

## CHAPTER IV

### PERFORMANCE AUDIT AND COMPLIANCE AUDIT OF URBAN LOCAL BODIES

This chapter contains Performance Audit of 'Implementation of Urban Infrastructure Development Scheme for Small and Medium Towns' and five paragraphs related to Compliance Audit of Urban Local Bodies.

#### PERFORMANCE AUDIT

#### Local Self Government Department

#### 4.1 Implementation of Urban Infrastructure Development Scheme for Small and Medium Towns

##### *Executive Summary*

*Urban Infrastructure Development Scheme for Small and Medium Towns, a flagship scheme of Government of India (GoI), was launched (December 2005) to improve urban infrastructural facilities by creating durable public assets and quality oriented services in cities and towns in a planned manner and to enhance Public Private Partnership in infrastructural development.*

*Performance Audit of the scheme revealed that out of 181 non-mission cities/towns in the State, the State Government covered 35 cities/towns at random basis under the scheme and 37 projects worth ₹ 609.93 crore were sanctioned during 2005-09. Thereafter no project was sanctioned. Of these, only 22 projects (59 per cent) were completed (February 2014) by utilising ₹ 124.60 crore. The second instalment of Additional Central Assistance of ₹ 175.06 crore was not received from GoI due to non-implementation of reforms. Instances of undue financial assistance to contractors (₹ 7.89 crore), created assets not put to use (₹ 6.88 crore), unfruitful expenditure on incomplete projects (₹ 5.47 crore) and irregular procurement of material (₹ 2.49 crore) were also noticed.*

##### *4.1.1 Introduction*

Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT), a flagship scheme of Government of India (GoI) for improving urban infrastructural facilities by creating durable public assets and quality oriented services in cities and towns in a planned manner and for enhancement of Public Private Partnership (PPP) in infrastructural development, was launched (December 2005) for all cities/towns as per Census 2001 except Jaipur, Ajmer and Pushkar which were covered under the Jawaharlal Nehru National Urban Renewal Mission. The scheme was reforms oriented and as per Memorandum of Agreement (MoA) executed between Ministry of Urban Development (MoUD), Government of India and the State Government, the Urban Local Bodies (ULBs) and parastatal agencies were to implement

various reforms during the period covered under the scheme. It subsumed the existing schemes of Integrated Development of Small and Medium Towns and Accelerated Urban Water Supply Programme. The Scheme period fixed for seven years from December 2005 to March 2012, has been extended (April 2012) up to March 2014.

**4.1.2 Scheme objectives and components**

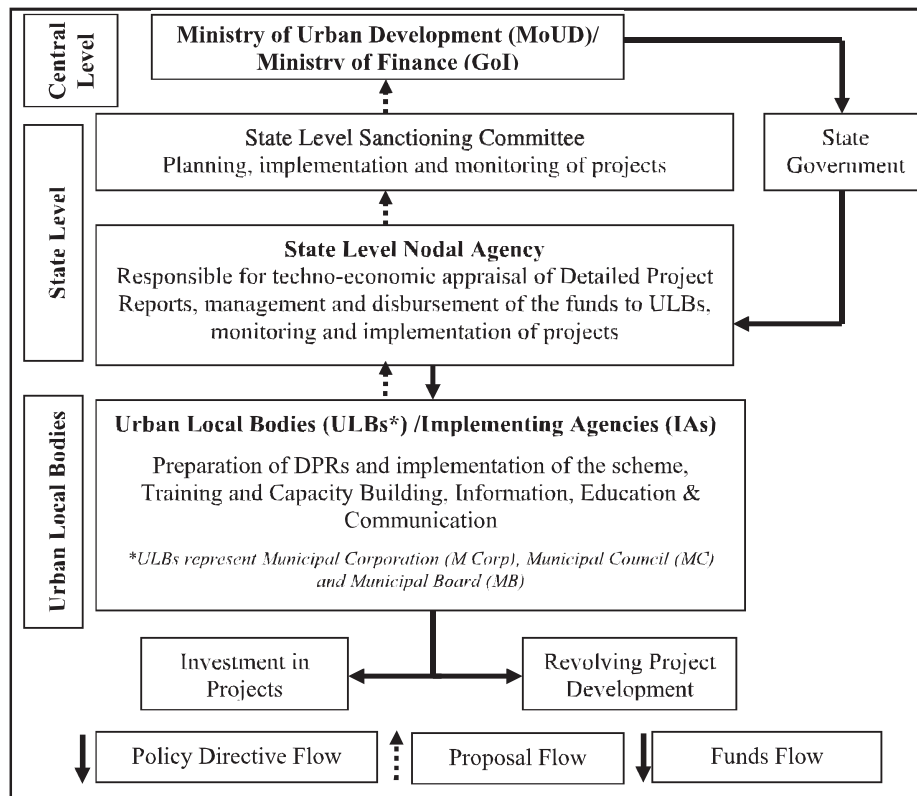
The objectives of the scheme are to improve urban infrastructural facilities, extend help in creation of durable public assets and quality oriented services in cities and towns in a planned manner and to enhance PPP in infrastructural development.

The major components of the scheme are: urban renewal, water supply and sanitation, sewerage and solid waste management, construction and improvement of drains/storm water drains, construction/upgradation of roads, highways/expressways, parking lots/spaces on PPP basis, development of heritage areas, prevention and rehabilitation of soil erosion/landslides and preservation of water bodies.

**4.1.3 Organisational set up**

The organisational set up and fund flow of the scheme is given in **Chart 4.1** below:

**Chart 4.1: Organisational set up and fund flow**



The Local Self Government Department (LSGD), Government of Rajasthan (GoR) designated (March 2006) Rajasthan Urban Infrastructure Finance and Development Corporation (RUIFDCo) as the State Level Nodal Agency (SLNA) for implementing the scheme in the State.

#### **4.1.4 Audit objectives**

The objectives of the performance audit were to assess:

- implementation of the scheme in the most economic, efficient and effective manner with proper budgeting and financial management;
- the improvement in urban infrastructural facilities (including solid waste management), creation of durable public assets and provision of quality oriented services to urban population;
- implementation of reforms at the State and ULB level; and
- the effectiveness of internal control and monitoring mechanism.

#### **4.1.5 Audit criteria**

The audit criteria for the performance audit were derived from the following:

- Guidelines issued by GoI on UIDSSMT;
- Minutes of meetings of the State Level Sanctioning Committee (SLSC) and SLNA;
- Detailed Project Reports of selected projects;
- Public Works Financial and Accounts Rules (PWF&AR); and
- General Financial and Accounts Rules (GF&AR).

#### **4.1.6 Audit coverage**

There were 37 sanctioned projects one in each of the 33 cities/towns and two each in two cities (Bikaner and Mount Abu). Implementations of 14 projects, one each in 14 cities (name of cities have been given in *Appendix-VIII*) were selected for audit. This representing 38 *per cent* of the total number of projects involving expenditure of ₹ 204.15 crore (45 *per cent* of total expenditure of ₹ 451.44 crore) were selected for detailed study, on the basis of random sampling method. Performance audit was carried out during February to July 2013. An Entry Conference was held (February 2013) with the Additional Chief Secretary, LSGD in which audit objectives, audit criteria etc. were discussed. Exit Conference was held on 16 April 2014 with the Director, Local Bodies, wherein the audit findings were discussed. Reply received (April 2014) from the State Government has been incorporated suitably.

Audit acknowledges the cooperation and assistance of the State Government, ULBs and ZPs while conducting this audit

#### 4.1.7 Physical and financial progress

##### 4.1.7.1 Physical progress

An elaborate planning and preparatory framework was to be carried out for ensuring the timely completion of projects. Sector-wise break-up of 37 sanctioned projects<sup>1</sup> with project cost, funds released by RUIFDCo to Implementing Agencies (IA), expenditure incurred and status of projects is given in *Appendix-VIII*.

Audit scrutiny revealed that as on 31 March 2013:

- Thirty seven projects (aggregate cost ₹ 609.93 crore) were sanctioned. 13 projects (aggregate cost ₹ 32.17 crore) were completed after incurring expenditure of ₹ 33.73 crore. Of this, 11 projects were completed with delays ranging from 5 to 56 months. A portion of another project bearing cost of ₹ 1.67 crore was abandoned after expending ₹ 1.70 crore. Work on the remaining 23 projects was in progress after incurring expenditure of ₹ 413.68 crore. Of these, 22 projects could not be completed even after lapse of 6 to 57 months from their stipulated dates of completion.
- Out of 14 test checked projects, 7 worth ₹ 19.40 crore were completed by incurring expenditure of ₹ 19.49 crore with delays ranging from 5 to 47 months and work on the remaining 7 projects worth ₹ 230.94 crore was incomplete even after lapse of 8 to 49 months from the stipulated dates, after incurring expenditure of ₹ 184.66 crore. Main reasons for delay in completion of the test checked projects were due to lack of action in evicting encroachment from project site, selection of site without clear land title and lack of monitoring of the progress of works.

The State Government accepted the facts and stated (April 2014) that 22 projects have been completed by the end of February 2014 with a Project cost of ₹ 121.67 crore and expenditure of ₹ 124.60 crore.

##### 4.1.7.2 Financial management

As per scheme guidelines, the sharing of funds was to be in the ratio of 80:10:10 amongst GoI, State Government and the ULBs respectively. Besides, the Tender Premium (TP), if any, was to be borne by ULBs. Central share as ACA was to be released to SLNA in two instalments *viz* 50 *per cent* on signing of MoA and after ascertaining availability of the State share and the remaining 50 *per cent* was to be released on submission of Utilisation Certificates (UCs) by ULBs and implementation of reforms.

The year-wise position of number of projects sanctioned, funds released to RUIFDCo and expenditure incurred on the projects up to March 2013 is given in **Table 4.1** below:

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1. Sewerage System: 13 (₹ 397.95 crore), Drainage System: 6 (₹ 20.01 crore), Road side drains and urban renewal: 13 (₹ 32.82 crore), Water Bodies: 2 (₹ 6.70 crore) and Water supply: 3 (₹ 152.45 crore)

**Table 4.1: Projects sanctioned, funds released to RUIFDCo and expenditure incurred on the sanctioned projects**

(₹ in crore)

Year	Number of projects sanctioned	Cost of sanctioned projects	Fund released to RUIFDCo					Expenditure incurred
			GoI share	GoR share	ULBs contribution	Special fund	Total (4+5+6+7)	
1	2	3	4	5	6	7	8	9
2005-06	12	34.59	Nil	Nil	3.40	Nil	3.40	Nil
2006-07	10	108.78	32.17	3.94	7.75	Nil	43.86	0.78
2007-08	6	126.23	57.13	7.14	1.95	Nil	66.22	33.28
2008-09	9	340.33	163.16*	20.39	9.52	Nil	193.07	60.50
2009-10	Nil	Nil	31.76	3.97	21.83	Nil	57.56	66.49
2010-11	Nil	Nil	Nil	Nil	38.54	Nil	38.54	90.92
2011-12	Nil	Nil	Nil	Nil	33.35	Nil	33.35	104.43
2012-13	Nil	Nil	2.10*	Nil	37.18	80.00	119.28	99.81
<b>Total</b>	<b>37</b>	<b>609.93</b>	<b>286.32</b>	<b>35.44</b>	<b>153.52</b>	<b>80.00</b>	<b>555.28</b>	<b>456.21</b>

\* This includes incentive for DPR of ₹ 4.77 crore (₹ 2.67 crore+ ₹ 2.10 crore)

- Audit observed that first instalment of ACA for 25 projects amounting ₹ 230.14 crore was released by GoI after delays ranging from 2 to 13 months (*Appendix-VIII*).

- As the State Government failed to implement one mandatory reform i.e. 'Property Tax with Geographic Information System (GIS)' and one optional reform regarding 'Introduction of Property Title System' at ULB level (as discussed in the subsequent paragraphs), the second instalment of ACA for 20 projects amounting to ₹ 175.06 crore was not released by the MoUD, even though the required UCs were submitted. In SLSC meeting (September 2010), it was decided that works should not be stopped due to non-release of second instalment of ACA. Therefore, the State Government released special fund amounting to ₹ 80 crore (October 2012 to March 2013) from its own sources. This resulted in an extra financial burden of ₹ 80 crore on the State exchequer.

The State Government accepted the facts (April 2014) and stated that the extra financial burden will be removed after release of the second instalment of ACA from the GoI. However, it stated that the second instalment of ACA has not been received so far (April 2014).

- Specific provisions for utilisation of interest earned on the surplus scheme funds were not mentioned in the guidelines at the time of launching of scheme in December 2005. Subsequently, MoUD issued instructions in March 2013 for keeping interest earned on scheme funds in a separate account. Audit observed that interest of ₹ 1.44 crore (₹ 0.88 crore by test checked 12 ULBs and ₹ 0.56 crore by RUIFDCo up to March 2013) on the scheme fund was lying idle in bank accounts.

The State Government stated (April 2014) that the IAs have been directed to deposit the amount of interest earned under a separate accounting head. Accordingly, MC, Bundi and MB, Jhalrapatan have deposited interest under the relevant accounting head.

- As per Para 19.2 of the scheme guidelines, project fund along with ULBs contribution were to be kept in commercial bank accounts bearing interest. It was observed that :

Rajasthan Urban Infrastructure Development Project (RUIDP), Jaipur kept the funds (₹ 42.26 crore received during April 2007 to June 2010 from SLNA) in non-interest bearing Personal Deposit (PD) account. After utilising ₹ 18.14 crore, ₹ 22.40 crore were refunded (August 2010) to SLNA and the remaining ₹ 1.72 crore was lying in PD account as on 31 March 2013. There was a loss of interest ₹ 1.10 crore at saving bank interest rate of 3.5 per cent per annum on the funds kept in non-interest bearing PD account during the April 2007 to March 2013.

Similarly, Public Health Engineering Department (PHED), Beawar, kept ₹ 32.41 crore in non-interest bearing deposit head "8443-Civil Deposits-III" during December 2008 to February 2013 on which loss of interest at the rate 3.5 per cent worked out to ₹ 0.20 crore.

- As per Para 8 of the scheme guidelines, 25 per cent of the Central and State share of completed projects was to be recovered from ULBs and was to be ploughed in a revolving fund for financing further investment in infrastructure projects. Audit observed that though 12 projects were completed during 2005-13 at a total cost of ₹ 29.96 crore for which full ACA was received, yet no revolving fund worth ₹ 6.74 crore (25 per cent of 90 per cent of ₹ 29.96 crore) was created (*Appendix-IX*). In the absence of revolving fund, it would be difficult to leverage market fund for financing further investment in infrastructure projects.

The State Government accepted (April 2014) the facts that revolving funds though not created, funds are being provided to IAs as loan from Rajasthan Urban Development Fund as per their requirement.

#### **4.1.8 Planning**

Detailed Project Reports prepared by ULBs/IAs and submitted to designated SLNA for appraisal, were to be discussed in SLSC meeting for approval and obtaining sanction from MoUD. In 10 SLSC meetings (between March 2006 and February 2012) 63 DPRs were discussed, 45 DPRs were submitted to MoUD for sanctioning ACA but only ₹ 609.93 crore were sanctioned for 37 DPRs.

Audit observed that:

**4.1.8.1** UIDSSMT was meant for small and medium towns as per Census 2001 and was to be implemented in 181 out of 184 cities/towns of Rajasthan. Against this, 35 cities/towns (19 per cent) were covered under the scheme. Out of 37 approved projects, 5 projects pertaining to Municipal Corporations Bikaner (two projects), Jodhpur, Kota and Udaipur (one project each) involved ₹ 207.38 crore constituting 34 per cent of ₹ 609.93 crore of total sanctioned amount. This indicated improper selection of beneficiary cities/towns.

**4.1.8.2** In the first SLSC meeting (March 2006), 8 DPRs<sup>2</sup> of ₹ 46.66 crore and in third SLSC meeting (August 2006) 10 DPRs<sup>3</sup> of ₹ 38.44 crore (total 18 DPRs) of roads, drains and community toilets, though discussed were not submitted to MoUD as the scheme Director, MoUD was of the view that higher priority should be given to the projects of water supply, sewerage and solid waste management and stated that these projects may be deferred till then. Further, in the seventh SLSC meeting (February 2009) 8 projects<sup>4</sup> of ₹ 311 crore were also approved and proposal forwarded to MoUD but no sanction was released by MoUD (up to March 2013). No effective steps were taken by SLNA for obtaining sanction from MoUD for these deferred (August 2006) and approved (February 2009) DPRs which led to deprival of benefits of improved infrastructure to the urban population.

The State Government accepted the facts and stated (April 2014) that it was not possible to approve all the projects submitted by ULBs looking to the availability of funds. The reply does not take into account lack of effective pursuance on the part of the State Government to obtain sanction from MoUD.

#### **4.1.9 Execution**

##### **4.1.9.1 Unfruitful expenditure on incomplete projects**

As per Rule 14 (13) of the Rajasthan Municipal (Purchase of Material and Contracts) Rules, (Rules) 1974, provisions of Public Works Financial and Accounts Rules (PWF&AR) are applicable in the matter in which no provisions exist in the said Rules. As per Rule 351 of PWF&AR, no work should be commenced on land which has not been duly made over by a responsible civil officer and Rule 298(1) *ibid* stipulates that availability of site is a prerequisite for planning and designing of work. Three work orders were issued in June 2007 and July 2008 without obtaining site clearance and permission from competent authority due to which works remained incomplete for 21 to 46 months as of March 2013 and expenditure incurred of ₹ 5.47 crore proved unfruitful as detailed in **Table 4.2** below:

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2. Bharatpur (₹ 30.31 crore), Chabra (₹ 1.13 crore), Dungargarh (₹ 1.85 crore), Fatehpur (₹ 2.28 crore), Losal (₹ 2.20 crore), Laxmangarh (₹ 4.38 crore), Neem ka Thana (₹ 2.08 crore) and Ramgarh (₹ 2.43 crore)
  3. Bagun (₹ 3.08 crore), Barisadri (₹ 2.82 crore), Chotisadri (₹ 3.08 crore), Deoli (₹ 0.90 crore), Dholpur (₹ 10.22 crore), Khandela (₹ 3.93 crore), Jahazpur (₹ 2.14 crore), Kapasan (₹ 1.65 crore), Pali (₹ 6.72 crore) and Toda Raisingh (₹ 3.90 crore)
  4. **Sewerage projects** - Balotra (₹ 35.21 crore), Banswara (₹ 39.76 crore), Deedwana (₹ 45.92 crore), Fatehpur (₹ 40.48 crore), Makarana (₹ 47.04 crore, Nathdwara (₹ 29.12 crore) and Sriganganagar (₹ 54.44 crore); **Water supply project** - Sangod (₹ 19.03 crore)
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Table 4.2: Unfruitful expenditure on incomplete projects

(₹ in crore)

Name of Project	Expenditure incurred	Audit observations
Laying of 3.150 km sewerage drain pipe line on right side of the Gambhiri river at Chittorgarh a part of work "construction of intercepting drain feeder for disposal of waste water" (work order amounting to ₹ 4.40 crore issued in June 2007)	1.70	Sewerage pipe line of 200 metres (m) was not laid due to land dispute with private owner of land and executed work was also substandard. This part of the project was abandoned (May 2009).
Construction of 2.951 km major drain – RTO to Digari under sewerage drain pipeline at Jodhpur (work order amounting to ₹ 4.91 crore issued in July 2008)	1.81	Constructed only 1,100 m drain. Work of 100 m could not be executed due to non-clearance from Railway and for remaining 1,751 m permission was not granted by Defence authorities. Work lying incomplete since June 2011.
Construction of 1.70 km drain from Bharon Nallah, Guruon Ka Talab to Pratham Puliya Chopasani Road under sewerage drain pipeline at Jodhpur (work order amounting to ₹ 2.34 crore issued in July 2008)	1.96	Due to encroachment of land, 300 m drain could not be constructed. Work lying incomplete since October 2010.
<b>Total</b>	<b>5.47</b>	

The State Government accepted the facts and stated (April 2014) that efforts are being made for availability of sites for execution of works.

#### 4.1.9.2 Created asset not put to use

Construction of "7.5 million litres per day (MLD) Sewerage Treatment Plant (STP) (Activated Sludge Process) lot 2" at Pali was completed in September 2012 by incurring an expenditure ₹ 6.88 crore, but it was not commissioned due to non completion of sewerage pipeline network as the work was stopped by the contractor. However, the STP was inaugurated on 3 October 2013 by connecting it with city Nallah instead of sewerage line. It was observed (October 2013) that work of sewerage line system was not restarted by the contractor. Further, no electric connection was released to STP and the plant could not be commissioned for testing nor could it be put to use. Hence, the asset created in the scheme was not put to use and the intended benefit of improved environment was not achieved.

The State Government stated (April 2014) that commissioned STP has been handed over to the MC, Pali on 30 October 2013. However, reply is not correct as STP was connected with city Nallah for testing the created assets only. Since the assets were not linked with sewerage system the ultimate objective of the created assets could not be achieved.

#### 4.1.9.3 Avoidable financial burden due to incorrect estimates

As there was no provision for revision of sanctioned project cost, any increase in the cost was to be borne by the ULBs. In the following cases, it was observed that:

- As per approved DPR, cost of sewerage line work at Sardarshahar was ₹ 30.72 crore, against which work order for ₹ 31.49 crore was placed. While executing the work, in 12 items of work, additional quantities costing ₹ 3.88



crore and three extra items of work costing ₹ 2.26 crore were required to be executed due to revised design which resulted in cost overrun by ₹ 6.14 crore (₹ 3.88 crore + ₹ 2.26 crore).

- Sewerage pipeline at Jhunjhunu was approved for ₹ 30.90 crore and work order for ₹ 32.70 crore was placed. While executing the work, cost of 11 items of work exceeded by ₹ 5.91 crore and five extra items of work costing ₹ 2.07 crore were added to work due to revision in drawing which resulted in cost overrun by ₹ 7.98 crore.

It indicates that the DPRs were prepared by consultants without considering actual site conditions, due to which actual cost of projects exceeded by ₹ 14.12 crore and resulted in extra financial burden of ₹ 12.71 crore (90 per cent of ₹ 14.12 crore) on the concerned MCs.

The State Government stated (April 2014) that the exact quantity of the items could not be assessed in civil contract, however, action of debarring the contractor for one year for preparation of defective DPRs has been taken. It was further stated that additional cost of the ULBs has been substantially provided by the State Government from its untied fund.

#### **4.1.9.4 Procurement of pipes without requirement**

As per Rule 14 (13) of the Rajasthan Municipalities (Purchase of Material and Contracts) Rules, 1974, provisions of GF&AR are applicable on purchases made by ULBs. As per Rule 64 (iii) of GF&AR (Part-II) material should not be procured in advance of requirement. This was also reiterated in clause 52.1(v) of Section IV of special condition of contract for execution of works. Audit observed that 64,875 m pipe of 110 mm dia uPVC pipe costing ₹ 2.32 crore required for connecting houses with sewerage system at Sardarshahar, were procured and payment of ₹ 1.80 crore was released (up to November 2012). Similarly, 30,530.90 m pipe (110 mm dia uPVC) costing ₹ 0.99 crore were procured (March 2011) for sewerage system at Pali and payment of ₹ 0.69 crore was released. These pipes could not be utilised (March 2013) due to incomplete main and lateral sewerage line works and were lying in stores. Thus, procurement of pipes worth ₹ 2.49 crore without requirement was in contravention of provisions of GF&AR. This also resulted in blocking of funds of ₹ 2.49 crore.

The State Government stated (April 2014) that full quantity of uPVC pipes of 64,875 m in Sardarshahar and 5,165 m in Pali have been utilised. However, details of utilisation have not been made available to Audit.

#### **4.1.9.5 Undue benefit to contractors**

As per general conditions of contract (clause 2.1 of agreement) if the contractor fails to maintain *pro rata* progress and delay is attributable to him, he shall be liable to pay compensation (Liquidated Damages (LD)) for every quarterly span as reviewed by Engineer-in-charge. The progress of the works was slow in six projects but delay was not reviewed and LD was not levied and deducted

from contractors' bills which resulted in undue benefit to the tune of ₹ 5.66 crore<sup>5</sup> to the contractors.

The State Government accepted the facts and stated (April 2014) that an amount of ₹ 0.71 crore has been withheld from the contractors' payment as interim LD in three cases. Time extension without penalty has been approved by competent authority in other cases. Details of approval of time extension were not made available to Audit.

- Construction of 9.385 km bitumen and cement concrete (CC) road in Tonk City as per Ministry of Road Transport and Highway, GoI specification was completed (December 2009) by contractor 'A' by incurring expenditure of ₹ 4.83 crore at DPR rates. As per DPR, defect liability period (DLP) was five years for operation and maintenance (O&M) of roads and charges were to be borne by the contractor after completion of the road, but in the bid document finalised by Chief Executive Officer, Municipal Council (MC) Tonk, DLP was fixed for three years i.e. up to 31 December 2012. MC, Tonk floated fresh tenders in February 2013 for maintenance of the road after two months of the completion of DLP fixed in bid document and awarded work order (April 2013) amounting ₹ 2.23 crore to contractor 'B'. Had the DLP for full five years been included in the bid document of original work, O&M of the road up to December 2014 would have been borne by the contractor 'A' and the extra expenditure of ₹ 2.23 crore (O&M work from April 2013) could have been avoided. This led to undue benefit to contractor 'A'.

The State Government stated (April 2014) that NITs were floated with five years DLP but contractors did not participate, therefore DLP was reduced to three years and the actual date of completion was 10 June 2008. Therefore, the DLP has been completed in June 2011. Details in support of reply were not made available to audit and approval of change in DPR could not be obtained from the competent authority.

#### **4.1.9.6 Non-maintenance of created assets**

As per Section 74 of Rajasthan Municipalities Act, 2009, ULBs are responsible for keeping an inventory of assets created and also to maintain and operate the assets. Audit observed that:

- The construction of a major drain (*Nallah*) at Pratapgarh was completed (April 2009) by incurring an expenditure of ₹ 1.45 crore. O&M charges for five years were to be borne by the contractor after the construction was over. The constructed *Nallah* was damaged at various places and choked (March 2013) with solid waste within five years of its completion. Discharge of *Nallah* was in municipal low lying areas, which was creating hazards to public property and life and no provision for collection of sewerage water and solid

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5. Jhunjhunu (sewerage system: ₹ 0.29 crore), Jodhpur (STP: ₹ 1.06 crore and sewerage system: ₹ 0.94 crore), Pali (STP: ₹ 0.44 crore and sewerage line: ₹ 2.21 crore), Sardarshahar (sewerage system: ₹ 0.39 crore), Pratapgarh (major drains: ₹ 0.06 crore) and Srimadhapur (construction of *Nallah*: ₹ 0.03 crore and construction of road: ₹ 0.24 crore)

wastes was made (March 2013). MC, Pratapgarh stated (March 2013) that the major drain was damaged by local people and its repair work was carried out by the contractor during guarantee period. The reply was not acceptable as no record for repair was made available to audit and the *Nallah* was lying in damaged condition. This indicated improper maintenance of asset.



While accepting the facts the State Government stated (April 2014) that all the damages have now been got repaired from the contractor and the ULB is taking action for cleaning of this *Nallah*.

- Five *Sulabh Shauchalayas* (SS) were constructed at various places of Municipal Board (MB), Bhawanimandi in March 2009 by incurring an expenditure of ₹ 0.24 crore. One SS, constructed on private land, was dismantled (July 2012) by the owner of the land; another constructed at *Krishi Upaj Mandi* premises, was not in regular use and the other three SSs were not in use as these were very unhygienic and in dilapidated condition (June 2013). Thus, the MB, Bhawanimandi failed to maintain the assets and general public was deprived benefit of their use.



#### 4.1.9.7 Unjustified expenditure

- There was no provision for construction of tube wells and other related works in the approved DPR of the project 'beautification of Gomti Sagar' (Water Bodies work) but IA (PWD Division, Jhalawar) incurred (March 2012) an expenditure of ₹ 0.23 crore on construction of a tube well and other related civil works. As no electricity connection was taken at project site, the tube well could not be put to use and was lying unutilised (March 2013).
- A sedimentary tank of 170 kilolitre capacity at the tail end of sewerage drain at Chittorgarh was constructed without any provision in the approved DPR by incurring an expenditure of ₹ 7 lakh, which was lying unutilised and in damaged condition since May 2009.



- As per para 10.9.1 of Indian Road Congress (IRC) Special Publication (SP) 20-2002 the compressive strength of M-30 CC road should be 300 kilogram (kg)/square centimetre (sqcm) after 28 days from the date of casting of cubes. During construction of CC road at Tonk, the contractor executed M-30 CC work<sup>6</sup> of which average strength of cubes was 251.66 kg/sqcm. Thus, the work was substandard. Hence payment of ₹0.22 crore to the contractor for substandard work was unjustified.

The State Government stated (April 2014) that the required strength for 28 days of M-30 CC road is 250 kg/sqcm, therefore the work was not substandard. The reply is not acceptable because the compressive strength of M-30 CC road should be 300 kg/sqcm as per IRC specification.

- Rule 378 of PWF&AR provides that in lump sum contracts, the contractor agrees to execute a complete work with all its contingencies in accordance with drawing and specification for a fixed sum and the detailed measurements of work done are not required to be recorded except for addition and alteration. Therefore, inclusion of a clause on price variation in the lump sum contract agreement was not justified as per the provision stated above.

Audit observed that ₹ 2.18 crore were paid on account of price variation on lump sum/turnkey basis contracts for sewerage system projects at Jhunjhunu (₹ 0.18 crore), Jodhpur (₹ 1.78 crore) and Pali (₹ 0.22 crore) which was not justified as per the provision stated above.

The State Government stated (April 2014) that the payment of price escalation has been made after approval from FD. The reply is not acceptable because payment of price escalation on turnkey basis projects was not admissible as per provision of PWF&R.

#### ***4.1.9.8 Non-obtaining of utilisation certificates***

In the cases given below, neither details of expenditure nor utilisation certificates (UCs) of ₹ 1.02 crore were submitted (March 2013) by IAs:

- RUIDP transferred (March 2011) ₹ 0.51 crore to PWD Division, Jhunjhunu for repair/restoration of road work under 'sewerage pipeline project' at Jhunjhunu.
- MB, Srimadhapur transferred (April 2008 to February 2009) ₹ 0.17 crore to Ajmer Vidyut Vitaran Nigam Limited for shifting electric lines and poles from the road area under 'road and drainage project at Srimadhapur'.
- PWD, Jhalawar transferred (July 2008 to November 2009) ₹ 0.34 crore to PWD, Electrical Division, Kota for execution of electrification work for beautification of Gomti Sagar project.

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6. 869.62 cubic metre during 21 February to 10 June 2008

While accepting the facts the State Government stated (April 2014) that UCs of ₹ 0.51 crore from PWD Division, Jhunjhunu has been received.

**4.1.10 Miscellaneous**

**4.1.10.1 Loss of revenue**

A sewerage treatment plant (STP) of 50 MLD capacity constructed at Jodhpur was handed over to M Corp, Jodhpur in September 2012. As per DPR and SLSC meeting held on 13 February 2009, O&M expenditure was to be met from sale/auction of the treated water of STP and biogas was to be utilised for power generation of 750 KWH. Though the STP was functioning from 1 October 2012 no revenue was generated on account of biogas power (electricity) generation as neither the power generating units were installed nor sale/auction of treated water was held. The M Corp, Jodhpur was deprived of expected revenue of ₹ 0.85 crore<sup>7</sup> due to non-generation of power from biogas. Further, no revenue from sale of 4,500 million litre treated water (on an average 25 MLD for 180 days) during the period from 1 October 2012 to 31 March 2013 could be earned, as no water was sold.

The State Government stated (April 2014) that no provision for bio-gas power generation was made in approved DPR. The reply is not acceptable as while approving the DPR it was suggested (August 2007) by the SLSC that an integrated DPR should always be prepared and alternative source of funding like PPP should be explored for installation and operation of power plant from the bio-gas generated by STP. Non-utilisation of bio-bas generated by STP, not only created environmental pollution but also deprived estimated revenue of ₹ 0.85 crore.

**4.1.10.2 Failure to earn revenue as envisaged in the approved DPR**

As per approved DPR for construction of a major drain at Pratapgarh, extra land recovered/reclaimed in drain course was to be used for construction of shops. Audit scrutiny (May 2013) revealed that the work was completed (April 2009) but shops were not constructed on recovered/reclaimed land and covered portion of the drain. Thus, MC, Pratapgarh failed to generate revenue from shops, as envisaged in DPR. It was also noticed that covered portion of drain area has been encroached by people.



The State Government stated (April 2014) that shops could not be constructed due to poor financial position of ULB.

7. Expected revenue for 12 month ₹ 1.70 crore and for six month is ₹ 0.85 crore

#### **4.1.10.3 Scope of work reduced by executing agency**

DPR for beautification of Gomti Sagar project, Jhalrapatan was approved for ₹ 4.93 crore. Tenders for work were invited by MB, Jhalrapatan but were cancelled (15 February 2007) by the State Government due to single tender and higher tender premium. The State Government withdrew the work from the MB and appointed (February 2007) PWD Division, Jhalawar as IA. It was observed that while preparing estimates (April 2007) for the project, the PWD included *pro rata* charges ₹ 0.57 crore (at the rate of 13 *per cent*) and contingency charges ₹ 0.06 crore (at the rate of 1.5 *per cent*) in the estimated cost by reducing the scope of work *viz* deletion of construction of 500 m *Nallah*, reducing length of retaining wall and footpath/walking track by 840 m each; reducing length of boundary wall by 285 m and heritage look was not given at site. Due to reduction in the scope of work the very purpose of beautification of the project by prevention of water pollution, checking of encroachments and providing heritage look were not achieved.

The State Government stated (April 2014) that the work was executed as per the requirement and decision taken by the City Monitoring Committee. The reply is not correct as the scope of work was reduced to meet the *pro rata* charges and work was not executed as per approved DPR.

#### **4.1.11 Training and capacity building**

As per Para 16 of scheme guidelines, Central and State Government were to organise suitable training for capacity building through reputed institutions in the field. Further, as per Para 9 of scheme guidelines, SLSC may sanction 1.5 *per cent* amount of project cost as incentive. It was observed that neither was any training programme conducted nor was the incentive amount sanctioned and released to ULBs. Consequently, awareness relating to project/scheme among people/staff could not be developed.

The State Government stated (April 2014) that funds were not released by MoUD, GoI.

#### **4.1.12 Non-implementation of agenda reforms**

The main thrust of the scheme was to revise strategy of urban renewal to ensure improvement in urban governance, so that ULBs and parastatal agencies become financially sound with enhanced credit rating and ability to access market capital for undertaking new programmes and expansion of services. To achieve this objective, State Governments, ULBs and parastatal agencies executed MoA with MoUD for implementation of reforms. The proposed reforms fall broadly under two categories:

- Mandatory reforms
- Optional reforms

The State and ULBs needed to implement at least two optional reforms each year.

The State Government intimated that three out of four mandatory reforms at State Level, five out of six at ULB level and 12 out of 13 optional reforms have been implemented. One mandatory reform of 'property tax' with 85 *per cent* collection efficiency and one optional reform regarding 'introduction of property title certification system' in ULBs were still to be implemented.

It was observed that:

- Out of 18 functions listed in Twelfth Schedule of the Constitution, 2 functions i.e., urban planning including town planning and water supply for domestic, industrial and commercial purpose were not accomplished and 16 functions were transferred to ULBs without staff. Therefore, environment for the growth of the city by enhancing effective urban service delivery and civic infrastructure through improvements in urban management, land management, financial management and stakeholder participation in local governance could not be achieved.
- Mandatory reforms at ULB level regarding e-Governance, accrual-based double entry accounting system, internal earmarking of funds for services to urban poor and levy of user charges were partially implemented in test checked ULBs. At State level, Enactment of Community Participation Law was partially implemented. Further, optional reforms regarding Enactment of Public Disclosure Law were partially implemented.

The State Government stated (April 2014) that 87 *per cent* of the reforms have been implemented by the GoR. For the reform of recovery of property tax, user charges could not be achieved as per the targets, and the reform of Introduction of Property Title Certification will be implemented as per the direction of MoUD, Gol.

#### ***4.1.13 Non-sanctioning of projects under Public Private Partnership model***

Encouraging PPP was one of the scheme objectives for infrastructural development. Since guidelines/criteria were not developed between Government agencies and the private sector for undertaking activities of building infrastructure projects, the private sector did not participate in infrastructural development.

The State Government stated (April 2014) that out of 37 projects, 21 projects were of very small amount and remaining 16 projects were public utility projects; therefore, PPP model could not be adopted.

#### ***4.1.14 Monitoring and evaluation***

To review and monitor the physical and financial progress of the project throughout the project development life cycle, MoUD evolved (November 2009) a State level mechanism for monitoring and review of project by an independent agency named "Independent Review and Monitoring Agency" (IRMA). 10 *per cent* of the approved projects in the State in order of higher project cost should be taken up by IRMA for technical inspection. Maximum three visits i.e. after start of project, prior to release of second instalment and

after completion of the project were to be carried out under the scheme. Four projects (three Sewerage projects at Kishangarh, Jodhpur and Pali and one Water supply project at Udaipur) were selected for IRMA. In two test checked sewerage projects at Jodhpur and Pali, Audit observed that only one inspection (after start of project) each was conducted by IRMA on 21 and 22 April 2011 respectively. It was also noticed that action on the following recommendations made by IRMA was not taken by M Corp, Jodhpur:

- Corrective measures should be taken for timely completion of project.
- Proposals for utilisation of biogas generated from anaerobic digestion of sludge may be made and implemented.
- Permission from defence authorities may be obtained.

Further, in all the test checked projects, the mechanism evolved for monitoring the scheme at all levels was not adequate and satisfactory as *pro rata* progress of works was not maintained by contractors. No timely notice as per clause 2 of agreement for delay in execution of work was issued to contractors by ULBs.

While accepting the facts the State Government stated (April 2014) that inspecting agency has been requested to conduct mandatory inspection. All effective measures were taken for completing the projects but the projects were delayed on account of unavoidable reasons.

#### **4.1.15 Internal control**

Internal control is an important mechanism to ensure that the departmental operations were carried out according to the applicable laws, regulations and approved procedures in an economical, efficient and effective manner.

Audit observed that:

- For keeping watch on utilisation of sanctioned funds, monthly financial statements of projects were not prepared.
- Similarly, no physical and financial progress reports were prepared at ULB level.
- Basic records such as works abstract, store and stock registers, material at site account, contractor ledgers, hindrance and site inspection registers, etc. were to be maintained under PWF&AR by each ULB but none of the test checked ULBs maintained these records. In the absence of these basic records effective internal control was not ensured in audit.
- No formats were designed at ULB level for reporting effectiveness of the scheme/activities and its outcome.
- As per guidelines, 3 meetings of SLSC were to be conducted each year but it was noticed that only 10 meetings against 22 prescribed meetings were held during 2005-06 to 2012-13. In SLSC meetings review of projects sanctioned, release of second instalment of ACA, releases of incentive for



preparation of DPRs, physical and financial progress of the projects and implementation of reforms were discussed. The SLSC directed ULBs/IAs to complete the work in the scheduled time. However, there was delay in execution of projects and non-implementation of reforms resulted in non-receipt of second ACA. This indicated lack of effective internal control.

The State Government stated (April 2014) that monthly physical and financial progress statements are being prepared and action for timely preparation of progress statements is being taken. Further, SLSC meetings were conducted as and when required. The reply is not acceptable as monthly physical and financial statements were being prepared at SLNA level and not at ULB level as observed in test checked ULBs. Non-holding of SLSC meetings, as required in guidelines resulted in slackness in implementation of schemes as commented in preceding paragraphs.

#### ***4.1.16 Environmental and social impact assessment***

Under the scheme, while approving DPRs, SLSC also assessed environmental (reduction of air and water pollution, scientific disposal of sewage and solid waste) and social impact (enhancing hygienic conditions and physical health) of each project. Audit observed that:

- Biogas generated by anaerobic digestion of sludge at STP, Jodhpur was not being utilised for electricity generation and was directly being released to the open air, thus polluting the environment. No action on IRMA's recommendations for use of biogas was taken.
- Due to incomplete Sewerage Drain Project at Chittorgarh, sewage with solid waste was still (March 2013) being discharged into the Gambhiri River thereby polluting its water.
- In cities/towns, waste water from households was being disposed off into open drains, creating open pools of waste water around residential colonies, especially in slums and low-lying areas as well as along the roads. These pools were major cause of vector-borne as well as gastro-enteric diseases. Open drains and waste water pools create foul odour in the vicinity and act as a hindrance in normal movements of traffic. A major drain constructed at Pratapgarh was found choked, damaged and spreading waste in the open area adversely affecting environment with increasing pollution.
- None of the 13 approved sewerage projects was fully commissioned (March 2013). Thus, the scheme failed in controlling pollution and improvement of the environment.

The State Government stated (April 2014) that provision for electricity generation was not made in DPR, intercepting sewer drain at Chittorgarh could not be completed due to court stay and ULBs have been directed for taking action regarding property connections where sewer line work has been completed. Regarding electricity generation, SLSC in its meeting (August 2007) decided that bio-gas that generated at STP, Jodhpur would be utilised for power generation.

#### 4.1.17 Conclusion

The impact of the scheme in Rajasthan was rather limited since out of 181 cities/towns, only 35 cities/towns were covered. Further, only 37 projects costing ₹ 609.93 crore were sanctioned. No project was sanctioned after 2009 and no ACA was released during 2010-13. In fact, only 22 projects (59 per cent) costing ₹ 121.67 crore (19.95 per cent) were completed and works of the remaining projects were in progress (April 2014) though stipulated dates of completion of these projects had elapsed. Delay in execution was attributed to deficiencies in preparation of DPRs, non-availability of land, change in design and scope, etc. Lack of implementation of reforms resulted in non-release of second instalment of ACA ₹ 175.06 crore. Revolving fund for financing further investment was not created. There were instances of created assets not put to use, procurement of material without requirement, non-maintenance of created assets and absence of efforts for revenue generation from created assets. No efforts were made for private sector participation for infrastructural development activities. Internal control mechanism and monitoring system was not adequate. Environmental and social impacts of the projects as envisaged were not achieved.

#### 4.1.18 Recommendations

- The State Government should ensure coverage of all the towns/cities under the UIDSSMT giving priority to the towns with inadequate urban infrastructure facilities;
- There should be proper planning, including site selection and coordination of all auxiliary works, before the submission of DPRs by the ULBs to the SLNA so that the works could be executed smoothly;
- The State Government should closely monitor the execution of projects through SLNA to avoid delays due to non-clearance of sites and non-maintaining *pro rata* progress of the works;
- The State Government should transfer functions of one mandatory and one optional reforms (Water Supply and Property title certification) to ULBs to enhance effective service delivery and civic infrastructure; and
- Internal control mechanism and monitoring system should be strengthened through mandatory maintenance of basic records and effective evaluation of the implementation of the scheme by SLNA.

## COMPLIANCE AUDIT

### Local Self Government Department

#### 4.2 Non-compliance with rules and regulations

##### 4.2.1 Non-levy and collection of Labour Welfare Cess

#### **Municipal Corporation, Jaipur failed in levy and collection of Labour Welfare Cess amounting to ₹ 42.87 lakh from contractors.**

For providing safety, health and welfare measures to construction workers, Government of India enacted Building and Other Construction Workers' Welfare Cess Act, 1996 (Cess Act) and framed Building and Other Construction Workers' Welfare Cess Rules, 1998 (Cess Rules) for levy and collection of cess from contractors. The Government of Rajasthan has framed and notified (April 2009) the Rajasthan Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2009. Under the Cess Rules and further clarification issued by Labour and Employment Department, Government of Rajasthan in July 2010, the cess is to be recovered at the rate of one *per cent* at source from all the bills of the contractors of the building and other construction works with effect from 27 July 2009. The cess amount recovered is to be transferred to Rajasthan Building and Other Construction Workers' Welfare Board within 30 days of its collection after deducting cost of collection (not exceeding one *per cent* of the cess collected). The cess is to be collected by Central and State Government Organisations, Semi-Government Organisations and Private Organisations carrying out building and other construction works in the State of Rajasthan.

Scrutiny (April – August 2012) of records of Municipal Corporation, Jaipur revealed that cess amounting to ₹ 42.87 lakh was not levied and collected by the Corporation from the running and final bills of the 25 contractors paid between August 2009 and April 2012 for building and other construction works. Further, no mechanism or database of number of ongoing works and the cess collected thereon existed with the Corporation. In the absence of this data the amount of cess leviable/levied could not be assessed.

The State Government while accepting the facts stated (August 2013) that notices have been issued to the concerned contractors to deposit the cess and efforts were being made to recover the labour welfare cess. The fact, however, remains that no one has been held responsible for the lapse.

Non-levy and collection of the cess ₹ 42.87 lakh indicates failure of internal controls in the Municipal Corporation, Jaipur. The objective of levying cess for providing safety, health and welfare measures to construction workers was defeated.

### 4.3 Audit against propriety

#### 4.3.1 Infructuous expenditure

#### **Failure of Urban Improvement Trust, Kota in obtaining prior concurrence of the Defence establishment resulted in infructuous expenditure of ₹ 3.81 crore.**

As per Section 30 of the Rajasthan Urban Improvement Trust (UIT) Act, 1959, while framing a scheme in respect of any area, regard shall be accorded to the nature and conditions of such area and neighbouring areas as a whole. As per the provisions of Defence Act, 1903 the Station Commanders of the Military Stations in the cities concerned are responsible for security and safety of the Defence establishment and to keep a watch that no construction within 100 metres and 500 metres of Defence land (in case of any multistoreyed building beyond four storeys) is carried out.

The State Government issued (October 2010) administrative and financial sanction of ₹ 51.25 crore for construction of a flyover-elevated road (height about 8.5 metres) from JDB College to Government College (Antaghar Circle) on Station Road, Kota which is in vicinity of a Defence establishment. After completing the tender formalities but without consulting the Army Station Commander (ASC) as required under the provisions of UIT Act *ibid*, the Executive Engineer (Project), UIT, Kota issued (December 2010) a letter of acceptance for construction of the flyover at a contract price of ₹ 45.81 crore to M/s Valecha Engineering Limited, Mumbai. The dates of commencement and completion of the contract were 12 January 2011 and 11 January 2013 respectively. The original contract price was revised to ₹ 47.77 crore by including diversion road (for smooth running of traffic during construction of flyover) at an additional cost of ₹ 1.96 crore.

Keeping in view the provisions of works of Defence Act, 1903, the Station Commander, Defence establishment, Kota raised objections on the execution of the flyover work in October 2010, February, March and July 2011. The July 2011 letter incorporates detailed guidelines issued (May 2011) by Ministry of Defence, Government of India and stated that either the construction of a flyover adjoining Defence land be cancelled or appropriate parameters in consultation of Station Commander be included for the security and functioning of military station before execution of work. Meanwhile, the work of survey, soil testing, central line marking and construction of flyover-elevated road was executed by UIT, Kota between January 2011 and April 2012 by incurring expenditure of ₹ 3.81 crore. For want of clearance from Defence establishment and on the request (March 2013) of UIT, the State Government allowed (April 2013) withdrawal of work. An unfruitful expenditure of ₹ 3.81 crore on construction of diversion road, survey, soil testing establishment and central line marking could have been avoided, had the work been undertaken after obtaining clearance from ASC, Kota.

UIT stated (July 2013) that reply was given during March and May 2011, but due to non-receipt of any response from the Army, the work was withdrawn

(April 2013). However, the Joint Secretary, Urban Development Department, Government of Rajasthan stated (August 2013) that clearance certificate from army/military authorities was not required as the construction of flyover-elevated road was proposed on existing road sites. The reply was not acceptable because as per provision of the Defence Act, 1903 and objections raised in October 2010, by the ASC, Kota construction of the proposed flyover-elevated road could start only after obtaining clearance of Defence authorities.

#### 4.3.2 Irregularly paid amount not recovered

**Slackness of Municipal Board, Bari and State Government in complying with the Hon'ble High Court orders, resulted in non-recovery of irregularly paid amount of ₹ 1.83 crore to contractor. Action against delinquent officers was also not initiated.**

Sections 3 and 4 of the Rajasthan Public Demand Recovery (RPDR) Act, 1952 provide that when any public demand is due, the officer or authority charged with its realisation may send a written requisition in the prescribed form and manner, to the Collector having jurisdiction over the place where the defaulter resides or owns property. On receipt of such requisition, the Collector, if satisfied that the demand is recoverable under the Act and that its recovery by suit is not barred by any law for the time being in force, may initiate recovery of demands from the defaulter by issuing certificate of recovery prescribed under the Act *ibid*.

Audit scrutiny of records of Municipal Board (MB), Bari (District Dholpur) revealed (December 2012) that the MB had awarded (January 2009) a contract of ₹ 3.67 crore for laying of 32 kilometres (km) of underground electric cable, road cutting and repairs thereof, along with erection of 320 electric poles, fixing of compact fluorescent lamps (CFL) and ancillary activities to M/s Dee Control & Electric (P) Limited (contractor). The work was awarded in violation of the procedure laid down in Rules 3, 4, 14, 15 and 17 of the Rajasthan Municipalities (Purchase of Material and Contracts) Rules, 1974 because the Municipal Board did not (i) prepare site plan, design, drawing, structural design and detailed estimate (based on PWD BSR) of the work; (ii) obtain prior administrative and financial sanctions from the State Government; (iii) invite open tenders; (iv) execute a detailed agreement in the prescribed formats with the contractor; and (v) stipulate the date of completion of work etc before award of the work.

The Executive Engineer (EE), Jaipur Vidyut Vitaran Nigam Limited (JVVNL) monitored the work but the contractor left (March 2009) the work after cutting 10.25 km road without repairing the dugout road. The contractor partially executed erection of electric poles and street lights which were defective<sup>8</sup> and not put to use so far (February 2014). Payment of ₹ 1.83 crore was made (21 March 2009) on proforma invoice of the contractor, without any measurement of work or making entries in the measurement books but based on simple

8. 242 electric poles not in alignment and in zigzag way, CFL not fixed on 61 poles and 48 fuse boxes not fixed, etc.

verification of work by the Assistant Engineer and EE of the JVVNL and EE, MB Bari. Even bank guarantee of ₹ 18.30 lakh was not obtained as required under Rule 322 of Public Works Financial & Accounts Rules. Though payment of ₹ 1.83 crore was made to the contractor, the street light could not be activated and facilities to residents of MB were not provided (February 2014).

Acting on a public interest litigation filed in this regard, the Rajasthan High Court ordered (April 2011) for recovery of unjustified payment of ₹ 1.83 crore within a period of six months.

Audit observed that MB issued notices to the contractor in January and April 2012 for depositing the amount of ₹ 1.83 crore paid to it unjustifiably, but action for recovery of unjustified payment from the defaulting contractor had not been initiated under the RPDR Act, 1952. Also, the responsibility for the unjustified payment had not been fixed by the State Government against delinquent officers/officials of MB as of October 2013.

The Deputy Secretary, Local Self Government Department, while accepting the facts stated (October 2013) that notices for recovery of unjustified payment of ₹ 1.83 crore have been issued to the defaulting contractor by the MB, but no recovery has been made.

Thus, slackness of MB, Bari/State Government in complying with Hon'ble High Court's orders resulted in non-recovery of irregularly paid amount of ₹ 1.83 crore. Action against delinquent officers has also not been initiated.

#### **4.4 Failure in implementation, monitoring and governance**

##### **4.4.1 Non-conservation of heritage monuments**

##### **Failure in execution of scheme for conservation of heritage monuments resulted in blockage of ₹ 1.89 crore.**

In pursuance of the National Tourism Policy 2002, the Heritage Conservation Scheme was started in 31 cities<sup>9</sup> of Rajasthan in the year 2004 for conservation and preservation of Indian heritage and sustainable development. The District Level Committees (DLC) were constituted under the chairmanship of District Collectors for identification and conservation of monuments of heritage importance, sanction of heritage development plan/proposals and regular review of the work.

Rules 8(1) to (3) of General Financial & Accounts Rules (GF&AR) provide that funds should be withdrawn only if required for immediate payment. Further, as per Rule 281 and 282 of GF&AR funds should not be withdrawn to

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9. Ajmer, Alwar, Banswara, Bharatpur, Bikaner, Bundi, Chhabra, Chittorgarh, Chomu, Churu, Deeg, Dungarpur, Fatehpur, Jaipur, Jaisalmer, Jhalrapatan, Jhalawar, Jhunjhunu, Jodhpur, Kama, Khetri, Kota, Mandava, Nathdwara, Nawalgarh, Pilibanga, Pushkar, Ratannagar, Sawaimadhopur, Sikar and Udaipur

avoid lapse of budgetary grants and unutilised amount is to be surrendered to the State Government.

Test check of records of the Municipal Board (MB), Chomu (District, Jaipur) (December 2012), Municipal Corporation (M Corp), Ajmer (February-March 2013), Municipal Council (MC), Udaipur (February-March 2013) and information collected (August 2013) from M Corp, Jodhpur revealed that the State Government released (18 March 2008) ₹ 2.75 crore in Personal Deposit (PD) Accounts of these municipal bodies. The position of release of funds, utilisation and execution of works are exhibited below:

Particulars	M Corp		MB, Chomu	MC, Udaipur	Total
	Ajmer	Jodhpur			
District Level Committee (DLC) constituted	July 2008	November 2008	August 2008	September 2009	-
Identified monuments	5	1	5	5	16 <sup>10</sup>
Funds released (₹ in crore)	0.75	0.75	0.50	0.75	2.75
Sanctioned works	5	1	Nil	3 <sup>11</sup>	9
Executed works	4 <sup>12</sup>	Nil	Nil	1 <sup>13</sup>	5
Funds utilised (₹ in crore)	0.55 (as on June 2011)	Nil	Nil	0.31 (as on September 2010)	0.86
Unutilised funds (As of March 2013) (₹ in crore)	0.20	0.75	0.50	0.44	1.89

Further scrutiny revealed that one work at M Corp, Ajmer could not be executed due to objection of the Forest Department. In case of MC, Udaipur one work could not be started due to land dispute and in another due to delay in sanction by the DLC. In case of MB, Chomu, Detailed Project Report (DPR) was prepared and sent (February 2010) to Local Self Government Department (LSGD). LSGD intimated (March 2010) District Collector (DC), Jaipur that neither DPR nor sanction of LSGD was required and that the DC was empowered to sanction the work. Despite this, neither was the sanction of DLC obtained nor were the works executed. In case of M Corp, Jodhpur one work awarded to the contractor in December 2012 could not be started (August 2013) due to encroachment.

M Corp, Ajmer stated (August 2013) that design work of the remaining identified monument was at the final stage and funds would be utilised by the end of March 2014. In the case of MB, Chomu, it was stated that funds would be utilised on the identified works after obtaining sanction from the DC, and

10. M Corp, Ajmer: five works (Jharneshwar Temple, Faysagar walkway, Shaheed Smarak/Ghantaghar, Soni ji ki Nasiya and Taragarh approach road), M Corp, Jodhpur: one work at Fatah Sagar to Killa Road, MB, Chomu: five works (Surajpole, Jaipole, Bajrangpole, Durgapole and Garh Ganesh Temple) and MC, Udaipur: five works (Meera Temple, Gangu Kund Shiv Temple, Ambapole, Jagdish Chowk and Parking place at Gangu Kund)
11. Three works: two works ₹ 0.45 crore for Gangu Kund Shiv Temple and approach road/parking place at Gangu Kund (sanction issued in September 2009) and one work ₹ 0.37 crore for approach road at Jagdish Temple (work order issued in February 2012)
12. The developmental work at four monuments (Jharneshwar Temple, Faysagar walkway, Shaheed Smarak/Ghantaghar, Soni Ji Ki Nasiya) was completed and one work in place of Taragarh conservation works at Subhash Garden, Ajmer was though sanctioned by DC in July 2011, but this work was not executed, as of March 2013
13. The development work at one monument (Gangu Kund Shiv Temple) was completed (March 2010)

MC, Udaipur for utilising the remaining funds, work order for ₹ 0.37 crore was issued in February 2012 and the work was in progress.

Thus, funds of ₹ 1.89 crore were neither utilised for the specified purposes nor surrendered to the State Government by the municipal bodies despite a lapse of a period over five years.

The matter was referred to State Government in July 2013 and their reply was awaited (February 2014).

#### 4.4.2 Loss of revenue

##### **Failure of Municipal Corporation, Jaipur in finalisation of tender formalities for award of advertising licences led to loss of ₹ 1.20 crore.**

Bye-law 4 of Jaipur Municipal Corporation (Advertisement) Bye-laws, 2004 provides that licences to advertising agencies for display on advertising sites shall be granted through open tenders. The Bye-law further stipulates that an Advertisement Committee of the Municipal Corporation (M Corp), Jaipur, if it deems appropriate, can renew the existing licence by increasing 10 *per cent* in advertisement charges of the previous year but once in three years, auction should be held.

Audit scrutiny (April to August 2012) of records revealed that during the year 2006, the Municipal Corporation issued licences (for the period from July 2006 to June 2007) to 11 advertising agencies<sup>14</sup> through auction for display of advertisement on 53 unipole sites and kiosks of six zones for ₹ 1.98 crore. For the year 2007-08 (second year), Advertisement Committee, M Corp, Jaipur accorded (May 2007) sanction for renewal of the aforesaid licences for the period from July 2007 to June 2008 with a 10 *per cent* increase. All the 11 advertising agencies sought (January 2008) renewal of their licences for the third year (July 2008 to June 2009) with 10 *per cent* increase in advertisement charges over the previous year. M Corp, Jaipur, however, decided (June 2008) to auction licences of the aforesaid unipole sites and kiosks in view of the 582 *per cent* higher revenue earned by M Corp, Jaipur in the auction (May 2008) of 104 other adjoining unipole sites. In the auctions held on 26 June 2008 and from 30 December 2008 to 2 January 2009, no advertising agency turned up to bid and the existing 11 advertising agencies continued to utilise sites for display of advertisement without payment of any fee during July to December 2008 because of the delay on the part of M Corp, Jaipur to take advance action to remove the advertisements. The sites were removed by M Corp, Jaipur only in January 2009.

On the decision (February 2009) of Finance Committee, M Corp, Jaipur issued (March 2009) notices and reminders (May 2009) to 11 advertising agencies for depositing the advertisement charges for the period July to

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14. (i) Alfa Advertising and Marketing, (ii) Bhartiya Vigyan Sewa, (iii) Innoventure Displays (P) Limited, (iv) Jenus Overseas, (v) Maharaja Advertisers Private Limited, (vi) N.S. Publicity Agencies, (vii) Parveen Publicity, (viii) P.K. Advertising Services Private Limited, (ix) Planet Outdoor, (x) Pioneer Publicity Corporation Private Limited and (xi) Thukral Advertiser



December 2008, amounting to ₹ 1.89 crore. It was also observed that the proposal for recovery of ₹ 1.89 crore was submitted five times in the board meeting (October 2009, April, May, July and September 2010) for approval for taking action under Rajasthan Public Demand Recovery Act, 1952 or Land Revenue Act, but no decision was taken as of December 2010. Therefore, demand notices were again issued (December 2010 and March 2011) to the advertising agencies but no amount has been recovered as of August 2013. Had the Corporation taken a decision well before commencement of the third year (July 2008 to June 2009), completed the auction process timely and removed unauthorised display on advertisement sites immediately, revenue for the period July 2008 to December 2008 from display of advertisement sites could have been earned.

The State Government accepted (August 2013) delay in the process of auction of the sites. Failure to take appropriate decision in time resulted in loss of revenue of at least ₹ 1.20 crore<sup>15</sup>. Moreover, the Corporation did not initiate action for recovery of dues under the Rajasthan Public Demand Recovery Act, 1952.



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15. Proportionate recoverable advertisement charges for six months i.e. July 2008 to December 2008 calculated on the basis of 10 per cent increase in advertisement charges recovered in 2007-08