

OVERVIEW

This Report consists of three chapters relating to Urban Local Bodies. Chapter 1 provides an overview of the Functioning, Accountability Mechanism and Financial Reporting. Chapter 2 comprises Performance Audit on “Municipal Solid Waste Management by Urban Local Bodies” while chapter 3 includes Compliance Audit and Audit Paragraphs. A synopsis of audit findings included in the report is presented below:

Chapter 1 An Overview of the Functioning, Accountability Mechanism and Financial Reporting

Audit arrangement

The entrustment of Technical Guidance and Support audit of Urban Local Bodies (ULBs) was continued in the State as per the recommendation of Thirteenth Finance Commission. The CAG or his representative will have the right to report to State Legislature the result of audit at his discretion, as per the entrustment (2011). Laying of the audit report in State Legislature and formation of a committee for its discussion was mandated.

However, these are not yet followed by the State Government. Consequently, the ATIRs for the period 2004-05 to 2013-14 and the CAG audit report for the period 2014-15 has not been laid in the State Legislature as of March 2017. Out of 636 ULBs in the State, the audit of accounts of 116 ULBs (*Nagar Nigams:07, Nagar Palika Parishads:40 and Nagar Panchayats:69*) was conducted during 2015-16

The Director, Local Fund Audit (DLFA) is the primary auditor as per Uttar Pradesh Local Fund Audit Act, 1984 and is to prepare a consolidated audit report for laying it in each house of the State Legislature. However, such reports were placed in the Legislature up to 2010-11 and are discussed by the Local Fund Audit Compliance Committee constituted by the State Government. Out of 636 ULBs in the State, the audit of accounts of 570 ULBs was conducted by DLFA during 2015-16.

(Paragraph 1.5.1, 1.5.2 & 1.6)

Devolution of function and funds

Government devolved only 13 out of 18 functions provided in Twelfth Schedule of Constitution due to which the ULBs activities are limited and also affected the active participation of these bodies in poverty alleviation and planning for economic and social development of the urban areas as envisaged in the Constitution.

During 2011-16, the total receipt of ULBs in the State was of ₹ 36,321.31 crore which includes grants from GoI and the State Government under the recommendations of CFC, SFC and own revenue. Own revenue and grants from

CFC showed an increasing trend, while SFC grants increased substantially during 2013-15.

In 2015-16, the State Government transferred the funds to ULBs with a delay of three days, as a result it had to incur avoidable interest payment of ₹ 33.35 lakh.

The targets fixed by the Government for realisation of revenue were not achieved by the ULBs, indicating their large dependency on Government grants.

(Paragraph 1.3, 1.11.1.1, 1.11.3.1 and 1.11.5)

Utilisation certificate

Audit observed that UCs provided by GoUP to GoI were only on the basis of grants released to ULBs and no certificates regarding its utilisation were obtained from the ULBs.

(Paragraph 1.10)

Compliance to audit observation

Compliance to large number of audit observations pertaining to previous years was not sent by State Government, resulting in non-settlement of audit observations.

(Paragraph 1.6)

Chapter 2 Performance Audit on “Municipal Solid Waste Management by Urban Local Bodies”

Municipal Solid Waste (MSW) comprises residential and commercial wastes generated in a municipal area in either solid or semi-solid form excluding industrial hazardous wastes but including treated bio-medical wastes. The Government of India (GoI), in exercise of the powers conferred under the Environment (Protection) Act, 1986, had framed Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) to regulate the management and handling of MSW to protect and improve the environment and to prevent health hazards to human beings and other living creatures. As per MSW Rules, every municipal authority is responsible for collection, segregation, storage, transportation, processing and disposal of municipal solid wastes.

A Performance Audit on Municipal Solid Waste Management (MSWM) was conducted, covering 36 ULBs of ten districts for the period 2011-16. Significant audit observations are as follows:

Waste processing facilities were not sanctioned in 604 out of 636 ULBs of the State. The facilities were operational in only 1.4 *per cent* of total ULBs. In the 36 test checked ULBs, waste processing and disposal facility was sanctioned only for seven.

(Paragraph 2.6.2)

Thirty five *per cent* (₹ 177.91 crore) of sanctioned cost (₹ 505.30 crore) of MSW management projects in the State remained unutilised as installation works of 19 MSW processing and disposal facilities were held up due to various reasons.

(Paragraph 2.7.1)

The fund released by GoI (₹ 37.56 crore) and the State (₹ 30.39 crore) for construction of Solid Waste Management projects under *Swachchh Bharat* Mission was not utilised and remained blocked at State level.

(Paragraph 2.7.3)

In NPP Sambhal and NPP Mirzapur, the plant operation had not commenced, even after payment of ₹ 3.22 crore and ₹ 6.46 crore respectively to the executing agency.

(Paragraph 2.8.5.2)

NN Lucknow and NN Kanpur irregularly paid ₹ 18.10 crore and ₹ 19.87 crore respectively as tipping fees to the Concessionaire before commercial operations date of the Project.

(Paragraph 2.8.6.1)

Improper selection of site led to time and cost overrun of ₹ 9.91 crore in MSW disposal project in NN Lucknow.

(Paragraph 2.7.5)

Unnecessary procurement of equipment and vehicles resulted in wasteful expenditure of ₹ 2.72 crore.

(Paragraph 2.8.6.3)

Chapter 3 Compliance Audit

Audit on “Management of own funds by Municipal Boards including collection of Revenue in Urban Local Bodies”

Collection of tax & non-tax revenue was not up to the mark and collection of own funds were also not effective & efficient as required Bye-laws were not approved in many ULBs.

(Paragraph 3.1.4.1 and 3.1.4.2)

The mechanism for revenue generation for own funds through proper assessment, collection and recovery was found weak as ₹ 109.81 crore were in arrears for recovery at the end of March 2016 in test checked ULBs.

(Paragraph 3.1.4.4)

Audit Paragraphs

Installation of dry sump pump in Raw Water Pumping Station, Varanasi, without ensuring viability and its becoming inoperable resulted in wasteful expenditure of ₹ 2.02 crore in *Nagar Nigam*, Varanasi.

(Paragraph 3.2)

Unfruitful expenditure of ₹ 1.30 crore on purchase of Leak Detection System and training for its operation, without analysing the technical viability, in *Nagar Nigam*, Allahabad.

(Paragraph 3.4)

In contravention to National Auto Fuel Policy for reducing vehicular emission, *Nagar Nigam* Agra and Lucknow purchased BS-III model vehicles instead of

BS-IV models at a cost of ₹ 6.85 crore, which led to failure of implementing environment norms on air pollution.

(Paragraph 3.5)

License fee to be paid by private hospitals/nursing homes, clinics, *etc.* were not fixed, leading to a loss of ₹ 41.50 lakh in *Nagar Nigam*, Varanasi.

(Paragraph 3.7)