
Chapter - IV
Performance Audit

4 Performance Audit on Infrastructural Development in slums identified under IHSDP

4.1 Introduction

Integrated Housing and Slum Development Programme (IHSDP) is one of the components of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched by Government of India (GoI) in December 2005 to encourage reforms and fast track planned development of identified cities. This programme combines the Valmiki Ambedkar Awas Yojana (VAMBAY) and National Slum Development Programme (NSDP) to bring about an integrated approach in improving the living conditions of urban slum dwellers by providing adequate shelters, amenities and community infrastructure. The programme is applicable to all the cities and towns as per census 2001 except those covered under JNNURM.

Objective of the Programme

The basic objective of the programme is to strive for holistic slum development with a healthy and enabling urban environment. The admissible components under the programme include provision of:

- Shelter including up-gradation and construction of new houses including sites and services/houses at affordable costs for Economically Weaker Section (EWS)/Lower Income Group (LIG) categories
- Community toilets
- Physical amenities such as water supply, storm water drains, widening and paving of existing lanes and street lights etc.
- Community infrastructure/social amenities such as provision of community centres for pre-school education, non-formal education, adult education and recreational activities
- Community primary health care centre buildings etc.
- Model demonstration projects
- Slum improvement and rehabilitation projects

4.2 Responsibility centres

<i>Level</i>	<i>Main Responsibilities</i>
<i>National</i>	JNNURM functions under the overall guidance of a National Steering Group (NSG) at the central level, which sets policies for implementation, monitors, reviews progress and suggests corrective action wherever necessary. The NSG is supported by a Technical Advisory Group (TAG), to appraise the proposals, and a Central Sanctioning Committee (CSC) for further appraisal and sanction of the proposals. The Detailed Project Reports (DPRs) are scrutinised by the technical wings of the GoI

	Ministries/specialised technical agencies, before submitting them to the CSC for sanction.
<i>State</i>	The programme is co-ordinated by the State Level Steering Committee (SLSC), headed by the Chief Minister/Minister of Urban Development/Minister of Housing, which reviews and prioritises proposals for inclusion of projects for seeking assistance under JNNURM from the GoI. The SLSC is supported by the State Level Nodal Agency (SLNA) which is set up for appraising the projects submitted by ULB/parastatal agencies and obtaining sanction of SLSC; management of grants received from the Central and State Governments for release to ULBs/parastatal agencies, submission of quarterly progress report to GoI etc. Andhra Pradesh Urban Finance and Infrastructure Development Corporation (APUFIDC) has been designated (February 2006) by the Government as SLNA. Telangana Urban Finance and Infrastructure Development Corporation (TUFIDC) was constituted on 21 August 2014 consequent to bifurcation of the State.
<i>Implementing agencies</i>	Responsibilities at implementing agency level (Public Health Engineering Divisions/Urban Local Bodies) include submission of detailed project reports to the SLNA for appraisal, accountal of funds received from SLNA, tendering, award of contracts, ensuring adherence to the time schedule and quality of the works executed by the contractors, furnishing of periodical reports on physical and financial progress, submitting utilisation certificates, maintaining inventory of assets created and operate assets and facilities created etc.

4.3 Funding pattern

Guidelines stipulate that funds under IHSDP are shared in the ratio of 80:20 by Central and State Governments/ULB. Central grant is directly released to nodal agencies identified by the State Government as Additional Central Assistance (ACA). Release of Central share to nodal agency depends on release of matching State share and submission of utilisation certificates. State share has to be deposited in a separate account to become eligible for the Central grant. 50 per cent of the Central grant is to be released to the State nodal agency after verification of the State share, and on signing the tripartite Memorandum of Agreement. Second instalment is released based on the progress of the works. However, GoI releases funds directly to the State Government, which in turn releases to SLNA (TUFIDC) through budget release orders. SLNA releases GoI, State and ULB share of funds to the implementing agencies.

4.4 Audit framework

4.4.1 Audit objectives

Out of the two components of housing and infrastructure development undertaken under IHSDP, this performance audit focuses on implementation of infrastructure development in slum areas with the objective of assessing the following:

- i. Whether slums in need of basic infrastructural facilities were identified in accordance with Government guidelines/orders.
- ii. Whether infrastructural facilities in terms of physical amenities, community infrastructure and social amenities were provided within the approved cost and timeline.
- iii. Whether internal controls relating to financial management, project execution and monitoring were effective.

4.4.2 Audit criteria

Audit findings have been benchmarked against the criteria sourced from the following:

- GoI guidelines and operational manuals
- Orders/circulars issued by GoI and State Government from time to time; and
- Public Works Code and Financial Code (composite State of Andhra Pradesh¹).

4.4.3 Audit scope and methodology

Performance audit of slum development programme covered implementation of infrastructure development related projects executed during the five year period 2010-15. Audit methodology involved scrutiny of relevant documents in Municipal Administration and Urban Development (MA&UD) department in Secretariat, Telangana Urban Finance and Infrastructure Development Corporation (TUFIDC) the State Level Nodal Agency, Office of **Mission for Elimination of Poverty in Municipal Areas (MEPMA)**, Office of Engineer-in-Chief and implementation units² of selected projects. An engagement letter was addressed (December 2014) to Principal Secretary, MA&UD Department wherein audit sample and methodology were explained. The exit conference was held with the officials of MA&UD Department in December 2015 to discuss audit findings and response of the Government have been incorporated at appropriate places in the report. However, reply from the Government is awaited (December 2015).

¹ Applicable in relation to the State of Telangana also as per Andhra Pradesh Reorganisation Act, 2014

² Eight projects were implemented by Public Health Engineering Divisions (Nalgonda Division: Suryapet, Miryalaguda and Narayanpet; Adilabad Division: Mancherial; Warangal Division: Palwancha and Jangaon, Hyderabad Division: Tandur; Nizamabad Division: Bodhan) and one project by municipality (Siddipet)

4.4.4 Audit sample

Out of 16 projects³ sanctioned (2007-09) in the State for infrastructure development under IHSDP at a cost of ₹181.17 crore, nine⁴ projects costing ₹113.53 crore were selected for detailed scrutiny based on highest approved cost in each of the districts.

4.5 Financial and Physical performance

Infrastructure facilities include physical amenities like water supply, storm water drains, community latrines, widening and paving of existing lanes, street lights etc. In addition, these include community infrastructure and social amenities like pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunisation etc.

Sixteen infrastructural development projects were sanctioned in the State during 2007-09. Details of financial performance of these projects as of March 2015 are given below:

Table 4.1

(₹ in crore)

Year of Sanction	No. of projects sanctioned	GoI approved project cost		Releases as of March 2015	Expenditure as of March 2015	No. of projects completed	No. of projects yet to be completed
		Original	Revised				
2007-08	12	154.55	145.40	132.05	138.13	10	2
2008-09	4	26.62	22.92	20.00	18.06	3	1
Total	16	181.17	168.32	152.05	156.19	13	3

Source: Records of SLNA

Details of financial performance in test-checked projects as of March 2015 are given below:

Table 4.2

(₹ in crore)

Year of Sanction	Name of the ULB	GoI approved cost		Releases as of March 2015	Expenditure as of March 2015	Status of the project
		Original	Revised			
2007-08	Jangaon	16.00	14.11	16.25	16.26	Completed
	Mancherial	16.89	15.49	13.95	14.30	Completed
	Miryalaguda	14.50	14.50	14.58	15.22	Completed
	Narayanpet	12.58	12.58	9.72	10.50	Completed
	Siddipet	3.97	3.86	2.78	2.73	Not Completed
	Suryapet	23.27	21.18	16.92	16.90	Completed
	Tandur	13.82	12.75	11.51	12.52	Completed
2008-09	Bodhan	6.25	5.74	5.84	5.70	Completed
	Palwancha	6.25	4.50	4.30	3.41	Completed
	Total	113.53	104.71	95.85	97.54	

Source: Records of SLNA

³ Bhongir, Bodhan, Gadwal, Jangaon, Mahbubnagar, Mancherial, Miryalaguda, Nalgonda, Narayanpet, Nirmal, Palwancha, Siddipet, Tandur, Suryapet, Wanaparthy and Yellandu

⁴ Bodhan, Jangaon, Mancherial, Miryalaguda, Narayanpet, Palwancha, Siddipet, Tandur and Suryapet (Pilot study)

Original DPRs were revised (upward and downward) in all the test-checked projects, due to change in scope of work and none of the test-checked projects was completed within the stipulated time. The delay in this regard ranged from one year to four years⁵ due to non-availability of clear site for construction of Community Utility Centres (CUCs) and community toilets. In five⁶ out of nine test-checked projects, expenditure exceeded releases by ₹2.79 crore (4 per cent). Audit findings on the test-checked projects are discussed in the subsequent paragraphs.

Audit findings

4.6 Planning

As per the provisions of Andhra Pradesh Slum Improvement (Acquisition of Land) Act, 1956 any area that is a source of danger to the public health, safety or convenience of its neighbourhood by reason of the area being low lying, insanitary, squalid or otherwise, may by notification in the Gazette be declared to be a slum area.

4.6.1 Identification of slums

As of July 2015, there were 3,844 slums in 68 ULBs spread over 10 districts⁷ of the State. The programme was implemented in 341 slums in 16 ULBs of eight⁸ districts. Criteria adopted for identification of slums in ULBs as well as reasons for non-identification of any slum in Karimnagar district was not forthcoming from the records. During the exit conference (December 2015), Government stated that the slums not covered under State Government scheme, Andhra Pradesh Urban Services for the Poor (APUSP) were identified under IHSDP programme. Since APUSP is not specific to slum development alone, identification of slums should have been considered while taking up works under IHSDP.

- i. **Prioritisation of slums:** State Government instructed (September 2004) the ULBs to prepare the poverty and infrastructure deficiency matrix and prepare the list of prioritised slums for taking up infrastructure development activities in the slums.

In the ULBs of the nine⁹ test-checked projects, there were 251 slums as per the Detailed Project Reports (DPRs) (2007-2009), of which only 179 slums were identified by the ULBs¹⁰ for implementation of the programme. DPRs of the test-checked projects did not indicate the criteria adopted for identification of slums. Further, documents relating to poverty and infrastructure deficiency matrix, list of prioritised slums and criteria adopted by ULBs for identification of slums were

⁵ with a delay of 1-2 years (2 projects), 2-3 years (4 projects) and 3-4 years (2 projects)

⁶ Jangaon (₹0.01 crore), Mancherial (₹0.35 crore), Miryalaguda (₹0.64 crore), Narayanpet (₹0.78 crore) and Tandur (₹1.01 crore)

⁷ Adilabad, Hyderabad, Karimnagar, Khammam, Mahbubnagar, Medak, Nalgonda, Nizamabad, Rangareddy and Warangal

⁸ Adilabad (2 ULBs), Khammam (2), Mahbubnagar (4), Medak (1), Nalgonda (4), Nizamabad (1), Rangareddy (1) and Warangal (1)

⁹ Bodhan (35 slums), Jangaon (20), Mancherial (28), Miryalaguda (24), Narayanpet (18), Palwancha (42), Siddipet (20), Suryapet (50) and Tandur (14)

¹⁰ Bodhan (35 slums), Jangaon (15), Mancherial (6), Miryalaguda (24), Narayanpet (17), Palwancha (17), Siddipet (9), Suryapet (42) and Tandur (14)

not forthcoming from records produced to audit. Hence, audit could not verify whether slums were prioritised as per Government orders.

- ii. **Non-notification of slums:** State Government issued (September 2004) orders to ULBs to identify and notify non-notified slums in an objective and transparent manner within a specified time frame of four months, as various Government programmes were implemented only in the notified slums and the poor in non-notified slums were being deprived of the benefits of developmental processes due to their non-notification. As of July 2015, there were 625 non-notified slums out of 2,714¹¹ slums (23 per cent) in the State and 96 slums out of 251 were non-notified (38 per cent) in the ULBs of seven¹² test-checked projects. Action initiated, if any, for notification of these slums was not forthcoming from the records produced to audit. During the exit conference (December 2015), Government stated that action would be initiated for notification of non-notified slums.

Contrary to Government orders, the programme was implemented in 32 non-notified slums of three¹³ test-checked projects at an estimated cost of ₹23.90¹⁴ crore. These slums were yet to be notified as of July 2015 even eight years after sanction of projects (2007-09). Mancherial and Bodhan ULBs replied (December 2014 and February 2015) that works were taken up (December 2008-June 2012) in non-notified slums due to lack of infrastructure facilities in the respective slums; reply from Miryalaguda ULB is awaited. Reply is not satisfactory as notification of slum was prerequisite for identification and implementation of the programme.

- iii. **Slums in hazardous/objectionable areas:** The slum areas located on hazardous¹⁵ and objectionable lands are not to be redeveloped¹⁶. The beneficiaries of these slums should be rehabilitated in an area, to the extent possible, nearer to their original location to prevent potential loss of livelihood opportunities suited to their skill-set. As of July 2015, there were 123 hazardous slums out of 2,714¹⁷ slums in the State and 16 hazardous slums in the ULBs of four¹⁸ test-checked projects. Instead of relocating these slums, ULBs of two¹⁹ test-checked projects identified eleven hazardous slums for implementation of programme and executed works at a cost of ₹3.64 crore.

¹¹ data in respect of 1,130 slums was not furnished

¹² Bodhan (22 slums), Jangaon (10), Mancherial (8), Miryalaguda (18), Siddipet (27), Suryapet (2) and Tandur (9)

¹³ Bodhan (22 slums), Mancherial (6) and Miryalaguda (6)

¹⁴ Bodhan ₹3.31 crore, Mancherial ₹17.95 crore and Miryalaguda ₹2.64 crore

¹⁵ The areas where human habitation entails undue risk to the safety or health or life of the residents themselves or where the habitation on such areas viz., canal bunds, tank beds, road margins, burial grounds, solid waste land fill sites etc., is considered contrary to public interest

¹⁶ Action through which an area is developed for better living environment

¹⁷ data in respect of 1,130 slums was not furnished

¹⁸ Bodhan (8 slums), Mancherial (1), Palwancha (1) and Tandur (6)

¹⁹ Bodhan (8 slums) and Tandur (3)

- iv. **Slums in private owned lands:** As per the provisions of Andhra Pradesh Slum Improvement (Acquisition of Land) Act, 1956, Government shall acquire any land in a slum area from the owners of the land for the purpose of clearing or improving the area. As of July 2015, there were 1,186 slums in private owned lands out of 2,714²⁰ slums (44 *per cent*) in the State and 206 slums in private owned lands out of 251 (82 *per cent*) slums in the ULBs of seven²¹ test-checked projects. ULBs of six²² test-checked projects have identified 66 slums in private owned lands for implementation of the programme at an estimated cost of ₹48.98 crore. It was reiterated (July 2011) during the State Principal Secretaries meeting to review all schemes of Ministry of Housing and Urban Poverty Alleviation to prevent misuse of the provision and encouragement of illegal settlements.

4.6.2 Detailed Project Reports

Urban Local Bodies and implementing agencies are to submit DPRs to the SLNA for appraisal and forwarding to Ministry of Housing and Urban Poverty Alleviation (MoHUPA) for consideration of Central sanctioning committee/State level Co-ordination committee. Review of DPRs of test-checked projects revealed the following:

- i. **Non-inclusion of slum-wise existing infrastructural facilities in DPRs:** DPRs are required to be prepared after taking into consideration the existing infrastructural facilities *viz.*, roads, drains, community toilets, water supply, drainage, street lights etc., and also availability of various facilities such as schools, anganwadi centres, primary health centres etc., in each slum. Health, education and social security infrastructure facilities should be taken up through convergence with respective departments. However, slum-wise details of existing facilities did not feature in the DPRs furnished to audit.
- ii. **Convergence with other sectors:** As per guidelines, DPRs should invariably be prepared by implementing agencies and include provision for components under health, education and social security through convergence of schemes and also by dovetailing funds through budgetary provisions under the programmes of respective sectors (Health, Human Resource Development, Social Justice and Empowerment etc.). DPRs of two²³ out of nine test-checked projects denoted convergence with health, education and social security sectors. Details of components proposed through convergence were not available in DPR. Hence, no works in convergence with other schemes appear to have been taken up. In DPRs of other seven²⁴ test-checked projects, works through convergence were not proposed. During the exit conference (December 2015), Government stated that

²⁰ data in respect of 1,130 slums was not furnished

²¹ Bodhan (15 slums), Jangaon (21), Mancherial (29), Miryalaguda (31), Siddipet (45), Suryapet (38) and Tandur (27)

²² Bodhan (15 slums), Jangaon (9), Mancherial (4), Miryalaguda (15), Siddipet (9) and Tandur (14)

²³ Bodhan and Suryapet

²⁴ Jangaon, Mancherial, Miryalaguda, Narayanpet, Palwancha, Siddipet and Tandur

availability of land is one of the major constraints for taking up the projects through convergence.

- iii. **Revision of DPRs:** In all the test-checked projects, revised DPRs proposed by ULBs were approved (February 2012-March 2013) by GoI due to change in scope of work. The upward revision was on account of inclusion of works not proposed in the original DPR and downward as a result of deletion of community utility centres and community toilets due to non-availability of site, length of roads/drains due to site conditions. The projects were termed completed, though all the works sanctioned in revised DPR were not executed due to non-availability of site/site conditions. In two²⁵ test-checked projects, revised DPRs were approved (February 2012) after completion of projects, resulting in execution of works without approval of the deviations. Details of components proposed in original/revised DPRs and executed in respect of test-checked projects are detailed in *Appendix 4.1*. During the exit conference (December 2015), Government stated that DPRs were revised as certain components were deleted due to non-availability of site. This indicated improper survey and also not ensuring availability of site before submission of proposals.

4.7 Execution

As per IHSDP guidelines, infrastructure facilities include physical amenities like water supply, storm water drains, community latrines, widening and paving of existing lanes, street lights etc., community infrastructure and social amenities like pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunisation etc. Infrastructure facilities under health, education and social security infrastructure should be taken up through convergence with respective departments.

Out of 16 projects sanctioned (2007-09) in the State for infrastructural development under IHSDP, 13 projects²⁶ were completed and three²⁷ in progress. Eight²⁸ out of nine test-checked projects were completed and none of these was completed within the stipulated time. Siddipet project was stipulated for completion by July 2009, the project was not completed as of March 2015 due to non-availability of land for CUCs and unwillingness of the contractor to take up the other components (roads and drains) with old rates. State Government accorded (August 2014) permission to suspend the contract to the extent of work done and to take up left over components (roads and drains) by calling fresh tenders.

Out of eight²⁹ completed projects, all the works sanctioned (2008-09) were executed in Bodhan project. In Narayanpet project, the contractor expressed his unwillingness

²⁵ Jangaon and Tandur

²⁶ Bhongir, Bodhan, Jangaon, Mahbubnagar, Mancherial, Miryalaguda, Nalgonda, Narayanpet, Nirmal, Palwancha, Tandur, Suryapet and Wanaparthy

²⁷ Gadwal, Siddipet and Yellandu

²⁸ Bodhan, Jangaon, Mancherial, Miryalaguda, Narayanpet, Palwancha, Suryapet and Tandur

²⁹ Bodhan, Jangaon, Mancherial, Miryalaguda, Narayanpet, Palwancha, Suryapet and Tandur

to execute length of 14 km of road at old rates (original DPR) and closed the work to the extent³⁰ done. In remaining six³¹ test-checked projects, quantities as approved in the revised DPR were not executed on account of non-availability of site for construction of CUCs and due to site conditions in respect of roads/drains. However, the projects were termed completed, resulting in non-achievement of intended benefits to the slum dwellers. Project completion certificates were furnished in respect of all the completed projects.

Audit findings relating to execution of physical amenities, social amenities and community utility centres in the test-checked projects are detailed below:

4.7.1 Physical amenities

Physical amenities include water supply, storm water drains, community latrines, widening and paving of existing lanes, street lights etc. Audit findings relating to physical amenities provided in the test-checked projects are detailed below:

4.7.1.1 Cement Concrete (CC) Roads

Laying of roads is an important component in providing infrastructure in the slums. Works relating to laying of CC roads were sanctioned (2007-09) and executed in all the nine test-checked projects. In four³² test-checked projects, CC roads were laid as sanctioned. In the remaining five³³ test-checked projects there was variation between quantities sanctioned and executed due to site conditions. Audit observations based on physical verification are given below:

- i. **Providing link road to highway:** The primary objective of the programme was to provide the basic infrastructure in the identified slums. During physical verification it was observed that a link road from Maniknagar slum to Kodangal highway passing through a private venture was laid in Tandur ULB with an estimate cost of ₹50 lakh to benefit the private developer rather than the slum. During the exit conference (December 2015), Government stated that road was laid to provide quick access to main road by avoiding railway crossing. Roads outside the slum area should not have been taken up with scheme funds.
- ii. **Laying of roads in Market area:** Physical verification of roads in Market area slum of Narayanpet ULB revealed that contrary to guidelines, roads (2,688.50 mts) and drains (360.20 mtrs) with an estimated cost of ₹52.89 lakh and ₹4.32 lakh respectively were laid in market area, instead of restricting the works in the prevailing slums. During the exit conference (December 2015), Government stated that small portion of road was laid in market area. Roads in the market area (not being part of dwelling area) should not have been taken up with scheme funds.

³⁰ Executed 23 km of road and 23.50 km of drain at a cost of ₹10.50 crore

³¹ Jangaon, Mancherial, Miryalaguda, Palwanacha, Suryapet and Tandur

³² Bodhan, Jangaon, Suryapet and Tandur

³³ Miryalaguda, Mancherial, Narayanpet, Palwanacha and Siddipet

iii. **Non-laying of road for the complete stretch:** Physical verification of the six³⁴ slums in Palwancha ULB revealed that CC roads were laid in patches, instead of complete stretch resulting in non-achievement of intended objective of providing motorable road to the residents in the slums. During the exit conference (December 2015), Government stated that remaining portion of the road was laid with ULB funds.

4.7.1.2 CC Drains

CC drains were sanctioned (2007-09) and executed in eight³⁵ test-checked projects. In five³⁶ test-checked projects, CC drain works were executed as sanctioned and in remaining three³⁷ test-checked projects, there was variation between quantities sanctioned and executed due to site conditions. Audit observations are given below:

- i. **Delay in construction of nala box culverts:** In Suryapet ULB, construction of nala to an extent of 1.175 kms and seven nala-box culverts was entrusted (December 2008) at a contract value of ₹6.45 crore with a stipulation for completion within nine months from date of agreement. However, only 888 mtrs and two box culverts were constructed (August 2011) at a cost of ₹2.96 crore. The balance work was yet to be completed even after completion of more than five years from the stipulated period. The Department replied (November 2014) that notices were issued (May 2009 to June 2014) the contractor and the works would be terminated as per agreement conditions and balance work would be taken up after calling for fresh tenders. However, project was reported to have been completed (March 2013) as per Project Completion Certificate.
- ii. **Non-construction of side drains:** As per provisions stipulated in Indian Road Congress codes adopted by Ministry of Urban Development, side drains are required to be constructed to facilitate flow of water. Physical verification of six³⁸ slums in Palwancha ULB revealed that CC drains were constructed only on one side of the road and these drains were filled with dust and stones which is bound to lead to water logging in the monsoon.

4.7.1.3 Community toilets

Community toilet is one of the basic facilities to be provided in urban slums to avoid open defecation for hygienic environment. As of July 2015, out of 8.15 lakh households, 0.83 lakh households (10 *per cent*) were resorting to open defecation in the slums of the State. In the ULBs of nine test-checked projects, 0.17 lakh households out of 0.78 lakh households (22 *per cent*) were resorting to open defecation. Provision for construction of toilets was proposed in one ULB

³⁴ Indira Nagar colony, Vikalangula colony, Srinivasa colony, Karakavagu, Bollarigudem and Nehru Nagar

³⁵ Bodhan, Jangaon, Mancherial, Narayanpet, Palwancha, Siddipet, Suryapet and Tandur

³⁶ Bodhan, Jangaon, Narayanpet, Suryapet and Tandur

³⁷ Mancherial, Palwancha and Siddipet

³⁸ Indira Nagar Colony, Vikalangula Colony, Srinivasa Colony, Karakavagu, Bollarigudem and Nehru Nagar

(Mancherial-12 Nos.) at an estimated cost of ₹63 lakh. However, only two community toilets were constructed (June 2011) at a cost of ₹11.99 lakh and construction of remaining 10 community toilets was not taken up due to non-availability of site. Further, toilets constructed were not handed over to the ULB resulting in unfruitful expenditure and depriving the slum dwellers the benefit of community toilet. During the exit conference (December 2015), Government stated that two toilets constructed were put to use and construction of remaining community toilets could not be taken up as planned due to non-availability of site. Identification and acquisition of land should have been completed prior to preparation of DPR. Failure to do so indicated defective planning.

Physical verification of 47 slums of nine³⁹ test-checked projects revealed that community toilets were not provided in the slums; as such the slum dwellers were resorting to open defecation.

4.7.2 Social amenities

As per guidelines, provision of Social amenities included pre-school education, non-formal education, adult education, maternity, child health and primary health care including immunisation etc. DPRs should invariably be prepared for each of the projects and include provision for components under health, education and social security through convergence of schemes and also by dovetailing funds through budgetary provisions under the programmes of respective sectors (Health, Human Resource Development, Social Justice and Empowerment etc.). Review of DPRs of nine test-checked projects revealed that no works were proposed through convergence.

In this connection audit observed as under:

- i. **Primary Health Centres:** Primary Health Centre (PHC) is a basic health care facility that is to be made available with close proximity to the people to provide an integrated curative and preventive health care with emphasis on preventive and promotive aspects of health care. As of July 2015, PHCs services were not available to 778 slums out of 2,714⁴⁰ slums (29 *per cent*) in the State and 79 slums out of 209 slums (38 *per cent*) in the ULBs of six⁴¹ test-checked projects. During physical verification, dwellers of 13 slums of five⁴² test-checked projects expressed that PHCs were located far-away from their slums. However, provision for PHCs in convergence with Health department was not proposed. As a result, the slum dwellers continue to be deprived of basic health care facilities.

³⁹ Bodhan (6 slums), Jangaon (7), Mancherial (6), Miryalaguda (5), Narayanpet (5), Palwancha (5), Siddipet (5), Suryapet (3) and Tandur (5)

⁴⁰ data in respect of 1,130 slums was not furnished

⁴¹ Bodhan (33 slums), Jangaon (22), Narayanpet (17), Siddipet (2), Suryapet (1) and Tandur (4)

⁴² Bodhan (2 slums), Mancherial (4), Miryalaguda (5), Narayanpet (1) and Palwancha (1)

4.7.3 Community infrastructure

As per guidelines, community infrastructure includes provision for construction of community utility centres (CUCs) to be used for pre-school education, non-formal education, adult education, recreational activities etc. Audit observations in this regard are as follows:

- i. **Non-provision of CUCs:** As of July 2015, there were only 739 CUCs in 2714⁴³ slums of the State and 83 CUCs in 323 slums of ULBs of test-checked projects. GoI sanctioned (2007-09) 56 CUCs as proposed in original DPRs of nine⁴⁴ test-checked projects with an estimated cost of ₹16.05 crore. In the revised DPRs approved (February 2012 – March 2013) by GoI, the number of CUCs sanctioned was reduced to 35 in seven⁴⁵ test-checked projects and no CUCs were approved in two (Narayanpet and Siddipet) test-checked projects due to non-availability of site. During the exit conference (December 2015), Government stated that construction of CUCs could not be taken up as planned due to non-availability of site. Identification and acquisition of land should have been completed prior to preparation of DPR. This indicated defective planning.

Further, out of 35 CUCs sanctioned in revised DPRs, only 18 CUCs were constructed in six⁴⁶ test-checked projects at a cost of ₹5.42 crore and handed over to the ULBs concerned and construction of 14 CUCs in four⁴⁷ test-checked projects was not taken up due to non-availability of site. Three CUCs in Suryapet project were not completed as the contractor stopped the works mid-way.

- ii. **Non-completion of construction of CUCs:** In Suryapet ULB, construction of seven CUCs was entrusted (December 2008) with a stipulation for completion by September 2009. Out of seven CUCs entrusted, construction of three⁴⁸ CUCs was initiated in February 2009 and the work was suspended (February 2013) after incurring an expenditure of ₹82.81 lakh. There was no further progress in the work and left over works include fixing of doors and windows, electrical, water supply and sanitary etc. During physical verification it was observed that these CUCs were being used for anti-social activities. Department replied (November 2014) that action would be initiated to terminate the contract and complete the balance work by calling for fresh tenders. However, the project was reported to have been completed (March 2013) as per Project Completion Report. Non-completion of construction of CUCs in complete shape not only resulted in unfruitful expenditure but also provided scope for misuse. Remaining four CUCs sanctioned in original DPR were not included in revised DPR due to non-

⁴³ data in respect of 1,130 slums was not furnished

⁴⁴ Bodhan (3 CUCs), Jangaon (12), Mancherial (2), Miryalaguda (10), Narayanpet (9), Palwancha (1), Siddipet (4), Suryapet (7) and Tandur (8)

⁴⁵ Bodhan (3 CUCs), Jangaon (12), Mancherial (2), Miryalaguda (10), Palwancha (1), Suryapet (3) and Tandur (4)

⁴⁶ Bodhan (3 CUCs), Jangaon (6), Mancherial (1), Miryalaguda (5), Palwancha (1) and Tandur (2)

⁴⁷ Jangaon (6 CUCs), Mancherial (1), Miryalaguda (5) and Tandur (2)

⁴⁸ Chintal Cheruvu, Gopalapuram and Annadurai Nagar slums

availability of site.

Due to non-availability of CUCs, slum dwellers remain deprived of the intended benefits viz., non-formal education, adult education, recreational activities etc.

- iii. **Non-utilisation of CUCs for intended purpose:** In the test-checked project of Bodhan, three CUCs were sanctioned and constructed (March 2012) at a cost of ₹89.79 lakh and handed over to ULB to be utilized for the purpose of recreational activities, education, crèche, library/study centre etc. During physical verification, it was noticed that Government offices were functioning in these CUCs. Thus, slum dwellers remain deprived of the intended benefits of CUC. During the exit conference (December 2015), Government stated that instructions were issued for shifting of Government offices.

Further, it was also observed that despite lump sum provision of ₹3.00 lakh in estimate for greenery and play equipment's, they were not carried out.

- iv. **Non utilisation of facilities created:** As per guidelines it is the responsibility of ULBs to maintain and operate the assets and facilities created. However, physical verification of 15 CUCs constructed in five⁴⁹ test-checked projects revealed that none of the CUCs were utilised for the intended purpose and the condition of the buildings was in bad shape due to poor maintenance. As such, the intended benefits could not be derived by the beneficiaries. During the exit conference (December 2015), Government stated that CUCs were put to use. However, it did not provide documentary evidence to this effect.

4.8 Financial management

4.8.1 Sharing arrangement

Even though guidelines stipulate sharing by Central and State Government/ULB in the ratio of 80:20, in 5 out of 16 projects release of State/ULB's share ranged from 21 to 39 *per cent*. Further, in respect of State share in 16 infrastructure projects, it was agreed to share between State Government and ULBs equally. However, in five projects, release of ULB's share exceeded that of State Government by ₹4.05 crore⁵⁰, affecting the resources of ULBs.

State Government accorded (May 2008) revised administrative sanction for 12 projects due to increase in cost attributed to revision of steel, cement and Standard Schedule of Rates (SSR) and also due to non-inclusion of statutory provisions such as VAT, labour cess etc. The increased cost amounting to ₹27.49 crore was not covered by GoI sanction. As a result, this was borne by ULBs concerned.

⁴⁹ Jangaon (6 CUCs), Mancherial (1), Miryalaguda (5), Palwancha (1) and Tandur (2)

⁵⁰ Bodhan ₹0.09 crore, Gadwal ₹0.11 crore, Jangaon ₹3.46 crore, Miryalaguda ₹0.09 crore and Nirmal ₹0.30 crore

4.8.2 Substantial amounts retained by SLNA

As per guidelines, SLNA is responsible for management of funds received from Central and State governments and for disbursement of funds to implementing agencies as per the funding arrangement. Scrutiny of records revealed that as of March 2015, ₹197 crore was available with SLNA, of which ₹152.05 crore was released to implementing agencies and an amount ₹44.95 crore (Central share ₹13.77 crore, State share ₹1.55 crore and ULB share ₹29.63 crore) was retained by SLNA. Funds should be either released to implementing agencies wherever necessary or should be refunded with interest to the GoI/State Government. However, 23 per cent of the funds remained with SLNA. During the exit conference (December 2015), Government stated that as per orders of GoI, funds retained would be utilised for other components of JNNURM.

4.8.3 Non refund of excess Central share by implementing agencies

As per the provisions of General Financial Rules (GFRs), funds released by Central Government may be utilised for the purpose for which they were released and the unspent balance, if any, shall be refunded along with interest. Scrutiny of SLNA records revealed that in respect of 12 projects, reduction in the approved cost in the revised DPR resulted in excess release of Central share of ₹10.03 crore⁵¹. Of these twelve projects, seven⁵² were test-checked. However, the amount was yet to be refunded to GoI.

4.8.4 Expenditure in excess of releases

As per guidelines, SLNA is responsible for disbursement of funds to implementing agencies as per the financing pattern. Scrutiny of SLNA records revealed that in respect of 10 out of 16 projects sanctioned in the State, expenditure incurred exceeded releases to the extent of ₹6.15 crore⁵³ as of March 2015. Of these ten projects, five projects were test-checked.

4.8.5 Non-reimbursement of expenditure incurred on DPRs

As per toolkit developed by GoI (MoHUPA) detailing the procedure for reimbursement of expenses, SLNA shall forward proposals from implementing agencies for reimbursement of expenses⁵⁴ to Mission Directorate for recommendation to CSC for the release of funds. GoI prescribed (May 2014) a simplified procedure for reimbursement of DPR expenses. In spite of the simplified procedure, SLNA had not

⁵¹ Bhongir ₹0.25 crore, Bodhan ₹0.40 crore, Jangaon ₹1.51 crore, Mahbubnagar ₹1.05 crore, Mancherial ₹0.70 crore, Nalgonda ₹1.05 crore, Nirmal ₹0.70 crore, Palwancha ₹1.40 crore, Siddipet ₹0.09 crore, Suryapet ₹1.67 crore, Tandur ₹0.86 crore and Yellandu ₹0.35 crore

⁵² Bodhan ₹0.40 crore, Jangaon ₹1.51 crore, Mancherial ₹0.70 crore, Palwancha ₹1.40 crore, Siddipet ₹0.09 crore, Suryapet ₹1.67 crore and Tandur ₹0.86 crore

⁵³ Bhongir (₹0.60 crore), Gadwal (₹0.23 crore), Jangaon (₹0.01 crore), Mahbubnagar (₹0.85 crore), Mancherial (₹0.35 crore), Miryalaguda (₹0.64 crore), Nalgonda (₹0.53 crore), Narayanpet (₹0.78 crore), Tandur (₹1.01 crore) and Wanaparthy (₹1.15 crore)

⁵⁴ at one per cent of the project cost or actual cost incurred for preparation of DPRs whichever is lower

forwarded the proposals as of March 2015 towards reimbursement of expenditure of ₹1.81 crore. During the exit conference (December 2015), Government stated that matter with regard to reimbursement of expenditure on preparation of DPRs would be pursued.

4.8.6 Funds not earmarked by ULBs for utilisation in slum area

State Government orders (July 2009) stipulate that ULBs shall earmark 40 per cent of net funds for undertaking developmental activities in slum areas by making a suitable provision in the budget estimate every year by opening separate account for Urban Poverty Alleviation fund in the existing Personal Deposit (PD) account. Funds were not ear-marked by any of the test-checked ULBs. However, ULBs stated that funds were utilised towards developmental activities in slum areas depending upon availability.

4.8.7 Pending Utilisation Certificates

Status of Utilisation certificates (UCs) furnished by implementing agencies to SLNA is given below. Despite specific request (May 2015), SLNA has not furnished the details of UCs furnished to GoI.

Table 4.3

(₹in crore)

Project	Releases	Expenditure	UCs furnished	Pending UCs
Mancherial	13.95	14.30	7.35	6.95
Narayanpet	9.72	10.50	4.29	6.21
Suryapet	16.92	16.90	8.92	7.98
Tandur	11.51	12.52	4.95	7.57

Source: Records of SLNA and ULBs

4.8.8 Expenditure on inadmissible components

As per the guidelines, construction of school buildings and incurring expenditure on solid waste management are inadmissible. However, in Mancherial ULB ₹58.91 lakh was incurred towards construction of school building and solid waste management. Although these components were approved in original DPR, Central Sanctioning Committee (CSC) treated these components as inadmissible in revised DPR approved in February 2012. The Department replied (December 2014) that expenditure incurred on inadmissible components would be met from ULB.

4.9 Tendering and contract management

4.9.1 Delay in conclusion of agreements

Engineer-in-Chief issued instructions to conclude the agreements for the works taken up under the project with the contractors within 21 days from the date of issue of

Letter of Acceptance (LOA). In five⁵⁵ test-checked projects, five agreements were concluded with a delay ranging from 60 to 114 days from the date of issue of LOA. This adversely effected the execution of project as per schedule.

4.9.2 Non-revalidation of Bank Guarantee

As per agreement conditions the bank guarantees should be obtained from the contractors till the date of completion of the work and further 24 months of defect liability period. In four⁵⁶ test-checked projects, validity of Bank Guarantee (BG) amounting to ₹1.48 crore expired in advance of completion of work and defect liability period. Revalidation of BG was not done by implementing agencies. During the exit conference (December 2015), Government stated that instructions were issued to ULBs for revalidation of Bank Guarantees.

4.10 Quality control

4.10.1 Delay in appointing TPIMA

As per toolkit Third Party Inspection and Monitoring Agencies (TPIMA) for projects were to undertake monitoring of works pertaining to pre-construction, construction, commissioning, trial run and testing and post construction stages. TPIMA is to monitor the projects till one year from the filing of project completion report and submit final report on the overall performance of the project. However, agreement with TPIMA was concluded (August 2009) after entrustment of works to the contractors in all the test-checked projects. As a result, pre-construction stage⁵⁷ inspections could not be carried out by TPIMA. During the exit conference (December 2015), Government stated that agreements with TPIMA were concluded after entrustment of works to contractors. It further stated that pre-construction stage inspections were conducted by quality control wing of the department.

4.11 Monitoring system

4.11.1 Meetings

Programme guidelines stipulate that SLSC should ensure monitoring of various projects sanctioned and meet at quarterly intervals to review the progress of ongoing projects and sanction of new projects. From inception (December 2005) till March 2015, only 10 meetings were conducted against the minimum requirement of 36 meetings. Further, no meetings were conducted after September 2013. During the exit conference (December 2015), Government stated that although the SLSC did not hold the meetings on regular basis, Principal Secretary conducted meetings regularly on monitoring proper implementation of programme.

⁵⁵ Bodhan (60 days), Miryalaguda (114), Narayanpet (69), Suryapet (76) and Tandur (62)

⁵⁶ Miryalaguda ₹42.06 lakh, Narayanpet ₹38.47 lakh, Siddipet ₹6.14 lakh and Suryapet ₹60.99 lakh

⁵⁷ Review of land requirement/availability and other clearances to begin construction, examination of bid documentation and bid process, review of project implementation plan and procurement process, review of site preparation etc.

4.11.2 Training and Capacity building

Programme guidelines envisage that State Government should make continuous efforts for training and upgradation of the skills of the personnel responsible for the project and the elected representatives. In addition, it should also organise suitable training and capacity building programmes through reputed institutions in the field. During 2014-15, against the target of 20 training and capacity building programmes, only three were conducted. This was to affect the skill/capacity of the personnel involved with the projects. During the exit conference (December 2015), Government agreed that adequate training programmes were not conducted.

4.11.3 Non-conducting of Social Audit

GoI introduced (December 2011) Social Audit to monitor IHSDP projects at community and ULB levels with the objective of ensuring transparency and accountability in implementing the scheme. Such Social Audit would ensure participation of all the stakeholders, help the community to realise their rights and entitlements and help to identify and resolve gaps with a view towards curbing mismanagement. Scrutiny of the records revealed that Social Audit was not conducted in any of the test-checked projects. During the exit conference (December 2015), Government agreed that no Social Audits were conducted and assured that steps would be taken to conduct Social Audits.

4.11.4 Integrated Poverty Monitoring System

Online web enabled project performance tracking system as part of Integrated Poverty Monitoring System (IPOMS) was developed⁵⁸ to monitor the physical and financial progress of sanctioned projects. While the implementing agency is to carry out data entry for this, data was updated only up to April 2012. Due to technical problems data uploaded was invisible. During the exit conference (December 2015), Government agreed that there were problems in uploading data in IPOMS. The purpose of creating the monitoring system was therefore not achieved.

4.11.5 De-notification of slums

As and when the slum areas are redeveloped or rehabilitated, the Competent Authority⁵⁹ should submit proposals to the State Slum Redevelopment Authority for de-notification of the slum areas and after satisfying that the slum areas are redeveloped or rehabilitated, the slums are to be de-notified. State Government intended (September 2009) to achieve the objective of slum free by the year 2014. Despite implementation of various programmes/schemes for providing basic infrastructure facilities and improving conditions in the slums from time to time, de-notification process was not taken up by the ULBs of test-checked projects. Contrary

⁵⁸ by Centre for Good Governance, Hyderabad for MoHUPA

⁵⁹ District Slum Redevelopment Authority

to Government orders, there was an increase of 72 slums in ULBs of eight⁶⁰ test-checked projects, since sanction of the projects (2007-09) till July 2015. In Siddipet and Tandur ULBs the increase in number of slums was 100 *per cent* or more. During the exit conference (December 2015), Government assured that necessary steps would be initiated for de-notification of slums.

4.12 Conclusion

As brought out earlier, the Detailed Project Reports were not prepared taking into consideration the facilities/amenities existing in the slums. Non-notified slums, slums in hazardous areas and slums in private lands were also identified for implementation of the programme. Provision for primary health centres was not made in convergence with departments concerned. Due to non-availability of sites, various works relating to community infrastructure and community toilets were not taken up. Community Utility Centres were not put to use defeating the intended purpose. Action for de-notification of slums was not initiated by ULBs of test-checked projects, in spite of completion of projects. In fact, the overall number of slums increased despite implementation of the programme. SLNA retained amounts without releasing to implementing agencies/refunding to Government. There was shortfall in training programmes. Monitoring system was deficient and social audits were not conducted in any of the test-checked projects.

4.13 Recommendations

Audit recommends the following measures for consideration of the Government:

- *Identified slums should be notified within the stipulated period and immediate steps should be taken to relocate the people from slums in hazardous areas.*
- *Convergence of the programme with other stake holders for provision of components under health, education and social security should be explored.*
- *Action should be initiated for de-notification of slums on completion of provision of infrastructure facilities.*
- *Monitoring mechanism should be strengthened in the areas of training and capacity building, social audit etc.*

During the exit conference in December 2015, Government accepted the recommendations of Audit and stated that initiatives would be taken to ensure notification and de-notification of slums.

⁶⁰ Bodhan (1 slum), Jangaon (4), Mancheril (3), Miryalaguda (13), Narayanpet (8), Palwancha (4), Siddipet (25) and Tandur (14)

