

OVERVIEW

This Report contains four chapters. The first and the third chapters contain an overview of the functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second chapter contains a Performance Audit paragraph and a Compliance Audit paragraph on the Audit of financial transactions of PRIs. The fourth chapter contains two Compliance Audit paragraphs and three individual paragraphs on ULBs. A synopsis of the findings contained in the Performance Audit and Compliance Audits are presented in this overview.

1 An overview of the functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions

The State Government had devolved 19 out of 29 functions to the PRIs as envisaged in the 11th Schedule of the Constitution. District Planning Committees (DPCs) were constituted in only eleven districts out of 33 districts; Meetings of DPC were not held in these eleven districts during 2016-17. Audit Report of Examiner Local Fund Accounts on District Panchayats, Taluka Panchayats and Gram Panchayats upto 2012-13 has been placed before the State Legislature till January 2018. The appointment of Lokayukta had not been made. As on 31 March 2017, 180 utilisation certificates aggregating to ₹ 80.72 crore due in respect of grants paid upto March 2016 were outstanding. The report of the Third State Finance Commission (SFC) submitted in December 2013 was yet to be placed before the legislature. The Panchayats, Rural Housing and Rural Development Department could implement only nine and seven accepted recommendations of first and second SFCs respectively. As of January 2018, an unspent grant amount of ₹ 79.45 crore of Thirteenth Finance Commission was lying with the PRIs. Deficiencies/omissions in maintenance of cash book and non-maintenance/improper maintenance of records were noticed in PRIs test-checked during 2016-17.

(Paragraph 1.1 to 1.11)

2 Implementation of Sardar Patel Awas Yojana

The Panchayats, Rural Housing and Rural Development Department of Government of Gujarat had been implementing the Sardar Patel Awas Yojana (SPAY/SPAY II) for providing free plots and financial assistance to eligible Below Poverty Line (BPL) and Above Poverty Line (APL) families for construction of pucca houses.

A performance audit on 'Implementation of Sardar Patel Awas Yojana' was conducted between April 2017 and September 2017 to examine the implementation of Scheme covering the period 2012-17. Audit conducted test-check of 85 Gram Panchayats in eight of 33 representative District Panchayats and 17 of 62 Taluka Panchayats and joint field visits of 850 beneficiaries.

Audit Examination of the Scheme revealed that due to poor planning in setting the targets and non-preparation of preferential waitlist, the State Government was not aware of the number of BPL families who remained deprived of pucca houses under SPAY.

Out of release of ₹ 2,040.67 crore to SPAY beneficiaries during 2012-13, expenditure incurred was only 56 per cent, which mainly represented release of advance installments to beneficiaries.

Utilisation of funds under SPAY II was only 63 per cent during 2014-17. Recovery of ₹ 2.35 crore paid as advance installment to 1,450 beneficiaries, whose houses were cancelled due to non-commencement of construction, was not made in four test-checked Taluka Panchayats as of February 2018. There were instances of irregular/fraudulent/double payment to beneficiaries due to failure of field-level functionaries to cross-check the sanctions and verify that payments released to beneficiaries were commensurate with physical progress of works.

Except 2016-17, there was a declining trend in allotment of free plots to beneficiaries during 2012-17 due to non-availability of Gamtal. The targets shown as achieved under SPAY (98 per cent) and SPAY II (65 per cent) during 2012-17 were overstated, as houses which were under construction or nearing completion were reckoned as physically completed. There was delay in completion of houses under SPAY (one to four years) and SPAY II (one to two years) due to poor financial condition of the beneficiaries.

There were vacancies in key posts leading to poor supervision and monitoring of construction works. The prescribed norms for construction of houses were not adhered to in many cases. The grievances redressal mechanism was deficient.

(Paragraph 2.1 to 2.1.10)

3 Accessibility of select public services to the rural population of Gujarat

The State Government envisaged accessibility to medical facilities, reduce malnutrition in the State and to achieve universal sanitation coverage. However, audit observed that the Public Health Institutions (PHIs) were not easily accessible to general public. In 120 test-checked villages under eight selected District Panchayats (DPs), only 61 villages were located within six km. of Primary Health Centre (PHC)/Community Health Centre (CHC) while 27 villages were located beyond 10 km. (up to 40 km.). There was acute shortage of doctors in the tribal districts of Dahod (75 per cent), Chhotaudepur (61 per cent), Dang (58 per cent) and Valsad (44 per cent). Nine of 11 PHCs in test-checked villages were functioning sub-optimally due to lack of basic infrastructure facilities. Twenty two batches of medicines/consumables were issued to 1,989 PHIs in three test-checked districts during 2014-17, even before receipt of pre-despatch test reports from Food and Drugs Laboratory, Vadodara.

In tribal district of Dang, the percentage of malnourished children was significantly higher at 22 per cent (06 months to 03 years) and 25 per cent (03 years to 06 years). The State Government could establish 53,029 Anganwadi Centres (AWCs) against the requirement of 75,480 AWCs. Basic amenities in AWCs were deficient. There were also shortfalls in coverage of beneficiaries under Supplementary Nutrition Programme. There were instances of delay in lifting of food grains and issue of substandard Take Home Ration to beneficiaries.

Of the 54,008 households in test-checked villages, only 38,280 households (71 per cent) had access to toilets. Community Sanitary Complexes were available

in only 46 of 120 test-checked villages while 8,699 households in the remaining 74 villages did not have any access to toilets (individual or public). Management of solid and liquid waste in 120 test-checked villages was inadequate.

(Paragraph 2.2.1 to 2.2.5)

4 An overview of the functioning, accountability mechanism and financial reporting issues of Urban Local Bodies

The Audit Report of Examiner Local Fund Accounts on Municipal Corporations (MCs) for the year 2011-12 onwards and in respect of Nagarpalikas (NPs) for the year 2013-14 onwards were yet to be placed before the State legislature. Social Audit had not been carried out for works carried out in NPs and MCs. The State Level Property Tax Board constituted in March 2011 was non-functional as the assigned functions could not be carried out by the Board. Utilisation Certificates aggregating to ₹ 870.23 crore due in respect of grants paid upto March 2016 were outstanding. The total expenditure against the total available funds during the period 2016-17 was only 50 per cent. As of February 2018, an unspent grant amounting to ₹ 31.12 crore of Thirteenth Finance Commission was lying with the NPs and MCs. Non-maintenance of basic records were noticed in test-checked NPs. State's Municipal Accounts Manual has also not been finalized as yet.

(Paragraph 3.1 to 3.14)

5 Implementation of recommendations of State Finance Commissions in respect of Urban Local Bodies

The State Finance Commissions (SFCs) were constituted in the State to review the financial position of the Local Bodies (LBs) and to make recommendations as to principles which should govern, (i) the distribution of finances between the State and LBs, (ii) determination of the taxes, duties, tolls and fees which may be assigned to, or appropriated by, the LBs, (iii) grants-in-aid to the LBs from the Consolidated Fund of the State, and the measures needed to improve the financial position of the LBs. SFC was not constituted for the period 2001-05 and after 2015. There were significant delays in constitution of first, second and third SFCs and implementation of the accepted recommendations by the State Government.

Of the total 73 accepted recommendations, 19 recommendations of first SFC despite lapse of over 19 years and six recommendations of second SFC despite lapse of over seven years had not been implemented till February 2018 by the State Government since tabling of the Action Taken Reports in the State Legislature in December 1998 and March 2011 respectively. The Action Taken Report (ATR) on second SFC report was placed in the State Legislature in March 2011 after expiry of award period (2005-10). The ATR on third SFC report had not been placed till February 2018 though the award period of SFC had expired in March 2015.

The State Government had not constituted the tax/tariff Commission nor did it fix the minimum and maximum rates of municipal taxes to be collected by the ULBs for strengthening their resource base. In absence of any guiding principles, the test-checked NPs collected the taxes at different rates, without considering the cost of collection being incurred by them for providing various civic services. The State Government did not implement the recommendations of SFCs effectively leading to short-release of funds by 36 per cent to 18 test-

checked ULBs for various types of grants-in-aid such as, professional tax grant, education cess grant and non-agricultural assessment grant. Essential municipal services were not outsourced to achieve cost efficiency.

The administrative reforms recommended by the second SFC to strengthen the functioning of Nagarpalikas (NPs) had not been implemented to strengthen the institutional arrangements and for optimal resource management. The State Government did not establish additional regional offices or take any action to provide adequate number of staff at the Directorate level for ensuring periodical time bound inspection of NPs. A technical cell to deal with complaint cases and vigilance inquiries was not created. Further, though common cadres for various posts had been created for better administration and work efficiency in NPs, these were not filled up leading to significant vacancies in these posts. There was no effective monitoring of the implementation of recommendations made by SFCs.

(Paragraph 4.1.1 to 4.1.8)

6 Working of Gujarat Municipal Finance Board

Gujarat Municipal Finance Board (GMFB) Act, 1979 has not been amended in the light of the 74th Constitutional Amendment to effectively manage the ULBs for rendering civic services to the citizens. GMFB mainly functioned to disburse grants to ULBs. In the process, there was short-release of ₹ 87.82 crore (12 per cent) and delays in release of funds to Municipal Corporations/Nagarpalikas ranging from 36 to 348 days. Such delays and short-releases earned GMFB ₹ 301.57 crore in the form of interest. There was diversion of ₹ 25 crore from ULB funds to GMFB's own funds and ₹ 4,528.36 crore by two MCs and three NPs test-checked. Loans were sanctioned to NPs without assessing their repaying capacity. Monitoring, evaluation and mid-course correction of the functioning of GMFB was not done. GMFB also failed to monitor the working of the MCs/NPs as per its statutory provisions resulting in poor financial health and service delivery system of the MCs/NPs.

(Paragraph 4.2.1 to 4.2.6)

7 Unfruitful expenditure

Due to a wrong administrative approval by District Urban Development Agency Godhra, Kalol Nagarpalika made an unfruitful expenditure of ₹ 51.68 lakh on construction of a Science Centre on a piece of land not owned by it.

(Paragraph 4.3)

8 Unit cost escalation of 90 per cent in a housing Scheme for slum dwellers

Nagarpalika, Boriyavi embarked on an unviable housing project for the slum dwellers at a cost escalation of ₹ 4.74 crore and time escalation of 60 months due to inadequate pre contract and contract management.

(Paragraph 4.4)

9 Wasteful expenditure

Nagarpalikas, Kathlal and Thasra could not operationalise the critical drinking water services due to negligence and inefficient handling of two important water supply projects in the last nine years, leading to wasteful expenditure of ₹ 4.51 crore.

(Paragraph 4.5)