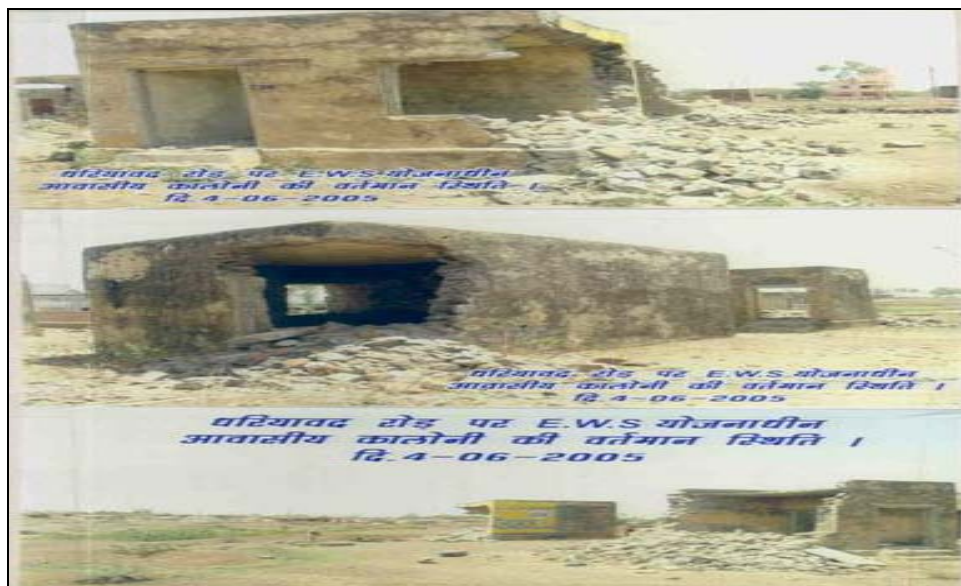
- The work of construction of 95 houses was completed at a cost of Rs 18.04 lakh by August 1995.
- As against 74 allottees<sup>4</sup> who had deposited either full or eligible amount for taking possession, only 29 took possession of the houses.
- Although the remaining 20 allottees<sup>5</sup> did not deposit their dues, no action to cancel their allotment and to make fresh allotment to other eligible persons was taken by the MB.
- Sixty six houses could not be handed over to the beneficiaries even after a lapse of nine years. The doors, windows, floor and plaster of these houses had been damaged and become unfit for dwelling.

The condition of some of the houses constructed under the programme have been documented in the photograph below:

<sup>3</sup> Housing and Urban Development Corporation Limited, New Delhi.

<sup>4</sup> Rs 20,000: 52; Rs 15,000: 3; Rs 13,000: 4 and Rs 10,000: 15.

<sup>5</sup> Out of the 95 houses only 94 were actually allotted.



On being pointed out, the MB accepted the facts and stated (May 2005) that since the site selected for construction of houses was far from the main habitation/municipal area, the poor beneficiaries did not take possession even after depositing their full share/eligible amount to take possession. Even those who had taken possession were not residing in these houses due to lack of basic amenities like roads and drinking water.

The Government stated (December 2005) that notices had been issued to the defaulting allottees for depositing their due share, failing which houses would be auctioned by cancelling their allotments.

However, the fact remains that improper selection of site for construction of houses and non-provision of basic civic amenities at the site led to deprivation of benefits of affordable housing to the persons of EWS. Thus, expenditure of Rs 18.04 lakh on construction of the houses also remained unfruitful.

### **4.3 Irregular expenditure/excess payments**

#### **4.3.1 Sanctioning of inadmissible increments led to excess payment of pay and allowances**

#### **Sanctioning of inadmissible increments to employees led to excess payment of pay and allowances amounting to Rs 11.99 lakh.**

According to instructions issued (July 1982) by the Local Self Government Department, non-technical subordinate municipal employees for whom diplomas are not an essential qualification for the post they hold, would be allowed to draw two extra increments on obtaining any of the diplomas viz. Local Government Service Course (LGSC), Local Self Government (LSG) Diploma and Sanitary Inspector Courses. Subsequently, the department

extended (March 1990) this benefit to the municipal ministerial service employees also.

During audit of Municipal Corporation, Kota for the period 2003-04, it was observed that the corporation had erroneously granted two extra increments to 20 employees<sup>6</sup> from the date of passing (October 1980-January 2000) of Sanitary Inspector Course/Assessor's Diploma (a short term course) even though they had already been paid two extra increments for passing LSG Diploma/ Sanitary Inspector Course. This was despite government orders of July 1982 and clarification issued by the Directorate of Local Bodies (August 2001) that the benefit of two extra increments was admissible only once on obtaining either of the diplomas and not every time for each diploma obtained. This resulted in excess payment of pay and allowances amounting to Rs 11.99 lakh to 20 employees for the period from October 1980 to April 2005. The corporation did not stop further payment of inadmissible increments despite issuance of the clarification in this regard by DLB in August 2001. The omission was pointed out to the corporation by audit in May 2005; no reply had been furnished to Audit.

The matter was referred to Government in June 2005; reply has not been received (March 2006).

#### 4.3.2 Irregular allotment of works

**Works costing Rs 1.20 crore were allotted to ineligible contractors and unauthorised persons.**

Public Works Financial and Accounts Rules (PWF&ARs) envisage that tender documents should be issued to the contractors having valid registration/enlistment on the date of issue of tender documents. The rules further require that tender documents must be signed separately by each partner of the firm or by a person holding a 'Power of attorney' and after acceptance of the tender, the contractor or all the partners of the firm would append their photographs and sign on the agreement to be executed with the department<sup>7</sup>.

During test-check of records of Jaipur Municipal Corporation (JMC) for 2003-04, it was observed that in disregard of the above provisions, JMC had irregularly awarded execution of 15 works costing Rs 1.20 crore as under:

<sup>6</sup> 7 Upper Division Clerks, 4 Lower Division Clerks, 1 Accountant, 1 Sanitary Inspector, 3 Revenue Inspectors, 1 Assistant Revenue Inspector, 2 Operators and 1 Moharrir.

<sup>7</sup> Paragraphs 2 and 25 of Appendix XI of PWF&ARs also applicable in municipalities as per Rule 17 (2) of Rajasthan Municipalities (Purchase of Materials and Contracts) Rules, 1974.

Particulars	Number of contractors	Number of works	Period of awarding the works	Cost of works (Rupees in lakh)
Awarding work to unregistered/unlisted contractors	5	9	March 2003-February 2004	56.78
Signing of tender and contract documents by persons other than proprietors/authorised persons of the firm without production of Power of Attorney/affixing their photographs.	4	6	May 2001-February 2004	62.76
<b>Total</b>	<b>9</b>	<b>15</b>		<b>119.54</b>

Thus, allotment of works by JMC to ineligible contractors/unauthorised persons was in contravention of the Public Works Financial and Accounts Rules and was fraught with the risks of execution of works without reasonable standards and specifications.

The irregularity was pointed out to Chief Executive Officer of JMC in June-July 2005, no reply had been received.

The matter was referred to Government in September 2005; reply has not been received (March 2006).

#### **4.3.3 Irregular expenditure on execution of developmental works in non-regularised kutchi basties and kutchi basties settled on forest land**

**Development works of Rs 46.15 lakh were executed irregularly in non-regularised kutchi basties and kutchi basties settled on forest land.**

As per instructions (March 2002) of the Local Self Government Department, development<sup>8</sup> works under the National Slum Development Programme (NSDP) were to be executed only in those *kutchi basties*, which had been settled up to 15 August 1998 and had either been regularised or were eligible for regularisation in accordance with procedure prescribed by the State Government. No development works were to be carried out in *kutchi basties* settled on forest land, unless they were regularised by obtaining de-reservation approval of the Government of India.

Test-check of the records of Jaipur Municipal Corporation (JMC) revealed that during 2003-04 an expenditure of Rs 46.15 lakh was incurred on 13 development works executed in *kutchi basties* which were either not regularised or were settled on forest land.

<sup>8</sup> Construction of road, drainage system and repairs of roads etc.

On being pointed out, JMC stated (July 2005) that had the works in these densely populated *kutchi basties* not been executed, there was every possibility of an outbreak of epidemic. It was also stated that action to get de-reservation from GOI for the regularisation of *kutchi basties* settled on forest land was under consideration. The reply was not tenable as development works were not to be executed in non-regularised *kutchi basties* and action for regularisation of *kutchi basties* settled on forest land should have been taken well before taking up of the development works.

Thus, the fact remains that development works of Rs 46.15 lakh were got executed irregularly either in non-regularised *kutchi basties* or those settled on forest land.

The matter was referred to Government in September 2005; reply has not been received (March 2006).

#### **4.4 Non-eviction of unauthorised possessions**

##### ***4.4.1 Non-eviction of unauthorised possessions and irregular regularisation of possessions in kutchi basties***

The Urban Development Department of the State Government issued guidelines (May 1999, October 1999 and December 2000) for regularisation of unauthorised constructions that existed before 15 August 1998 on Government/Municipal land up to 200 sq. yards in *kutchi basties* by recovering regularisation charges at prescribed rates.

A test-check of the records of Jaipur Municipal Corporation and four Municipal Boards<sup>9</sup> revealed the following:

- (i) ***Non-recovery of cost of land and non-eviction of unauthorised possessions of government land exceeding 300 sq. yards***

**Municipal Board, Suratgarh failed to recover regularisation fee of Rs 7.68 lakh and to evict unauthorised possessions on land worth Rs 42.38 lakh in *kutchi basties*.**

The State Government revised (February 2002) ceiling for regularisation of land upto 300 sq. yards for which residential reserve price was to be charged where possession exceeded 200 sq. yards. However, disposal of unauthorised possession of land exceeding 300 sq. yards in each case was to be made in accordance with the provisions of Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974, Rajasthan Public Premises (Eviction of Unauthorised Occupants) Act, 1964 and under Section 203 of the Rajasthan Municipalities Act, 1959.

<sup>9</sup> Municipal Boards, Anoopgarh, Raisinghnagar, Suratgarh (Sriganganagar district) and Kishangarh (Ajmer district).

During test-check of the records of Municipal Board (MB), Suratgarh (District Sriganaganagar) it was observed that 64 occupants<sup>10</sup> were unauthorisedly possessing government land exceeding 300 sq. yards. The MB regularised (February 2000 to August 2003) the unauthorised possessions upto 200 sq. yards<sup>11</sup> by obtaining regularisation charges at prescribed rates, but did not recover regularisation charges of Rs 7.68 lakh for 5967 sq. yards<sup>12</sup> land (comprising over and above 200 sq.yards and upto 300 sq. yards) at the residential reserve price. The MB also did not initiate action for eviction of unauthorised possessions of 9246.68 sq. yards land (possession exceeding 300 sq. yards) worth Rs 42.38 lakh as of June 2005, which could not have been regularised as per aforesaid guidelines/instructions.

On being pointed out the MB, Suratgarh stated (June 2004 and June 2005) that amounts on account of regularisation were recovered from unauthorised occupants having possessions up to 200 sq. yards, and notices for recovery of regularisation charges from occupants holding possession from 201 to 300 sq. yards had now been issued and that there were no instructions for regularisation of possessions exceeding 300 sq. yards. The reply was not tenable as the ceiling for regularisation of possessions upto 300 sq. yards had been raised in February 2002, while action for eviction of unauthorised possessions exceeding 300 sq. yards in each case should have been taken by the MB under the aforesaid statutory provisions as no relief was available in respect of such cases under the government instructions. Failure to take appropriate action by the MB resulted in continuance of unauthorised possessions on the Government/Municipal land.

The matter was referred to Government in October 2004; reply has not been received (March 2006).

*(ii) Unauthorised regularisation/non-eviction of unauthorised possessions made by employees*

**Unauthorised possession by seven employees on land worth Rs 6.48 lakh was regularized contrary to government orders. No action was taken by four municipalities for eviction of 216 employees from unauthorised possession of land worth Rs 3.01 crore in *kutchi basties*.**

The State Government, in partial modification of guidelines, instructed (October 1999) that unauthorised possessions by employees of State/Central Governments, Boards, Corporations and Autonomous Bodies in *kutchi basties* will not be regularised. Subsequently, the Government ordered (January 2002) regularisation of unauthorised possessions in respect of employees holding the post of class IV or equivalent by charging double the amount of rates prescribed for the regularisation.

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<sup>10</sup> 51 occupants having unauthorised possession exceeding 300 sq. yards to 500 sq. yards, 12 occupants between 501 to 1000 sq. yards and one occupant exceeding 1000 sq. yards.

<sup>11</sup> 200 sq. yards: 57 cases; 209 sq. yards: 1 case; 296 sq. yards: 1 case; 128 sq. yards: 1 case and 300 sq. yards: 4 cases.

<sup>12</sup> 57 cases: 100 sq. yards in each case, in three cases: 172 sq. yards, 91 sq. yards and 4 sq. yards.

During test-check of the records of Jaipur Municipal Corporation (JMC) for 2003-04 and three MBs (Anoopgarh, Raisinghnagar and Suratgarh) for 1999-2004 it was observed that 216 employees not holding the post of class IV or equivalent had unauthorised possession of 34, 535.93 sq. yards<sup>13</sup> of Government/Municipal land worth Rs 3.01 crore

Further, unauthorised possessions by seven employees on 310.20 sq. yards of land worth Rs 6.48 lakh had been regularised by the JMC during 2003-04 in violation of government orders despite their holding posts higher than class IV.

On being pointed out, while no reply was furnished by JMC, MBs, Raisinghnagar and Suratgarh, the MB, Anoopgarh stated (July 2004) that action against the holders of unauthorised possessions could not be taken for want of clear instructions from the Government. The reply was not tenable as the State Government had issued clear instructions (January 2002) for the regularisation of unauthorised possession by specific categories of employees. In all other cases, action for eviction under existing provisions should have been resorted to.

The Government stated (November 2005) that notices for eviction had been issued to the employees having unauthorised possession of the land and that concerned departments had also been asked to take action against these employees.

The matter in respect of Jaipur Municipal Corporation was referred to the Government in August 2005; reply has not been received (March 2006).

***(iii) Unauthorised regularisation of commercial possessions/constructions***

**Contrary to Government's instructions, commercial constructions on land worth Rs 72.70 lakh in *kutchi basties* were irregularly regularised by charging regularisation fee of Rs 0.62 lakh only.**

According to the guidelines/instructions, commercial construction made, if any, with residential construction in the same regularisable area in *kutchi basties* could also be regularised by charging appropriate fees prescribed for commercial purposes. However, unauthorised possessions/ constructions in *kutchi basties* solely made for commercial purposes were not to be regularised.

Test-check of the records of MB, Kishangarh (District Ajmer) for April 1999 to March 2004 revealed that 1015.23 sq. yards of government land worth Rs 72.70 lakh occupied unauthorisedly in *kutchi basties* and solely used for commercial purposes by the occupants (13 persons) had been regularised (February 2000 to May 2002) by the MB by charging regularisation fee of Rs 0.62 lakh in violation of the government instructions.

<sup>13</sup> JMC: by 87 employees on 7960.21 sq. yards worth Rs 1.24 crore; MB, Anoopgarh: by 35 employees on 6948.09 sq. yards worth Rs 48.54 lakh; Raisinghnagar: by 37 employees on 6649.42 sq. yards worth Rs 66.78 lakh and Suratgarh: by 57 employees on 12978.21 sq. yards worth Rs 61.74 lakh.

On being pointed out, the MB stated (May 2004) that unauthorised possessions/constructions solely made for commercial purposes were regularised at the instance of a decision taken by its Regularisation Committee. The reply was not tenable because according to the rules unauthorised possessions/ constructions in *kutchi basties* solely made for commercial purposes were not to be regularised.

The Government admitted (July 2005) the facts and stated that action for the cancellation of lease deeds issued in such cases was being contemplated at departmental level.

#### **4.4.2 Unauthorised operation of Petrol Pumps**

**Municipal Corporation failed in evicting road side encroachments on 2576 square feet land which may cause nuisance and danger to public life and property including exposure to fire hazard.**

Land lying within 100 feet on both sides from the centre line of any National Highway falling within the Municipal Boards (Boards) shall be reserved in public interest and not be sold, leased or otherwise transferred nor let out to any person by the Board. Further, encroachment in any land or space of the Board and carrying out certain trades which may involve risk of fire and cause nuisance to the neighbourhood or danger to life, health or property shall be punishable under the Rajasthan Municipalities Act, 1959.

During test-check (December 2004–March 2005) of the records of Municipal Corporation<sup>14</sup>, Jodhpur following cases of unauthorised operation of petrol pumps by encroaching public roads, falling on National Highway were noticed:

(i) In January 1982 MC, Jodhpur issued notices to an allottee for removal of unauthorised construction and stopping operation of petrol pump on 2320 square feet land let out to him on rent in February 1940 by the Public Works Department of erstwhile Jodhpur State. Based on an assurance (January 1982) given by the allottee that a petrol pump would not be operated on the allotted land and on the recommendations (March 1983) of the Senior Town Planner, the MC renewed lease to the allottee for 2022 sq. ft. of land for 99 years. The lease deed among others included a condition that without the written consent of the municipality, the lessee would not carry out any trade or business on the leased land, which may cause nuisance, annoyance or disturbance to the municipality or neighbour. On site inspection in October 2002, the authorities of Municipal Corporation noticed that the allottee had not only continued operation of the petrol pump but had also got underground petrol tanks constructed on 649.24 square feet land by encroaching the road. No effective action either for eviction of encroached land or for stopping of operation of the petrol pump was taken by Municipal Corporation as of March 2005.

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<sup>14</sup> Since 1992, previously Municipal Council (MC).



(ii) Similarly, MC, Jodhpur allotted (September 1957) 1920 square feet land to Bharat Petroleum Corporation Limited<sup>15</sup> for construction/operation of petrol pump. Corporation in August 2001 sought permission for remodelling of the petrol pump. On site inspection, 3846.75 sq. ft. of land was found occupied by the Corporation against 1920 sq. ft. allotted. Though the Municipal Corporation decided (December 2002) to evict the road side encroachment of 1926.75 sq. ft. land, eviction had not been effected as of March 2005.

The Municipal Corporation had thus failed in evicting the road side encroachment of 2576 sq. ft. land, which could cause nuisance and danger to public life and property.

The matter was referred to the Government in May 2005; reply has not been received (March 2006).

## 4.5 Non/short realisation of revenue

### 4.5.1 Non/short realisation of conversion charge and urban assessment

**Application of inappropriate reserve price for the determination of conversion charges of two plots resulted in short realisation of conversion charges of Rs 8.65 lakh and non/short recovery of urban assessment of Rs 8.53 lakh.**

Municipal Boards are empowered to permit the use of any land situated in their municipal area, for a purpose other than that for which such land was originally allotted. The use of a residential land for commercial purpose could be permitted by recovering conversion charges at 40 *per cent* of its residential reserve price<sup>16</sup>. In addition, Urban Assessment of land for its use for residential and commercial or other purposes was also recoverable at 2.5 and 5 *per cent* per annum respectively of their reserve price.

Test-check (January-June 2005) of the records of Municipal Corporations, Jaipur and Jodhpur for 2003-04 revealed that:

- In Jaipur Municipal Corporation, a builder 'A' who had purchased (May 2003) a residential (corner) plot measuring 1233.53 square metre and an individual 'B' in Municipal Corporation, Jodhpur who was allotted (March 2000) a residential (corner) plot measuring 5360 square feet by a cooperative society in Jodhpur had applied (May 2003 and October 2003 respectively) for granting permission for the use of plots for commercial purposes, which was granted in May 2003 and October 2004 respectively. Both the corporations while recovering conversion charges had inappropriately applied the reserve

<sup>15</sup> Earlier, Burmah Shell Oil Storage and Distributing Company Limited, New Delhi.

<sup>16</sup> Reserve Price or the fixed price of the land is the minimum premium fixed by Nazul Committee taking importance of sites e.g. business centres, commercial complexes etc. into account.

prices of Rs 2550 per square metre and Rs 350 per square feet<sup>17</sup> respectively instead of Rs 3000 per square metre<sup>18</sup> and Rs 600 per square feet<sup>18</sup> respectively. This resulted in short realisation of conversion charges of Rs 8.65 lakh<sup>19</sup>.

- It was also observed that against the urban assessment of Rs 7.40 lakh<sup>20</sup> for the period from May 2003 to April 2005 worked out on the basis of commercial reserve price, Jaipur Municipal Corporation recovered only Rs 0.79 lakh from the builder 'A' for the period from May 2003 to October 2003 by applying 'residential reserve price' instead of 'commercial reserve price' which resulted in short recovery of Rs 6.62 lakh. Municipal Corporation Jodhpur had also not recovered urban assessment of Rs 1.91 lakh (Rs 0.88 lakh and Rs 1.03 lakh based on residential and commercial reserve prices for the period from October 2003 to September 2004 and October 2004 to March 2005 respectively) from the allottee. Thus, urban assessment of Rs 8.53 lakh was short recovered from the above allottees.

Application of inappropriate reserve price for the determination of conversion charges resulted in short realisation of Rs 8.65 lakh and non/short recovery of urban assessment of Rs 8.53 lakh, with overall amount recoverable Rs 17.18 lakh (*Appendix-V*).

On being pointed out, the Commissioner (Planning Cell), Jaipur Municipal Corporation contended (June 2005) that the reserve price was to be fixed for the scheme and not for any road and urban assessment even for commercial purpose was to be determined with reference to the residential reserve price instead of commercial reserve price. The contention was not tenable as the residential plot in question was situated on main Tonk Road and for which reserve price of Rs 3000 per square metre was distinctly fixed by the Jaipur Development Authority. Further, urban assessment of 'commercial plot' was to be determined at 5 per cent of the 'commercial reserve price' instead of 'residential reserve price'. No reply was furnished by the Municipal Corporation, Jodhpur.

The matter was referred to Government in August 2005; reply has not been received (March 2006).

#### 4.5.2 Short realisation of lease money

**Recovery of lease money at one per cent of 'regularisation fees' instead of 'reserve price' of the land resulted in short realisation of lease money of Rs 18.02 lakh by Jaipur Municipal Corporation.**

Urban Development Department of the State Government issued (May, October 1999 and December 2000) guidelines for regularisation of

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<sup>17</sup> Adding 20 per cent for corner plots on 60 feet wide road.

<sup>18</sup> As fixed by Jaipur Development Authority in June 2001 and by Municipal Corporation, Jodhpur in March 2003.

<sup>19</sup> Jaipur Municipal Corporation: Rs 2.22 lakh and Municipal Corporation, Jodhpur: Rs 6.43 lakh.

<sup>20</sup> Calculated on the basis of commercial reserve price of Rs 6000 per square metre.

unauthorised construction made upto 15 August 1998 in *kutchi basties* settled on Government/Municipal land by recovering prescribed regularisation fees<sup>21</sup> from the occupants. While regularising unauthorised constructions, Municipalities were required to issue lease deeds to the occupants by recovering one *per cent* lease rent<sup>22</sup> (urban assessment) of reserve price of the land in lump sum in addition to prescribed regularisation fees.

Test-check of the records of Jaipur Municipal Corporation for the year 2003-04 revealed that in 846 cases of unauthorised constructions made in *kutchi basties* which were regularised during 2000-04, lease rent at one *per cent* was incorrectly realised on regularisation fees instead of on reserve price of the land. This resulted in short realisation of lease money of Rs 18.02 lakh (*Appendix-VI*).

On being pointed out (April-July 2005), no reply was furnished by the Jaipur Municipal Corporation.

The matter was referred to the Government in August 2005; reply has not been received (March 2006).

#### 4.5.3 *Non-recovery of conversion charges for change in land use*

**Municipal Council had failed to recover conversion charges of Rs 2.13 crore from 76 persons using 64,294 square yards of residential land for commercial purpose.**

Rajasthan Municipalities Act, 1959 imposes restriction on change in usage of land of municipal areas for a purpose other than that for which it was originally allotted or sold. In public interest, Municipal Boards may allow change in use of land from residential to commercial or any other purpose, on payment of conversion charges at 40 *per cent*<sup>23</sup> of residential reserve price of the area concerned. In the absence of residential reserve rate, 20 *per cent* of residential market rate as fixed by the Sub-Registrar/District Collector was to be recovered.

Test-check (December 2004) of records of Municipal Council, Pali for the years 2002-04, revealed that 76 owners/holders of 64,294 square yards of residential land had been using it for commercial and other purposes without getting the land use changed. Though the Municipal Council had issued (June

<sup>21</sup> For residential constructions measuring up to 50 square yards: in the area of Municipal Corporation/ Municipal Council at Rs 10 per square yard and in Municipal Board at Rs 5 per square yard; from 51 to 110 square yards: in the area of Municipal Corporation/ Municipal Council at Rs 20 per square yard and in Municipal Board at Rs 10 per square yard and from 111 to 200 square yards: at Rs 50 per square yard. Rates for the regularization of construction made for commercial and other purposes were double the rates of construction for residential purpose.

<sup>22</sup> As per Rule 7 of Municipalities (Disposal of Urban Land) Rules, 1974 annual urban assessment is fixed on the basis of the reserve price at two and half *per cent* in case of residential plots and five *per cent* in case of land used for commercial and other purposes.

<sup>23</sup> As prescribed in Rule 12 of Rajasthan Municipalities (Change in land use) Rules, 2000.

2002-September 2003) notices, it had not taken (December 2004) any further action against the owners/holders of land. This resulted in non-recovery of conversion charges of Rs 2.13 crore.

On being pointed out (March 2005), the Government stated (August 2005) that these cases had been forwarded to the District Collector, Pali in July 2005 for effecting recovery. No further intimation has been received for recovery as of February 2006.

#### 4.5.4 Non-recovery of urban assessment from a private institution

<b>Issuance of lease deed to a private institution before recovery of urban assessment of Rs 78.94 lakh.</b>
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Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 provide sale of lease hold rights of lands for a period of 99 years only on payment of premium with further liability to pay annual urban assessment. Land for schools and other public and charitable institution may be allotted on payment of 50 per cent of the reserve price<sup>24</sup> and State Government has power to relax the provisions in exceptional cases. The rate of urban assessment for lands allotted for residential and commercial/ other purposes shall be 2½ and 5 per cent respectively of reserve price.

During scrutiny of records of Municipal Council (MC), Ajmer for the year 2003-04, it was observed that a private institution had unauthorisedly occupied 7785 square yards of municipal land adjacent to its school building since 1942. In response to a notice served (July 1994) by the MC for the eviction of unauthorised possession, the Institution requested (August 1994) for its regularisation at concessional rate for the future development and play ground of the school. On the recommendation (October 1995) of the MC, Department of Local Self Government allotted (February 1999) 7785 square yards of land to the Institution for girls school building on 99 years lease at the prevailing reserve price and urban assessment. The department, however, reduced its premium to 50 per cent of the reserve price and further to a token money of Rupee one only by giving relaxation under the Rules in May 1999 and March 2002 respectively. Further scrutiny revealed that though the Municipal Council, Ajmer had executed the lease deed in favour of the Institution in July 2002, the urban assessment of Rs 78.94 lakh<sup>25</sup> for 2 years (July 2002-July 2004) was not recovered from the Institution.

Thus, the Institution which was an unauthorised occupant of the municipal land was unduly favoured by the Department and MC by reducing the premium of the land to a token amount of Rupee one only and executing a lease deed without recovering urban assessment respectively.

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<sup>24</sup> Reserve or the minimum premium shall be the reserve price to be worked out after adding (i) cost of undeveloped land, (ii) cost of development plus 20 per cent thereof to cover administrative and establishment charges.

<sup>25</sup> Rs 39.47 lakh per year, at 5 per cent of reserve price of Rs 10,140 per sq.yard for 7785 sq.yards.

On this being pointed out, the MC while accepting the facts stated (September 2004) that on receipt of clarification (November 2002) from Directorate of Local Bodies, the Institution had been asked (January and July 2003) to deposit urban assessment. However, the facts remain that MC was required to recover the urban assessment before execution of the lease deed. Failure to do so resulted in non-recovery of urban assessment of Rs 78.94 lakh from the institution as of October 2005.

The matter was referred to the Government in January 2005; reply has not been received (March 2006).

#### **4.5.5 Non/short realisation of licence and slaughtering fee**

**Laxity on the part of Jaipur Municipal Corporation and incorrect application of rate by Municipal Corporation, Jodhpur resulted in non/short realisation of licence and slaughtering fees of Rs 50.61 lakh.**

##### **(a) Non-recovery of differential and outstanding amount of license fee from hotels**

The bye-laws framed (1946) by the Jaipur City Municipal Council<sup>26</sup> (JMC) under the City of Jaipur Municipal Act, 1943 for regulating, licensing and inspecting the conduct of certain places including hotels, restaurants, boarding and lodging houses etc., authorise JMC to charge fee at rates ranging between Rs 24 and Rs 120 per annum for granting license for any of the above purposes. In December 1996, an amendment to the bye-laws revising the above rates between Rs 500 and Rs 25000 per annum was proposed by the Government. The Hotel Association of Jaipur filed a writ petition (No. 660/2002) in the High Court against the proposed hike. The High Court while granting stay on the proposed amendment directed (January 2002) the JMC to charge license fee at Rs 250 per annum till a final verdict is given. In the final verdict (May 2004), the Court allowed charging of amended license fee with effect from 30 April 2002, while it was to be recovered at the rate of Rs 250 per annum for the period December 1996 to 29 April 2002.

Test-check of the records of JMC for 2003-04 revealed that the licence fee charged during May 2002 to October 2003 at Rs 250 per hotel per annum in respect of 110 hotels<sup>27</sup> for the period upto 2011-12<sup>28</sup> was not revised in compliance with the Court's final verdict (May 2004). This resulted in non-recovery of differential amount of licence fee of Rs 36.43 lakh<sup>26</sup> for the period from 30 April 2002 to March 2012<sup>29</sup>. Besides, licence fee of Rs 1.39 lakh for the period 2001-04 was also not recovered from 12 hotels<sup>30</sup>.

<sup>26</sup> Now Jaipur Municipal Corporation (JMC) since 1992.

<sup>27</sup> Civil Lines Zone 72 hotels: Rs 24.49 lakh and Vidhyadhar Nagar Zone 38 hotels: Rs 11.94 lakh.

<sup>28</sup> For 3 hotels 1988-89 to 2006-07 and for 107 hotels 1996-97 to 2011-12.

<sup>29</sup> Initially the licence is issued for 10 years.

<sup>30</sup> Civil Lines Zone 4 hotels: Rs 0.51 lakh and Vidhyadhar Nagar Zone 8 hotels: Rs 0.88 lakh.

While accepting the facts, the Commissioners, Civil Lines and Vidyadhar Nagar Zones of JMC stated (June-July 2005) that notices were being issued for recovery of the differential and outstanding amount of license fee.

As of February 2006, no effective action, except issuance of notices was initiated by JMC for recovery of outstanding licence fee amounting to Rs 37.82 lakh.

**(b) Short realisation of slaughter house fee**

The Municipal Council, Jodhpur<sup>31</sup> bye-laws, 1991 provide that the Municipal Council will charge slaughtering charges at Rs four per animal (male goat/sheep) brought in the slaughter house owned by MC, Jodhpur.

Test-check of records of Municipal Corporation Jodhpur for 2003-04, revealed that during January 1999 to December 2004, in two slaughter houses at Siwanchi Gate and Medatiya, slaughtering fee was recovered at Rupee one per animal as against Rupees four. This had resulted in short realisation of slaughtering fee of Rs 12.79 lakh for slaughtering 426307 animals during January 1999-December 2004.

On being pointed out (January 2005), no reply was furnished by Municipal Corporation, Jodhpur.

These points were referred to Government in August 2005; reply has not been received (March 2006).

**4.5.6 Non-recovery of outstanding rent**

**Failure of the Municipal Board, Mount Abu for effecting recovery of outstanding rent and non-eviction of premises from defaulters resulted in accumulation of rent of Rs 51.40 lakh.**

Rajasthan Municipalities Act, 1959 (Act) provides that when any amount is due to the Municipal Board on account of rent in respect of any building or land, the Board shall with least practicable delay cause to be presented to the persons liable for the payment thereof, a bill for the sum claimed as due. If bill is not paid, further procedure for its recovery i.e. issue of demand notice, warrant for distress and sale of property or filing civil suit in the court, is to be adopted. Further, the premises unauthorisedly occupied by any person are to be got vacated by the Estate Officer under Rajasthan Public Premises (Eviction of Unauthorised Occupants) Act, 1964.

Test-check of the records of Municipal Board, Mount Abu revealed that as of August 2005, rent of Rs 51.40 lakh was lying unrecovered in respect of 149 shops/cabins/buildings/stalls for the period August 1990 to March 2005. Action taken by the MB for effecting recovery of outstanding rent or for eviction of the premises was not on record.

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<sup>31</sup> Now Municipal Corporation, Jodhpur.

On being pointed out, Commissioner, Municipal Board, Mount Abu stated (April 2005 and September 2005) that non-posting of Revenue Officer/Assessor by the State Government had resulted in accumulation of arrears and that notices are being issued to the occupants from time to time and guidance sought from the Department of Local Bodies in this regard is yet to be received.

However, the fact remains that Municipal Board failed to act timely for effecting recovery of outstanding rent and non-eviction of premises from the defaulters resulting in accumulation of outstanding rent of Rs 51.40 lakh.

The matter was referred to the Government in February 2005; reply has not been received (March 2006).

#### **4.6 Non-crediting/non-depositing of amounts in concerned account/fund**

##### **4.6.1 Non-crediting of urban assessment in Government account**

#### **Urban assessment amounting to Rs 6.04\* crore were unauthorisedly retained/utilised by municipalities.**

Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 provide that urban assessment collected by the Municipalities<sup>32</sup> in the case of land given on lease shall be credited to the Consolidated Fund of the State Government after retaining 10 per cent of the collected amount as service charges provided the recovery constitutes at least 50 per cent of total amount due in a year.

During test-check of the records of 11\* Municipalities for April 1999 to March 2004, it was observed that against targeted/due amount of Rs 11.44\* crore, urban assessment amounting to Rs 6.48\* crore (**Appendix-VII**) was collected during 1990-2004\*. After allowing service charges of Rs 0.44\* crore, urban assessment of Rs 6.04\* crore was required to be credited to the Consolidated Fund of the State Government. However, the dues were not credited even after lapse of one to 14\* years of its collection.

On this being pointed out, Executive Officers (EOs) of six\*<sup>33</sup> Municipalities stated (May-October 2004) that the urban assessment recovered had been utilised for making payment of pay and allowances of employees and on development works as financial position of the Municipalities was weak. Replies of the Municipalities were not tenable as this was in violation of the provisions the above Rules. EO, Municipal Board, Suratgarh stated (June 2004) that amount due would be credited to the Fund soon. Remaining four Municipalities did not furnish any reply.

<sup>32</sup> Including Municipal Boards, Councils and Corporations.

<sup>33</sup> Dungarpur\*, Fatehnagar, Padampur\*, Raisinghnagar, Rajsamand and Srikanpur.

\* Refer to Statement of updated figures/details at page-98

On the matter being referred in respect of four\* Municipalities (October 2004), the State Government while accepting the facts stated (July 2005) that all the Municipalities have been instructed for crediting the amount of urban assessment due to the Consolidated Fund of the State Government. Reply in respect of seven\* Municipalities for which matter was referred to the Government in June and August 2005 had not been received (March 2006).

#### **4.6.2 Non-depositing of statutory recoveries/contributions to concerned account/fund**

**Statutory recoveries on account of General Provident Fund/Contributory Provident Fund made from salaries of employees and Pension / Gratuity contributions aggregating Rs 14.78\* crore had not been deposited by 39\* ULBs in the concerned accounts/funds for the last 1 to 30 years.**

Amount of statutory deductions made from the salary of employees on account of subscription to General Provident Fund/Contributory Provident Fund (GPF/CPF) and amounts of gratuity and pension contribution payable by the municipalities were required to be deposited into the concerned heads of account/funds every month<sup>34</sup> In case of default in depositing the monthly contribution, DLB could recover the due amount from grant-in-aid payable to the municipality.

Statutory recoveries of GPF/CPF amounting to Rs 1.34 crore made from the salaries of employees and Gratuity contribution of Rs 0.22 crore and Pension contribution of Rs 1.37 crore payable by three MBs (Bundi, Kesrisinghpur and Keshoraipatan) during 1987-2004 were not deposited into the concerned head of account/fund for one to 17 years as required. Similarly, two Municipal Councils and 34\* MBs did not deposit the statutory recoveries/contributions aggregating Rs 11.85\* crore during 1974-2004 (GPF/CPF: Rs 7.34 crore, Pension contribution: Rs 3.01\* crore, Gratuity contribution: Rs 0.78 crore and Rs 0.72 crore for which break-up was not available) into the concerned heads of account/ funds for one to 30 years.

This had not only resulted in violation of rules, but also loss of interest to the concerned head of account/fund. Besides, it also led to delay in final payments at the time of retirement/death of municipal employees as was noticed in MB, Bundi where (i) recoveries of GPF made from the salary of employees were not deposited timely in respective fund and resultantly final payment of GPF amounting to Rs 1.05 lakh was not made to employees on retirement due to which an additional amount of Rs 0.48 lakh *inter-alia* including interest at 12 *per cent* per annum had to be paid (March 2004) by the MB on the orders of the court and (ii) only part payment of GPF could be made (March 2004) to six employees out of 38 employees retired during the period April 1998 to June 2003 due to non/short depositing of their GPF subscription into this fund.

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<sup>34</sup> Rules 6, 10 and 11 of the Rajasthan Municipalities (Contributory Provident Fund and Gratuity) Rules, 1969; DLB's instructions issued in September 2002 and Rule 8 of Rajasthan Municipal Services ( Pension) Rules, 1989.

\* Refer to Statement of updated figures/details at page-98



In response (November 2004), while accepting facts in respect of three MBs (Bundi, Kesrisinghpur and Keshoraipatan) Government stated (February 2005) that MBs were being instructed to credit such amount of recoveries into the concerned heads of account regularly failing which requisite amount would be recovered from the general purpose grant by its short release in future. No reply was given by seven MCs\*/MBs.

The matter in respect of other ULBs was referred to Government in July and September 2005; reply has not been received (March 2006).

#### **4.7 Other points**

##### **4.7.1 Implementation of Integrated Low Cost Sanitation and Scavengers Rehabilitation Scheme**

**Slackness of municipalities led to loss of Rs 74.78 lakh to them due to non-recovery of loan/contribution from beneficiaries and non-refund of unutilised subsidy of Rs 1.81 crore to Central/State Governments even after lapse of more than seven years.**

With a view to improving sanitation and liberating scavengers from the inhuman occupation of manually removing night soil and filth, the Local Self Government Department, under Integrated Low Cost Sanitation and Scavengers Rehabilitation Scheme, launched in 1965, decided (January 1993) to continue providing subsidy and loan<sup>35</sup> to persons from economically weaker sections (EWS) and low income group (LIG) residing in municipal area, for construction of new flush latrines or converting dry latrines into flush latrines. Central subsidy was to be routed through Housing and Urban Development Corporation (HUDCO) and recovery of loan was to be made in instalments with interest at 6¼ per cent per annum upto June 1994 and at 10½ per cent per annum thereafter. The work was to be got executed through Sulabh International, Rajasthan Branch, Jaipur.

Test-check (June-July 2004 and December 2004-July 2005) of records of Jaipur Municipal Corporation (JMC), Municipal Council (MC) Udaipur and Municipal Board (MB), Fatehpur (District Sikar) for 2003-04 revealed the following:

##### **(i) Non-refund of unutilised subsidy**

Out of Central/State subsidy amounting to Rs 3.69 crore received (January 1993- March 1998) 20,033<sup>36</sup> flush latrines could have been constructed/converted. As against this, the municipalities

<sup>35</sup> Economically Weaker Section (EWS) (GOI subsidy: 45 per cent, State subsidy: 25 per cent, Loan from Municipality: 25 per cent and Beneficiary contribution: 5 per cent); Low Income Group (GOI subsidy: 25 per cent, State subsidy: 25 per cent, Loan from Municipality: 35 per cent and Beneficiary contribution: 15 per cent) and High/Medium Income Group (Loan from Municipality: 75 per cent and Beneficiary contribution: 25 per cent).

<sup>36</sup> Taking central and state subsidy of Rs 1842 (70 per cent) in unit cost of Rs 2631.

\* Refer to Statement of updated figures/details at page-98

constructed/converted only 10166 latrines and Rs 1.81 crore was lying unutilised with them as under:

(Rupees in lakh)

Name of municipality	Subsidy received from			Number of latrines constructed /converted	Total expenditure on construction /conversion	Share of subsidy in expenditure			Unutilised balance of subsidy
	GOI	State Govt.	Total			GOI	State Govt.	Total	
Jaipur	135.00	60.00	195.00	4360	114.71	51.62	28.68	80.30	114.70
Udaipur	80.46	62.50	142.96	4855	128.63	57.89	32.16	90.05	52.91
Fatehpur	21.37	9.93	31.30	951	25.02	11.26	6.26	17.52	13.78
<b>Total</b>	<b>236.83</b>	<b>132.43</b>	<b>369.26</b>	<b>10166</b>	<b>268.36</b>	<b>120.77</b>	<b>67.10</b>	<b>187.87</b>	<b>181.39</b>

Inspite of reminders (September-December 2003) from Directorate of Local Bodies, no action was taken by the municipalities for refund of the unutilized amount as of July 2005.

**(ii) Non-recovery of loan and beneficiary contribution**

Loan of Rs 67.10 lakh<sup>37</sup> provided by the municipalities for construction/conversion of 10166<sup>38</sup> latrines and beneficiary contribution of Rs 7.68 lakh<sup>39</sup> was not recovered from the beneficiaries as of January 2005. This resulted in loss of Rs 74.78 lakh<sup>40</sup> to the municipalities besides undue financial aid to the beneficiaries.

**(iii) Misreporting of expenditure in utilisation certificate**

Out of Rs 1.35 crore received from GOI as central subsidy, JMC had utilised only Rs 51.62 lakh on construction/conversion of 4360 latrines, whereas utilisation certificate of Rs 1.35 crore was sent (March 2001) to HUDCO and Directorate of Local Bodies. This resulted in misreporting of expenditure of Rs 83.38 lakh to Government.

On this being pointed out, while JMC and MB Fatehpur accepted (July 2004 and July 2005) the facts, no reply was furnished by MC, Udaipur.

The matter was referred to Government in June and October 2005; reply has not been received (March 2006).

**4.8 Review on Implementation of Municipal Solid Waste, Bio-medical Waste Management and Handling and Prevention of Cruelty to Animals Rules**

Section 98 of the Rajasthan Municipalities Act, 1959 confers the duty on every Municipal body to make reasonable provision *inter alia* for

<sup>37</sup> Fatehpur: Rs 6.26 lakh, Jaipur: Rs 28.68 lakh and Udaipur: Rs 32.16 lakh.

<sup>38</sup> Fatehpur: 951, Jaipur: 4360 and Udaipur: 4855.

<sup>39</sup> Fatehpur: Rs 1.25 lakh and Udaipur: Rs 6.43 lakh.

<sup>40</sup> Fatehpur: Rs 7.51 lakh, Jaipur: Rs 28.68 lakh and Udaipur: Rs 38.59 lakh.

constructing, maintaining and cleaning public streets, sewers, drains, drainage works, slaughter houses, etc. including all places not being private property and for removing filth, rubbish, night-soil or any other noxious or offensive material. Further, Government of India (GOI) had also notified the Municipal Solid Wastes (Management and Handling) Rules, 2000, the Bio-Medical Waste (Management and Handling) Rules, 1998 and Prevention of Cruelty to Animals (Slaughter House) Rules, 2001 to achieve the above objects.

A review to ensure the implementation of the Act and the extent to which the Rules are being complied with was conducted during August 2004-February 2005 in four Municipal Councils (MCs) Ajmer, Alwar, Bhilwara and Udaipur and the period covered was from their promulgation to February 2005. Significant points noticed are mentioned in the succeeding paragraphs.

### **I. Implementation of Municipal Solid Wastes (Management and Handling) Rules, 2000**

GOI, Ministry of Environment and Forests issued (October 2000) Municipal Solid Wastes (Management and Handling) Rules, 2000 to regulate collection, segregation, storage, transportation, processing and disposal of Municipal Solid Wastes (MSW). In May 2001, the Rules were circulated by State Government to Municipalities for implementation. Municipalities were made responsible for implementing the rules and for development of infrastructure required for collection, storage, segregation, transportation, processing and disposal of MSW within their jurisdiction and for monitoring of implementation of the Rules<sup>41</sup>, State Pollution Control Board was *inter alia* responsible for issuing requisite authorisation to MCs for setting up and operating waste processing and waste disposal facilities.

Following shortcomings were noticed in the implementation:

#### **(a) Non-segregation and improper collection/storage of MSW**

**In the absence of category-wise bins and storage facilities, municipal solid waste was being littered on roads, streets and open places.**

The rules envisaged category-wise segregation of MSW and its house-to-house collection for proper treatment of each category and further enjoined upon the MCs to provide adequate number of category wise easy-to-operate bins and storage facilities at the places accessible to users<sup>42</sup>.

The quantity of municipal solid waste generated daily in Ajmer, Alwar, Bhilwara and Udaipur was 150 Metric Ton (MT), 136 MT, 170 MT and 150 MT respectively. It was observed that:

**(i)** In Ajmer, segregation of MSW into the groups of organic, inorganic, recyclables and hazardous wastes was not done. There was no record to show that Municipal authorities had taken steps to encourage the citizens for segregation of MSW to promote recycling or re-use of segregated material.

<sup>41</sup> Rules 4 and 6 of the Municipal Solid Wastes (Management and Handling) Rules, 2000.

<sup>42</sup> Schedule II of the Municipal Solid Wastes (Management and Handling) Rules, 2000.

While accepting facts, MC stated (September 2004) that action for collection of MSW in segregated manner was under consideration.



A view of waste littered on road side and being scattered by rag pickers in front of fruit shops near Madar Gate in Ajmer

(ii) In Alwar, MC had not taken any action for the collection of MSW from house-to-house, with a view to prohibiting littering of MSW on roads, streets and open spaces in the city. For the collection of MSW from house-to-house, MC as late as in January 2005 had invited tenders from voluntary organisations, with no response. As such, the scheme could not take off in the city.

- Daily collection of MSW, sweeping of streets twice a week and cleaning of drains once a week was not ensured by the MC as *beat*<sup>43</sup> wise analysis was not done and the primary and secondary collection centres were not identified.
- The MC did not make available category-wise MSW collection containers/bins of prescribed design in the *mohallas*/groups of habitations. In compliance to High Court's directions (October 2004), public awareness programme was also not organised as of January 2005.

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<sup>43</sup> A Ward is divided into smaller areas called '*beats*' for the purpose of sweeping/cleaning of the streets, drains etc.



**A view of municipal solid waste/bio-medical waste littered on open space being scattered by rag picker/ pigs in Alwar**

- Out of 539 sanctioned posts of sweepers, only 276 (51 *per cent*) were in position and six of them were deployed on works other than sweeping.

(iii) In Udaipur, MSW was being littered on roads, streets and open spaces as no arrangement for its house-to-house collection was made. Bye-laws proposing action against the persons littering garbage in places other than the prescribed collection points (August 2002) of MC had not been approved by the State Government as of January 2005.

- Regular sweeping of streets and drains was not ensured due to shortage of sanitation staff particularly in 749 out of 1824 *beats* in *kutchi basties* and newly developed colonies transferred (January 2004) by Urban Improvement Trust (UIT) to the MC. Due to short release of grant of Rs 7 crore by the Government during 2001-04, the MC could also not fill up (January 2005) 524 posts of sweepers although sanctioned by the Government in the budget for 2003-04.

**(b) *Improper transportation of MSW***

The rules envisaged that solid wastes should be transported through specially designed covered vehicles so that the waste is not exposed to open environment and is also prevented from scattering. It was observed that:

- (i) In Alwar, transportation of municipal waste from primary collection centres to dumping ground was being carried out in uncovered vehicles.



**Municipal waste being transported in uncovered vehicle in Alwar**

(ii) Similarly in Bhilwara, uncovered vehicles were deployed for transportation of the MSW.

(c) *Landfill sites not developed*

To prevent contamination of ground water and ambient air quality, waste disposal facilities including sanitary landfill sites conforming to the prescribed standards were to be identified and made ready for operation/future use<sup>44</sup> by December 2002. It was observed that:

**Landfill sites were not identified and made ready for dumping of waste. Waste processing units were also not set up in any of the four cities.**

(i) In Ajmer, land allotted (December 1997) by the District Collector, Ajmer for trenching and dumping waste at Makhupura was not developed and the works taken up by Rajasthan Urban Infrastructure Development Project on another land allotted (March 2002) at Sedariya village to make it ready for use were lying incomplete (October 2005), due to which the MSW was being dumped outside the land earmarked as landfill site.

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<sup>44</sup> Rule 4 read with Schedule I and Schedule II of the Municipal Solid Wastes (Management and Handling) Rules, 2000.





A view of waste dumped on open space instead of earmarked dumping ground near Makhupura in Ajmer

(ii) In Alwar, land measuring 20 *bigha* and 11 *biswa* was allotted (August 1989) by Urban Improvement Trust, Alwar at Budh Vihar Yojana for disposal of waste. However, no preliminary developmental works like trenches, boundary wall, internal/main roads, weigh bridge, plantation etc. had been done as of January 2005. Plan for development of fifty *bigha* land reserved (October 2004) by the District Collector, Alwar at Matasya Industrial Area for future use, had not been prepared (January 2005).

(iii) The works taken up for the development of land allotted (September 1989) near Sanganer village in Bhilwara by the District Collector, Bhilwara for use as trenching ground were lying incomplete after incurring expenditure of Rs 61.29 lakh. The site, therefore, could not be used for dumping of MSW.

(iv) In Udaipur, since January 1968 waste was being dumped near Titardi village. In June 2003, on 54.85 hectare land allotted by the District Collector, Udaipur at Saveenkhedra for which 'No Objection Certificate' was also issued by RSPCB in January 2004, the developmental works to make it ready for operation had not been completed as of January 2005.

**(d) Waste processing facilities not set up**

To make use of wastes and to minimise burden on landfill sites, waste processing units were required to be established up to 31 December 2003. However, such processing units had not been set up in any of the four cities<sup>45</sup> due to non-finalisation of tenders by the Directorate of Local Bodies.

**II. Implementation of Bio-Medical Waste (Management and Handling) Rules, 1998**

GOI, Ministry of Environment and Forests issued 'Bio-Medical Waste (Management and Handling) Rules, 1998' on 20 July 1998. The rules were applicable to all persons and occupiers of institutions like hospitals, nursing

<sup>45</sup> Ajmer, Alwar, Bhilwara and Udaipur.

homes, clinics, dispensaries, veterinary hospitals, slaughter houses, pathological laboratories, blood banks etc. who generate, collect/receive, store, transport, treat, dispose or handle Bio-Medical Waste (BMW) in any form.

Every occupier of an institution generating BMW is required to ensure that (i) such waste is handled without any adverse effect to human health and the environment, (ii) BMW is treated and disposed of in accordance with procedure prescribed for each category of the waste and (iii) waste treatment facilities are set up within the prescribed time schedule. Mixing of BMW with MSW was not to be allowed.

The following shortcomings were noticed:

**No system for the disposal and treatment of Bio-medical waste was established.**

**(a) No system for disposal of bio-medical waste**

(i) In MC Ajmer, 19 hospitals, nine Government dispensaries, four nursing homes and 20 private clinics were functioning but none had adopted any measures for treatment/disposal of bio-medical waste. They had also not obtained the requisite authorisation from RSPCB and maintained any record of BMW.

(ii) Survey of hospitals and other medical institutions like private clinics, pathological labs, veterinary hospitals etc. generating BMW conducted by MC, Bhilwara, revealed that none had installed any system for treatment/disposal of BMW, as required under the rules.

(iii) In Alwar, there was no proper collection, treatment and disposal of bio-medical wastes generated during slaughtering of animals. In addition, the meat sellers were throwing such wastes on the road.

**(b) Non-establishment of BMW treatment plant**

In compliance to the directions (January and June 2003) of DLB, the orders for the setting-up of BMW treatment plants in Ajmer and Bhilwara were issued by the MCs concerned in November and July 2003 respectively to a firm of Mumbai, but the plants had not been set-up in these cities as of October 2004. On being pointed out, the MCs stated (September and October 2004) that the plants could not be set up as the firm was reluctant in doing the work. Consequently, security deposits of the firm had been forfeited and action for re-tendering was being taken by DLB (March 2006). Thus, these MCs failed to prevent mixing of BMW with MSW.

**(c) Authorisation from Rajasthan State Pollution Control Board not obtained**

The prescribed authorisation for the installation of waste processing and disposal facilities as required under the Rules, was not obtained from RSPCB, by the MCs Alwar and Udaipur particularly for running of slaughter houses and disposal of bio-medical waste generated by slaughter houses.



### III. Implementation of Prevention of Cruelty to Animals (Slaughter House) Rules, 2001

Slaughter houses having required /prescribed facilities were not established and thus sale of uncertified meat continued.

With a view to controlling unauthorized slaughtering of animals and to regulate establishment of licensed slaughter houses with requisite facilities and their proper management, the GOI, Ministry of Social Justice and Empowerment had issued 'Prevention of Cruelty to Animals (Slaughter House) Rules, 2001'. The rules effective from 26 March 2001, *inter alia* provided that slaughtering of animals would not be done anywhere except in a recognised/licensed slaughter house and before slaughtering obtaining of fitness certificate of animals from veterinary doctor would be necessary. Following shortcomings were noticed:

(i) In Alwar, land measuring 947.33 square yards with three rooms at Chameli Bagh, had been identified by the MC for slaughtering, but slaughtering was not being done there for want of requisite facilities viz. lack of a reception area of adequate size, resting ground for animals, slaughter house building and space for vehicles etc. The requisite facilities could not be provided by the MC although financial assistance under Centrally sponsored scheme 'Assistance to States for Establishing Slaughter House/Carcass By-products Utilisation Centre and Hide Flaying Units' was available. Resultantly, unauthorised slaughtering of animals continued at 16 shops of meat sellers in Malagate market and other parts of the city.

(ii) Since no slaughter house was established by MC in Bhilwara, meat sellers were slaughtering the animals at their own houses and/or shops.

(iii) In Udaipur, scrutiny of two slaughter houses being managed at Surajpole and Hathipole by the MC revealed the following:

- Neither the facilities required under the Rules were made available in these slaughter houses nor their shifting from densely populated area to outside of the city was planned.
- Fitness of the animals was not being examined before slaughter as the post of veterinary doctor was lying vacant.
- As against expenditure of Rs 6.38 lakh incurred during 1999-2004 on salaries of employees engaged on slaughter houses at Surajpole and Hathipole, Rs 0.72 lakh only were realised from slaughtering fee. Action to revise the existing slaughtering fee of Re 0.50 per animal was not initiated by the MC.

Thus, these three MCs (Alwar, Bhilwara and Udaipur) failed to provide facilities as required under the Rules, due to which slaughtering of animals was being done unauthorisedly by the meat sellers at their own premises situated in densely populated area creating severe health hazard.

#### **Conclusion**

Though Municipal Solid Wastes (Management and Handling) Rules were circulated to the MCs in May 2001, provisions thereof had not been implemented fully by any of the four MCs test-checked. Arrangements were

not made for house-to-house collection and category-wise segregation of waste. Adequate storage facilities were not provided, uncovered waste was being transported and sanitary landfill sites as well as processing units had not been established. The MCs did not ensure setting-up of individual/common treatment facilities for BMW which was being mixed with MSW. Further, slaughter houses were not established with required facilities in Alwar and Bhilwara and fitness of animals brought for slaughtering was not ensured in Udaipur.

Thus, these MCs failed to prevent littering of waste on roads and inhabited areas, leading to environmental pollution, unhygienic and unaesthetic conditions in the cities besides health-hazards.

### ***Recommendations***

- Management, handling and transportation of MSW need to be improved by providing adequate number of category-wise storage bins/containers and covered vehicles. Bye-laws should be framed for taking action against persons who litter road and public places.
- To maintain quality of ambient air and ground water, establishment of sanitary landfill sites and processing units should be expedited for proper and scientific disposal and treatment of the waste.
- MCs should establish common treatment facilities for BMW to reduce environmental pollution and health hazards.
- Slaughter houses having requisite facilities be established and a system of certifying the fitness of animals for slaughter should be developed and vigorously monitored by the MCs.
- A collaborative and interactive arrangement should be made between the MCs and RSPCB to get expert opinion for the management, processing

and disposal of Municipal Solid/Bio-Medical wastes and establishment of slaughter houses.

The matter was referred to the Government in June 2005; reply has not been received (March 2006).

**JAIPUR**  
The

**(SANJEEV SALUJA)**  
**Principal Accountant General**  
**(Civil Audit), Rajasthan**

**Countersigned**

**NEW DELHI**  
The

**(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**

## APPENDIX-I

(Refer paragraph 1.5.6; page 7)

### Statement showing functions transferred/yet to be transferred to Panchayati Raj Institutions by State Government

**(A) Functions of which Funds and Functionaries have been transferred:**

1. Agriculture, including agricultural extension.
2. Land improvement, implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Fisheries.
5. Social forestry and farm forestry.
6. Minor forest produce.
7. Rural housing.
8. Drinking water.
9. Fuel and fodder.
10. Roads, culverts, bridges, ferries, waterways and other means of communication.
11. Poverty alleviation programme.
12. Education, including primary and secondary schools.
13. Markets and fairs.
14. Women and child development.
15. Social welfare, including welfare of the handicapped and mentally retarded.
16. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.
17. Public distribution system.
18. Maintenance of community assets.

**(B) Functions of which Funds and Functionaries are yet to be transferred:**

1. Animal husbandry, dairying and poultry.
2. Small scale industries, including food processing industries.
3. Khadi, village and cottage industries.
4. Rural electrification, including distribution of electricity.
5. Non-conventional energy sources.
6. Technical training and vocational education.
7. Adult and non-formal education.
8. Libraries.
9. Cultural activities.
10. Health and sanitation, including hospitals, primary health centres and dispensaries.
11. Family welfare.

**APPENDIX-II**

(Refer paragraph 1.6.2; page 8)

**Statement showing differences between Cash books and PD/bank Account pass books lying unreconciled in PRIs**

S. No.	Name of Zila Parishad/ Panchayat Samiti	Balance (Rupees in lakh)			Reply of ZP/PS
		As per Cash book	As per PD/ Bank Account	Difference	
<b>(A) Zila Parishad</b>					
1	Kota	432.03	410.63	21.40	Action for reconciliation/rectification is being taken.
		<b>Total 'A'</b>		<b>21.40</b>	
<b>(B) Panchayat Samitis</b>					
1.	Chhabra	116.08	132.36	16.28	Reply not furnished.
2.	Deogarh	52.84	46.79 (PD)	6.05	Reply not furnished.
		14.42	18.22 (Bank)	3.80	
3.	Kathumar	28.05	56.34	28.29	Action for reconciliation is being taken.
4.	Kotkasim	NA	NA	14.81	Action for reconciliation/rectification is being taken.
5.	Ladnu	NA	NA	0.78	Action for reconciliation/rectification is being taken.
6.	Nainwa	NA	NA	4.55	Action for reconciliation/rectification is being taken.
7.	Sakada	75.54	86.14	10.60	Reply not furnished.
8.	Sayala	NA	NA	15.86	Action for reconciliation/rectification is being taken.
9.	Talera	NA	NA	0.09	Action for reconciliation/rectification is being taken.
<b>Total 'B'</b>				<b>101.11</b>	
<b>Total 'A'+ 'B'</b>				<b>122.51</b>	

NA= Figures not available as the same were not mentioned in the replies of the concerned Panchayat Samitis and Government (March 2006).

### APPENDIX-III

(Refer paragraph 2.3.1; page 19)

#### Statement showing details of Biogas plants lying closed/incomplete

S. No.	Name of Zila Parishad	No. of IBP/NBPs installed	Name of executing agency	Amount sanctioned (Rs in lakh)	Expenditure incurred (Rs in lakh)	Remarks
1.	Jaipur	Municipal Corporation: 6 NBPs  Central Jail: 2 NBPs	M/s Aryan Associates, Jaipur (An NGO)  -do-	78.00 (subsidy Rs 73.60 lakh) (1999-2001)	78.00	Five NBPs were working inefficiently as gas in sufficient quantity was not being produced and one NBP was closed due to non-functioning of Sulabh Complex (toilets).  Both the NBPs installed in Central Jail stopped working after a few days.
2.	Jodhpur	Municipal Corporation: 4 NBPs	-do-	39.00 (subsidy Rs 36.80 lakh) (November 2000)	39.00	All the NBPs were lying closed as the construction of plants was not in conformity with the prescribed design/standards and no training was imparted by the NGO to the employees of beneficiary organisation.
3	Ajmer	Municipal Council: 2 NBPs	-do-	19.50 (subsidy Rs 18.40 lakh) (May 1998)	19.50	NBPs were lying closed as the NGO did not operate and adhere to the conditions of the agreement executed.
4.	Udaipur	Police Line: 1 NBP, Central Jail: 1 NBP Agriculture College: 1 NBP	Aryan Society for Environmental Research and Development, Jaipur	28.38 (subsidy Rs 27.60 lakh) (January 1999)	23.52	Two NBPs stopped functioning after a few days of their installation and work of one NBP at Agriculture College was incomplete.
5.	Rajsamand	Private Bus Stand, Nathdwara: 1 NBP  Nathdwara Mandir Mandal: 1 IBP	-do-  -do-	9.46 (subsidy Rs 9.20 lakh) (May 1999)  5.57 (subsidy Rs 2.30 lakh) (October 1999)	9.20  3.78	NBP lying closed and not operated even a single time.  Work left incomplete.
6.	Tonk	Vanasthali Vidyapeeth: 1 NBP	-do-	9.46 (subsidy Rs 9.20 lakh) (February 2000)	4.45	Work left incomplete.
	<b>Total</b>				<b>177.45</b>	

## APPENDIX-IV

(Refer paragraph 3.4; page 48)

### Statement showing devolution of functions to Urban Local Bodies

#### A. Functions fully devolved to ULB

- (i) Regulation of land use and construction of buildings.
- (ii) Slum improvement and upgradation.
- (iii) Urban poverty alleviation.
- (iv) Burials and burials grounds etc.
- (v) Vital statistics including registration of births and deaths.
- (vi) Public amenities including street lighting, parking lots etc.
- (vii) Regulation of slaughter houses.

#### B. Functions partially devolved to ULBs

- (i) Planning for economic and social development.
- (ii) Roads and bridges.
- (iii) Public health and solid waste management.
- (iv) Fire Services.
- (v) Urban forestry, protection of the environment and promotion of ecological aspect.
- (vi) Provision of urban amenities and facilities such as parks, gardens, play grounds etc.

#### C. Functions yet to be devolved to ULBs

- (i) Urban planning including town planning.
- (ii) Water supply for domestic, industrial and commercial purpose.
- (iii) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded persons.
- (iv) Promotion of cultural, educational and aesthetic aspects.
- (v) Prevention of cruelty to animals.

## APPENDIX - V

(Refer paragraph 4.5.1; page 68)

### Statement showing the details of non/short realisation of conversion charges and urban assessment

S. No./ Name of Municipal Corporation	Area of plot	Residential reserve price (RRP) (Rupees)	Rate of conversion charges (40 per cent of RRP) (Rupees)	Amount of conversion charges (Rupees)		Amount paid short (Rupees)	Commercial reserve price (CRP) (Rupees)	Urban assessment recoverable @ 5 per cent of CRP per annum ( Rupees)	Total Urban assessment recoverable (Rupees)	Urban assessment recovered (Rupees)	Urban assessment not/short recovered ( Rupees)
				Chargeable	Paid by owner /firm						
1	2	3	4	5	6	7	8	9	10	11	12
1. Jaipur	1233.53 sq.mtr	3000 per sq. mtr.	1200 per sq. mtr.	1480236	1258212	222024	6000 per sq. mtr.	370059	740118 (5/03 to 4/05)	78638 (5/03 to 10/03)	661480
2. Jodhpur *	5360 sq. feet	720 per sq. feet (Rs 600 plus Rs 120)	288 per sq. feet	154680	900480	643200	768 per square feet (Rs 640 + Rs 128)	88,440**  1,02,912***	1,91,352 (9/04 to 2/05)	-	1,91,352
<b>Total</b>						<b>8,65,224</b>					<b>8,52,832</b>

\* In Jodhpur, as per approval of Nazul Committee 20 per cent charges was to be added to the reserve prices on account of corner plot and its situation being on more than 60 feet wide road.

\*\* Based on residential reserve price for the period from October 2003 to September 2004.

\*\*\* Based on commercial reserve price for the period from October 2004 to March 2005.



**APPENDIX-VI**

(Refer paragraph 4.5.2; page 69)

**Statement showing the details of short realisation of lease rent in *kutchi basties***

(Amount in Rupees)

S. No	Name of Zone of JMC	Number of cases of regularisation	Lease money recoverable in lump sum	Lease money recovered	Lease money recovered short
1*	Civil Line Zone	82	2,18,853	9,872	2,08,981
2*	Vidhyadhar Nagar Zone	94	3,07,155	1,72,247	1,34,908
3	Hawamahal ( West)Zone	160	3,60,918	3,913	3,57,005
4	Hawamahal ( East) Zone	288	6,24,596	20,465	6,04,131
5*	Moti Dungari Zone	87	1,22,120	24,295	97,825
6	Sanganer Zone	135	4,14,666	15,142	3,99,524
	<b>Total</b>	<b>846</b>	<b>20,48,308</b>	<b>2,45,934</b>	<b>18,02,374</b>

\* In some cases lease money was recovered in lump sum.

## APPENDIX-VII

(Refer paragraph 4.6.1; page 73)

### Statement showing amounts of urban assessment due to be recovered, actually collected and not credited in Government account

(Rupees in lakh)

S. No.	Name of municipality	Period of collection of urban assessment	Urban assessment due / provision made for recovery	Total amount of urban assessment collected	Service charges admissible at 10 per cent	Amount required to be credited to Government account
1	Jaipur Municipal Corporation	2003-04	500.00	137.07	Nil	137.07
2	Municipal Corporation, Kota	1996-2004	97.00	92.93	9.29	83.64
3	Municipal Council, Udaipur	1992-95 1997-98 2000-04	15.73	17.65	1.77	15.88
4	Municipal Board, Bundi	1997-2004	36.10	38.52	3.85	34.67
5*	Municipal Board, Dungarpur	1999-2004	52.60	32.52	3.25	29.27
6	Municipal Board, Fatehnagar	1999-2004	8.28	6.50	0.65	5.85
7*	Municipal Board, Padampur	1990-2004	154.24	56.67	Nil	56.67
8	Municipal Board, Raisinghnagar	1999-2004	49.62	54.50	5.45	49.05
9	Municipal Board, Rajsamand	2001-04	64.45	64.45	6.45	58.00
10	Municipal Board, Srikaranpur	1994-2004	38.24	15.49	Nil	15.49
11	Municipal Board, Suratgarh	1999-2004	127.35	131.80	13.18	118.62
	<b>Total</b>		<b>1143.61*</b>	<b>648.10*</b>	<b>43.89*</b>	<b>604.21*</b>

\* Refer to Statement of updated figures/details at page-98

## APPENDIX-VIII

### Glossary of Abbreviations

ACEO	:	Additional Chief Executive Officer
AG	:	Accountant General
ASERD	:	Aryan Society for Environmental Research and Development
BMW	:	Bio Medical Waste
BPL	:	Below Poverty Line
BSNL	:	Bharat Sanchar Nigam Limited
C & AG	:	Comptroller and Auditor General of India
CBP	:	Community Biogas Plant
CC	:	Cement Concrete
CEO	:	Chief Executive Officer
CPF	:	Contributory Provident Fund
CRP	:	Commercial Reserve Price
CSS	:	Centrally Sponsored Scheme
DDOs	:	Drawing and Disbursing Officers
DDP	:	Desert Development Programme
DLB	:	Director, Local Bodies
DLFA	:	Director, Local Fund Audit
DLFAD	:	Director, Local Fund Audit Department
DPC	:	Duties, Powers and Conditions of Service
DPEP	:	District Poverty Initiatives Project
DRDA	:	District Rural Development Agency
EFC	:	Eleventh Finance Commission
EOs	:	Executive Officers
EWS	:	Economically Weaker Section
FDRs	:	Fixed Deposit Receipts
FIR	:	First Information Report
GKN	:	Gramin Karya Nirdeshika
GLR	:	Ground Level Reservoir
GOI	:	Government of India
GP	:	Gram Panchayat
GPF	:	General Provident Fund
HUDCO	:	Housing and Urban Development Corporation
IBP	:	Institutional Biogas Plant
ICDS	:	Integrated Child Development Scheme
IR	:	Inspection Report
IRDP	:	Integrated Rural Development Programme
IT	:	Income Tax
JDA	:	Jaipur Development Authority
JMC	:	Jaipur Municipal Corporation
LSG	:	Local Self Government
LIC	:	Life Insurance Corporation
MBs	:	Municipal Boards
MCs	:	Municipal Councils
MLAs	:	Members of Legislative Assembly
MLALADS	:	Member of Legislative Assembly Local Area Development

	Scheme
MoRD	: Ministry of Rural Development
MPLADS	: Member of Parliament Local Area Development
MSW	: Municipal Solid Waste
MT	: Metric Ton
NA	: Not Available
NBP	: Night-soil based Biogas Plant
NGO	: Non-Government Organisation
NREP	: National Rural Employment Programme
NSDP	: National Slum Development Programme
PAG	: Principal Accountant General
PD	: Personal Deposit
PDR	: Public Demand Recovery
PHED	: Public Health and Engineering Department
PIA	: Project Implementation Agency
PRI	: Panchayati Raj Institution
PS	: Panchayat Samiti
PWD	: Public Work Department
PWF&ARs	: Public Works Financial and Accounts Rules
RDD	: Rural Development Department
RGC	: Rural Growth Centre
RLEGP	: Rural Landless Employment Guarantee Programme
RLR	: Rajasthan Land Revenue
RPR	: Rajasthan Panchayati Raj Act
RRP	: Residential Reserve Price
RSBCC	: Rajasthan State Bridge and Construction Corporation
RSEB	: Rajasthan State Electricity Board
RSPCB	: Rajasthan State Pollution Control Board
RSRDCC	: Rajasthan State Road Development and Construction Corporation
RSRTC	: Rajasthan State Road Transport Corporation
SFC	: State Finance Commission
SI	: State Insurance
SGRY	: Sampoorna Gramin Rojgar Yojana
SGSY	: Swarnajayanti Gram Swarojgar Yojana
SNV	: Sahabhagi Nagar Vikas
SSH	: Site and Service scheme for Housing
UCs	: Utilisation Certificates
UITs	: Urban Improvement Trusts
ULBs	: Urban Local Bodies
VVNL	: Vidhyut Vitaran Nigam Limited
WDP	: Watershed Development Project
WDT	: Watershed Development Team
ZP	: Zila Parishad