



**CHAPTER - II**  
**FINANCIAL**  
**MANAGEMENT**



## Chapter – II

### Financial Management

#### 2.1 Assessment of requirement of funds

As per section 1.4.5.6.2 of Manual of SWM 2016, SWM services are sustainable only if they are financially viable on a stand-alone basis. Therefore, the assessment of financial viability is an important step in planning SWM system. Scrutiny of the financial statements of test-checked ULBs for the years 2015-20 revealed that ULBs were mainly dependent on Government grants for SWM. However, none of the test checked ULBs had prepared Detailed Project Reports (DPRs) for SWM. In absence of DPR, assessment for requirement of capital and revenue funds for SWM activities would not be realistic.

#### 2.2 Receipts and expenditure

As per Clause 15(x) of SWM Rule 2016, ULBs are required to make adequate provisions of funds for capital investment as well as operation and maintenance of SWM services in annual budget ensuring that funds for discretionary functions of local bodies have been allocated only after meeting the requirement of necessary funds for SWM and other obligatory functions.

The 13<sup>th</sup> Finance Commission (TFC) (2010-15)/ 14<sup>th</sup> Finance Commission (FFC) (2015-20) included four<sup>8</sup> essential services sectors (including SWM) to be provided by local bodies. The TFC /FFCs provided grants to local bodies in two parts - a general basic grant and a performance grant. The details of receipt and expenditure of test checked ULBs for 2015-20 are given in table below:

Table 2.1: Details of receipt and expenditure of test checked ULBs

(₹in crore)

Year	OB	Revenue receipt	Capital receipt	Total funds	Revenue expr.	Capital expr.	Total expr.	Expr on SWM (percentage)	Balance funds
2015-16	103.90	146.12	253.06	503.08	112.26 (42.12)	154.29 (57.88)	266.55	81.57 (16.21)	236.53
2016-17	236.53	190.61	336.28	763.42	163.22 (43.77)	209.69 (56.23)	372.91	118.03 (15.46)	390.51
2017-18	390.51	209.56	352.88	952.95	184.96 (36.77)	318.03 (63.23)	502.99	133.33 (13.99)	449.96
2018-19	449.96	316.40	328.07	1,094.43	233.97 (45.21)	283.53 (54.79)	517.50	146.76 (13.41)	576.93
2019-20	576.93	242.51	650.95	1,470.39	204.53 (40.46)	301.03 (59.54)	505.56	168.74 (11.48)	964.83
<b>Total</b>		<b>1,105.20</b>	<b>1,921.24</b>		<b>898.94</b>	<b>1,266.57</b>	<b>2,165.51</b>	<b>648.43</b>	

(Source: Information furnished by ULBs)

(NB: The unutilised amount of previous year shown as opening balance)

It was observed that in spite of non-achievement of the prescribed percentage of Service Level Benchmark (SLB) ranging from 80 to 100 *per cent* for SWM performance as discussed in **Paragraph 3.6**, the expenditure on SWM was only 11 to 16 *per cent* of the funds available with the ULBs resulting in

<sup>8</sup> Essential services to be carried out: Water supply services, sewage management, solid waste management and storm water drainage

accumulation of balances of ₹964.83 crore<sup>9</sup> at the end of March 2020 as detailed in **(Appendix-III)**. Out of the above grants, there was an expenditure of ₹648.43 crore for day to day activities like segregation, collection, and transportation on SWM during 2015-20. Despite the fact that staff were employed by ULBs to discharge this function, the situation of SWM in the towns and cities remained far from satisfactory during 2015-20 as discussed in succeeding paragraphs. The State Government had also not devised adequate strategies for creating required capital investment for SWM. Deficiencies in creation of assets have been detailed in **Paragraph 5.1.1**. As a result, the issue of recycling of solid waste had not received due attention and ULBs did not utilise even the available funds for creation of assets for SWM activities up to March 2020 for processing/recycling. After issue of SOP (July 2019) for decentralisation of waste management, GoO released State grant (SWM) to the ULBs for creation of MCC /MRF for processing/recycling. However, ULBs did not utilise these funds for creation of assets for processing/recycling of solid waste.

- As per sanction order of FFC, the department had to release funds to concerned ULBs within 15 days of receipt from GoI. If the release of instalment to ULBs was delayed, the Department had to pay interest at bank rate for the number of days delayed along with the instalment. Audit observed that due to delay in release of funds of ₹425.39 crore to ULBs during 2019-20, department paid interest of ₹99.13 lakh to ULBs.

While accepting the Audit comments, the Government stated (May 2022) that ULBs initiated steps for establishment of decentralised processing/disposal facilities (MCC/MRF) for processing of MSW after issue of SOP 2019. Due to COVID-19 pandemic, the ULBs could not create required infrastructure. The fact however remained that ULBs did not utilise the available funds up to March 2020 for creation of infrastructure for processing of MSW.

### 2.3 Levy and collection of user charges for solid waste management

Section 131 and 132 of OM Act, 1950 and Section 193 of OMC Act 2003 and Clause 15(f) of SWM Rules, 2016 provides for levy of SWM user charges for purpose of collection, transportation and disposal of solid waste. The by-laws (Schedule-2) of Waste management provides rates of user charges to be collected from households. Audit observed that out of 21 test checked ULBs, only seven ULBs<sup>10</sup> collected user fee for SWM during 2017-21. Against the demand of ₹161.41 crore, only ₹0.70 crore was collected as of March 2021 resulting in loss of revenue of ₹160.71 crore as detailed in **(Appendix-IV)** due to laxity in enforcement of the provisions for levy and collection of user fees. Audit further observed that ULBs failed to provide 100 *per cent* basic facilities to

<sup>9</sup> ULBs: Bolangir (₹14.18 crore), Bhubaneswar (₹88.81 crore), Baragarh (₹31.23 crore), Baripada (₹25.29 crore), Berhampur (₹85.95 crore), Bhadrak (₹145.38 crore), Chandabali (₹22.44 crore), Chhatrapur (₹3.74 crore), Choudwar (₹13.00 crore), Cuttack (₹104.33 crore), Gunupur (₹10.59 crore), Hinjilicut (₹3.10 crore), Jeypore (₹42.15 crore), Jharsuguda (₹43.75 crore), Nuapada (₹10.09 crore), Puri (₹90.98 crore), Ranapur (₹4.52 crore), Rayagada (₹18.35 crore), Rourkela (₹78.96 crore), Sambalpur (₹119.03 crore), and Sundargarh (₹8.96 crore)

<sup>10</sup> Bhadrak (from August 2020), Rayagada (from August 2020), Baragarh (from April 2017), Chandabali (from January 2021), Choudwar (from April 2021), Gunupur (from April 2021) and Rourkela (from May 2020)

households like issue of bins for practicing source segregation, collection of solid waste, sweeping of streets/lane/roads of wards of ULBs on daily basis and creation of public awareness.

Due to low revenue collection, gap has increased between generation of own resources and revenue expenditure in relation to SWM activities during 2015-20. The resource-expenditure gap increased from ₹81.33 crore (2015-16) to ₹168.73 crore (2019-20) in the test-checked ULBs **Appendix-V**.

The Government stated (May 2022) that all the ULBs have been advised to create public awareness through IEC activities on collection of user charges from all waste generators. The fact, however, remained that instructions were not effective as user fee collected in test-checked ULBs as of March 2021 was negligible.

### **2.3.1 Non-collection of user charges from railway authorities/ other establishments**

As per Section 2.2.1.5 of SWM Manual, SWM Rules, 2016 are also applicable to industrial townships, areas under the control of Indian Railways, Airports, Airbases, Ports and harbours, defence establishments, special economic zones, *etc.* As such, user fee should be collected from those authorities.

In six<sup>11</sup> test-checked ULBs, areas under the control of Indian Railways were within the municipal urban limits. The waste generated within the railway premises were handed over to municipalities. However, none of the ULBs collected the user fee for waste generation from Indian Railways.

The Government stated (May 2022) that Railway Authority was requested for implementation of provisions of SWM Rules 2016 in railway platforms and tracks. The reply was not acceptable since ULBs were responsible for management of solid wastes in the areas under the control of Indian Railways as per SWM Rules 2016.

### **2.3.2 Non-collection of spot fines**

Clause 15 (zf) of SWM Rule stipulate that ULBs should frame by-laws and prescribe criteria for levying of spot fine for persons who litters or fails to comply with the provisions of these rules and delegate powers to officers or local bodies to levy spot fines as per by-laws framed. The by-laws (Schedule-2) of Waste management also provided for collection of spot fine for littering of solid waste.

Audit observed that none of test checked ULBs have collected spot fines for littering from individual households, community based organisations (CBOs), market complexes, kalyan mandaps *etc.*, who failed to comply with the provision of SWM rules as of March 2021.

The Government stated (May 2022) that SWM by-laws were notified by all ULBs of the State. Squads were constituted in each ULBs for strict monitoring of compliances of the Rules. Spot fines were levied by the squad and the amount collected from the violators. The reply was not acceptable as none of

<sup>11</sup> Bhubaneswar Municipal Corporation, Cuttack Municipal Corporation, Sambalpur Municipal Corporation, Bhadrak Municipality, Jharsuguda Municipality, and Rayagada Municipality

the ULBs provided any documentary evidence for having levied and collected spot fines for violation of SWM Rules.

## 2.4 Loss of central assistance

As per paragraphs 9.70 and 9.71 of Fourteenth Finance Commission (FFC) recommendations, GoI allocates basic grants (BG) and performance grants (PG) for ULBs. The BG is to provide a measure of unconditional support to ULBs for delivering basic functions assigned to them. To be eligible for PG, ULBs have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which it seeks to claim. It will also have to show an increase in own revenues over preceding year, as reflected in audited accounts. In addition, ULBs have to measure and publish SLB for essential services. The details of BG and PG received from GoI during 2015-20 are given below:

**Table 2.2: Details of FFC Grant recommended and shortfall during the period 2015-20**  
(₹in crore)

Year	FFC Grants Recommended			FFC Grants Received			Shortfall of Grants		
	BG	PG	Total	BG	PG	Total	BG	PG	Total
2015-16	170.10	0.00	170.10	162.44	0.00	162.44	7.66	0.00	7.66
2016-17	235.54	69.52	305.06	231.26	68.26	299.52	4.28	1.26	5.54
2017-18	272.14	78.67	350.81	258.84	0.00	258.84	13.30	78.67	91.97
2018-19	314.82	89.34	404.16	292.73	0.00	292.73	22.09	89.34	111.43
2019-20	425.39	116.98	542.37	425.39	0.00	425.39	0.00	116.98	116.98
<b>Total</b>	<b>1417.99</b>	<b>354.51</b>	<b>1772.50</b>	<b>1370.66</b>	<b>68.26</b>	<b>1438.92</b>	<b>47.33</b>	<b>286.25</b>	<b>333.58</b>

(Source: Information furnished by DMA)

From above table, it could be seen that there was a loss of central assistance of ₹333.58 crore (PG ₹286.25 crore + BG ₹47.33 crore) which was due to non-achievement of SLBs for four basic essential services, low revenue generation, non-conduct of elections to the ULBs and non-preparation of annual accounts.

In Exit Conference (April 2022), the DMA accepted Audit comments.