

1.1 Introduction

Mukhyamanthrigala Nagarothana Yojane (Phase-III)¹ for City Corporations (henceforth referred to as Scheme) was announced (July 2013) at the estimated cost of ₹ 1,000 crore with the objective to upgrade infrastructure and civic amenities in all existing seven City Corporations (Ballari, Belagavi, Davanagere, Hubballi-Dharwad, Kalburgi, Mangaluru and Mysuru) and the newly upgraded² three City Corporations (Shivamogga, Tumakuru and Vijayapura).

The State Government notified (September 2013) guiding principles for implementing the Scheme and allocated ₹ 100 crore each to these 10 City Corporations (CCs). The funds were to be released during three financial years, commencing from the year 2014-15. The State Government issued (May 2014) detailed guidelines which provided for the Scheme to be funded with 50 *per cent* of the allocation by Government grants and remaining 50 *per cent* by obtaining loan borrowed through Karnataka Water and Sanitation Pooled Fund Trust (KWSPFT)³. The loan amount was to be adjusted against future State Finance Commission (SFC) grant of respective CC.

The categories of works that were admissible under the Scheme were:

- i) Roads, roadside drains, footpaths, pedestrian underpass/subways;
- ii) Water Supply distribution network renewal/ augmentation, overhead tanks, water reservoirs and other types of water supply works;
- iii) Underground drainage distribution network/laterals works;
- iv) Traffic management improvement works such as Vehicle Actuated Signal (Solar/UPS) integrated with surveillance enforcement cameras; and
- v) Storm water drains, streetlights, multi-level parking complex, shopping complex, energy saving works and other infrastructural works.

Performance audit of Chief Minister's Special Grant of ₹ 100 crore each to seven CCs (*Nagarothana* Phase-I) for the period 2008-12 was conducted during April to July 2012 and the findings were included in Paragraph 4.2 of the Report of the Comptroller and Auditor General of India (Local Bodies) for the year ended 31 March 2012 (Report No.6 of the year 2013).

¹ *Nagarothana* (Phase-I) and *Nagarothana* (Phase-II) schemes were implemented in seven City Corporations during the period from 2008-09 to 2009-10 and 2011-12 to 2013-14 respectively.

² Upgraded as City Corporations with effect from 20 December 2013.

³ KWSPFT was constituted (September 2003) by the State Government as a fully-owned trust under the Indian Trusts Act, 1882, and was managed by the Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC). It was set up mainly for the purpose of mobilising financial resources for urban infrastructure development in the State.

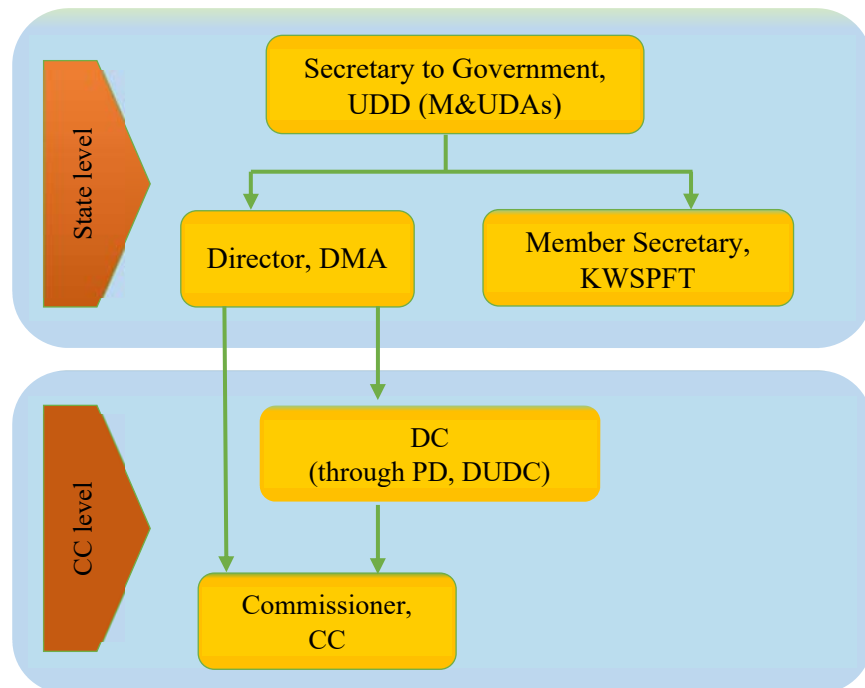
The Committee on Local Bodies and Panchayat Raj Institutions discussed this performance audit report during August and September 2015. The Committee, in its 13th Report (June 2016), recommended to initiate disciplinary action⁴ against the officials concerned, recover the amount from the officers responsible (Paragraphs 4.2.21.6 and 4.2.24) and ensure due care for third party consultancy (Paragraphs 4.2.22.1 and 4.2.22.2). Objections in brief and gist of the recommendations of the Committee are detailed in **Appendix 1.1**.

The Action Taken Report was awaited from the State Government (March 2022).

1.2 Organisational structure

The Urban Development Department (UDD) was the nodal department for the implementation of the Scheme. The Directorate of Municipal Administration (DMA) under UDD monitored the implementation of Scheme through a network of District Urban Development Cells (DUDC) headed by a Project Director (PD) who reported to the Deputy Commissioner (DC) of the concerned district. The executive head of the CC was Commissioner who was assisted by the Chief Engineer (CE), Superintending Engineer (SE), Executive Engineers (EE) and Assistant Executive Engineers (AEE) in executing development works. The organizational structure for implementation of the Scheme is illustrated in **Chart 1.1**.

Chart 1.1 Organizational structure for implementation of the Scheme



⁴ Paragraphs 4.2.8, 4.2.11, 4.2.12, 4.2.13, 4.2.14, 4.2.15, 4.2.17, 4.2.23, 4.2.27, 4.2.28 and 4.2.29.

1.3 Audit objectives

The objectives of the Performance Audit were to assess/examine whether:

- i) the planning was carried out as set out in the Scheme and the financial management was efficient;
- ii) the works were executed economically, efficiently and effectively; and
- iii) the monitoring of the implementation of the Scheme was effective.

1.4 Audit criteria

The criteria for evaluating the performance audit were derived mainly from:

- i) Scheme Guidelines issued *vide* Government order dated 12 May 2014;
- ii) Karnataka Municipal Accounting and Budgeting Rules (KMABR), 2006;
- iii) Karnataka Transparency in Public Procurement (KTPP) Act, 1999 and Rules, 2000; and
- iv) Karnataka Public Works Departmental (KPWD) Code, 2014.

1.5 Audit scope and methodology

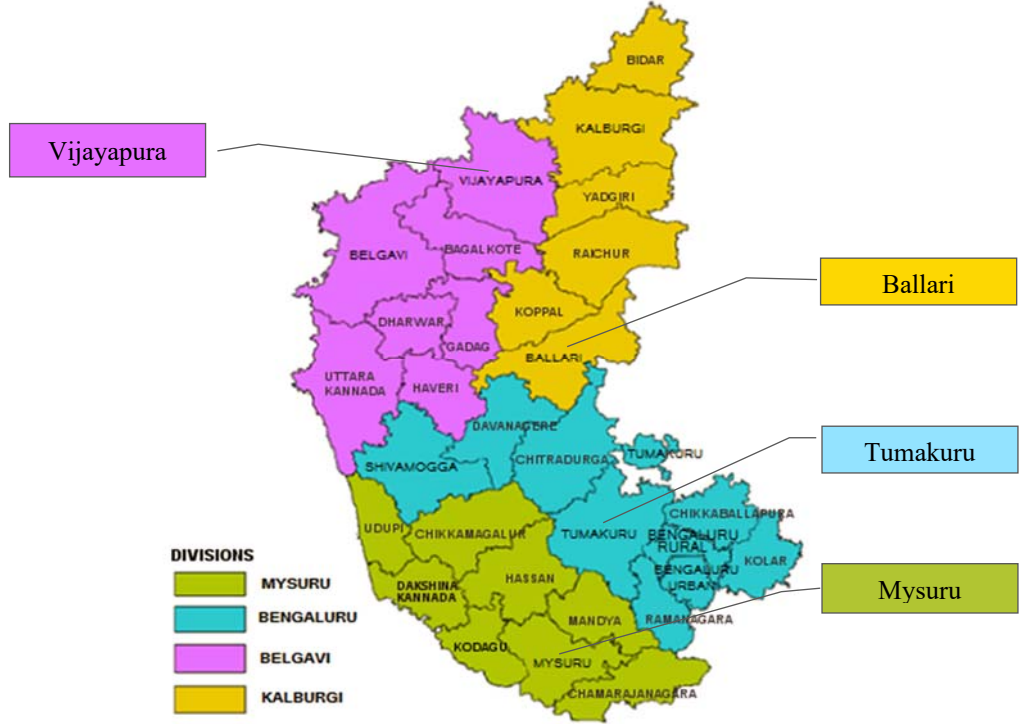
The performance audit was carried out during August 2021 to January 2022 and covered the implementation of Scheme during the period 2014-21. It involved examination of records at UDD, DMA, KWSPFT, four out of 10 CCs (40 *per cent*), and the DUDCs. Four CCs selected for sample were Ballari, Mysuru, Tumakuru and Vijayapura (**Exhibit 1.1**). The sampling methodology adopted was Probability Proportional to Size without replacement (PPSWOR) method with size measure as total expenditure under the Scheme. Twenty-three *per cent* of the packages were test-checked in four CCs covering an expenditure of ₹ 59.96 crore (25 *per cent*) out of the total expenditure of ₹ 244.43 crore. CC-wise details are given in **Appendix 1.2**.

The entry conference was held with the Secretary to Government, UDD (M&UDAs⁵) on 11 August 2021 wherein the audit methodology, scope, objectives and criteria were discussed. The audit methodology involved document analysis, responses to audit queries, Joint Physical Verifications (JPV) with municipal staff and collection of photographic evidence, wherever necessary. The results of the performance audit were discussed with the Secretary to Government, UDD (M&UDAs) in the exit conference held on 8 April 2022. Replies of the State Government received on 28 April 2022 and 6 May 2022 have been suitably incorporated in the report.

⁵ Municipalities and Urban Development Authorities.

Exhibit 1.1

Geographical presentation of sample selection (4 out of 10 CCs)



1.6 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the officers and officials of UDD, DMA, KWSPFT, CCs and DUDCs in conducting the performance audit.

1.7 Chapters

Audit findings are organised into three chapters:

- Planning and Financial Management;
- Contract Management and Execution of Works; and
- Monitoring.