CHAPTER-IV

PERFORMANCE AUDIT, LONG PARAGRAPH AND AUDIT OF TRANSACTIONS URBAN LOCAL BODIES

This chapter contains two Performance Audits on 'Financial Management in Municipal Corporations' and 'Sanitation including Solid Waste Management in Municipal Corporations', one Long Paragraph on 'Utilisation of Twelfth Finance Commission Grant by Urban Local Bodies' and six paragraphs related to transactions audit of Urban Local Bodies.

Local Self Government Department

PERFORMANCE AUDIT

4.1 Financial Management in Municipal Corporations

Executive Summary

The Rajasthan Municipalities Act (RMA), 1959 (replaced by Rajasthan Municipalities Act, 2009) provided for establishment and incorporation of a Municipal Corporation (M Corp) in every large urban area. Performance audit of Financial Management by three M Corps (Jaipur, Jodhpur and Kota) during 2005-09 was conducted (July 2009 to April 2010) which revealed that M Corps could not augment their revenue resources to the desired extent. There were shortfalls in collection of revenue/dues leading to accumulation of arrears of ₹ 516.02 crore while liabilities of sizeable amounts were lying un-discharged. Without generating adequate own income and exercising proper control over expenditure in the M Corps, delivery of quality civic services and creation of adequate infrastructure to cater to the growing need of urban people by the M Corps was remote.

Due to slackness in revenue realisation efforts by M Corps, shortfalls in collection of certain revenues ranged between 29 and 97 per cent and arrears of revenue accumulated to ₹ 516.02 crore. Non/short levy or realisation of non-tax revenue by M Corps resulted in loss of revenue of ₹ 22.82 crore. Budget and accounts were not prepared in time. There was a delay ranging from 85 to 164 days in preparation of budget and 14 to 100 days in submission of accounts to State Government.

4.1.1 Introduction

The Rajasthan Municipalities Act (RMA), 1959[1] provided for establishment and incorporation of a Municipal Corporation (M Corp) in every large urban area. There were five M Corps[2] in Rajasthan (March 2009). The M Corps were required to perform such primary and secondary functions and exercise such powers as embodied in different sections of the RMA. Their main functions *inter alia* include sanitation i.e., sweeping/cleaning of streets, roads, drainage, etc., solid waste management, construction of roads, drainage, sewerage etc. (developmental works) and regulation of the construction of buildings in municipal area. Financial resources of corporations are grant-in-aid from State Government (SG) and own revenue. The RMA, 1959 empowered M Corps to collect obligatory taxes (e.g. tax on buildings and land) and to levy and collect other tax and non-tax revenues (e.g. advertisement fee, building permission fee, etc.) by framing rules/bye-laws with the approval of SG.

There is an ongoing increase of population in urban centers due to growth and migration. The increase in the urban population and related economic activities accentuate the demand for urban infrastructure. Hence, to create adequate urban infrastructure and provide civic services and amenities to urban people, M Corps were required to augment their resources so as to create adequate urban infrastructure and provide better civic services/ amenities to urban people according to their growing needs.

4.1.2 Organisational set up

The Department of Local Self Government (LSGD) is the controlling Department of all municipalities for all administrative purposes. It also performs monitoring and co-ordination function at the state level for all the municipal bodies of the State. This Department has a Directorate to look after the day to day functioning of all these Urban Local Bodies. The Municipal Government vests in the Municipal Corporation, which is an elected body. Duties and powers of officials of M Corps are given in **Table 4.1** below:

Table 4.1 : Duties and Powers of officials of M Corps

Chief Executive Officer (CEO)/ Commissioner	The Chief Executive Officer / Commissioner shall perform all the duties and exercise all the powers specifically imposed or conferred upon him by or delegated to him under the Rajasthan Municipal Act, 1959 and Allied Laws. He shall issue and withhold/ withdraw all licenses and permissions. He shall receive and recover and credit to the Municipal fund all fees payable for license and permissions granted or given by him under the Act. He shall exercise supervision and control over the acts and proceedings of all officers and servants of the Municipal Council in matters of executive administration and in matters concerning the accounts and records. He shall supply any return statement,

1. Subsequently replaced by RMA, 2009 from 15 September 2009.
2. Ajmer (Since July 2008), Bikaner (August 2008), Jaipur (December 1992), Jodhpur (December 1992) and Kota (January 1993).

	estimate, statistics, accounts, report or a copy of any document in his charge called for by the Municipal Council/ Board and shall comply with any orders passed thereon.
Chief Accounts Officer	As per the Rajasthan Municipal Accounts Rules, (RMARs) 1963 and General Finance and Accounts Rules the Chief Accounts Officer is responsible for keeping the accounts and records relating to collection of revenue and expenditure there from. He is responsible to maintain general cash book, classified register of receipts and payments, pass book with a recognised bank or Government treasury. He shall prepare accounts of receipt and expenditure and lay before the Municipal Board and also maintain all special fund accounts with the help of his subordinates i.e. Senior Accounts Officers/ Accounts Officers/ Accountants/ Junior Accountants.
Revenue Officer	The Revenue Officer is responsible for the collection of all Municipal revenue including the property taxes, cess, license fees, rents from buildings, etc.

4.1.3 Audit objectives

The performance audit on finance management in M Corps was conducted to ascertain :

- Whether there was efficient, effective and proper budgetary and accounting system;
- Whether the financial management was efficient and effective to safeguard municipal funds against any loss;
- Whether an efficient and adequate system existed in the M Corps to ensure correct assessment, prompt raising of demands and collection of revenue; and
- Whether the monitoring mechanism was appropriate and effective.

4.1.4 Audit criteria

The audit was conducted with reference to:

- Provisions of RMA, 1959 and relevant rules[3] framed there under by SG.
- Relevant rules/bye-laws framed by M Corps and approved by SG.
- Relevant notifications, orders, circulars and scheme guidelines issued by Central/SG from time to time.

3. Such as Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) issued by Government of India (GoI); Rajasthan Municipalities (Budget) Rules, 1966; RMAR, 1963, etc. issued by State Government.

4.1.5 Audit scope and methodology

The performance audit (along with regular test audit for the year 2008-09) was conducted during July 2009 to April 2010, covering the period 2005-09 by test check of records related to financial management including collection of own revenue[4] in three M Corps, Jaipur, Jodhpur and Kota. Exit conference was held on 21 December 2011 where in all important findings and replies were discussed.

The significant findings noticed during performance audit are mentioned in the succeeding paragraphs.

4.1.6 Budgetary planning and accounting control

4.1.6.1 Annual budget estimates of M Corps for the years 2005-09 required to be laid in their Boards' meetings before 15 December[5] of the preceding year were laid with delays ranging from 97 to 128 days in Jaipur, 124 to 164 days in Jodhpur and 85 to 142 days in Kota. The annual accounts of M Corps were required to be prepared before 15 May of the following year and after approval by their Boards, the same were to be transmitted to SG before 30 June[6]. However, M Corp, Jodhpur prepared the annual accounts for the years 2005-09 with delays ranging from 15 to 128 days and as a result the accounts (except for 2006-07) were forwarded to Director, Local Bodies (DLB) with delays of 14 to 100 days. M Corp, Kota did not prepare annual accounts for the period under Audit till October 2011. There were no delays in M Corp, Jaipur. Even though the M Corps did not submit budgets to SG, the Government did not take any action in the matter. In exit conference, the facts were accepted and delays in budgetary estimates were attributed to the need for passing of the budget by the Finance Committee and the Board of the concerned Municipal Body whose meeting is determined by these bodies themselves. The delays in accounts were attributed to shortages of staff in the accounting cadres. DLB also intimated that vide notification dated 25 November 2010, CEOs of M Corps have been empowered to submit budget directly to the SG when the meetings of the prescribed committees are not held or budget not passed. DLB further informed that proposal for recruitment of staff is under submission to the Government. Thus, it is evident that the SG did not monitor the activities of preparation, passage of budget and accounts. The bottlenecks in terms of quantity and quality of staff were not addressed with the urgency it deserved.

4.1.6.2 The Government of Rajasthan through an executive order (December 2004) directed that accounts on accrual basis are also required to be prepared in addition to those on cash basis as per Rule 9 of Rajasthan Municipalities Accounts Rules 1963. Subsequently instructions have been

4. Excluding income from sale and regularisation of municipal lands as this aspect had already been included in the performance audit of 'Land Management in Urban Local Bodies' for the Audit Report (Civil-Local Bodies) 2006-07.
5. Section 277 (4) of RMA, 1959 and Rule 5 of RM (Budget) Rules, 1966.
6. Rules 9 (3) and 14 (2) of RM Accounts Rules, 1963 read with Section 277 (1) of RMA, 1959.

issued under Section 91 of the RMA, 2009 effective from 1 April 2010, prescribing the accrual based annual accounts to be statutory accounts for the Municipal Bodies. Accrual based annual accounts of M Corps, Jodhpur and Kota for the years 2005-06 to 2008-09 were to be prepared by a private agency engaged for *e*-governance. In M Corp, Jaipur, such accounts for the year 2008-09 had not been prepared as of March 2010. In M Corp Jodhpur and Kota the accounts for the period was under progress (January 2012). In the exit conference, none of the officials of M Corps present or officials of DLB was in a position to confirm that the accounts prepared through a private entity on contract basis through Information Technology (IT) application software were consistent with the requirements of the revised accounting manual prescribed by the SG. The primary Auditor (Director Local Fund Audit Department) did not certify the accounts of M Corps. Due to non-preparation of accrual based accounts and absence of audit of the financial statements where prepared, the actual position of assets and liabilities of M Corps could not be ascertained. However M Corp, Kota stated (13 February 2012) that accounts for the year 2005-06 and 2006-07 have been prepared and audited by Chartered Accountants. Accounts for the year 2007-08 to 2010-11 have not been prepared.

Recommendations

Budgets should be prepared in due time.

4.1.7 Receipts and expenditure

Diagrammatic presentation of sources of receipts and items of expenditure of ULBs is as per para 3.3.1 of the report.

Year-wise position of receipts and expenditure of the three test checked M Corps for the period 2005-09 is given in **Table 4.2** below:

Table 4.2 : Receipts and expenditure of M Corps

(₹ in crore)

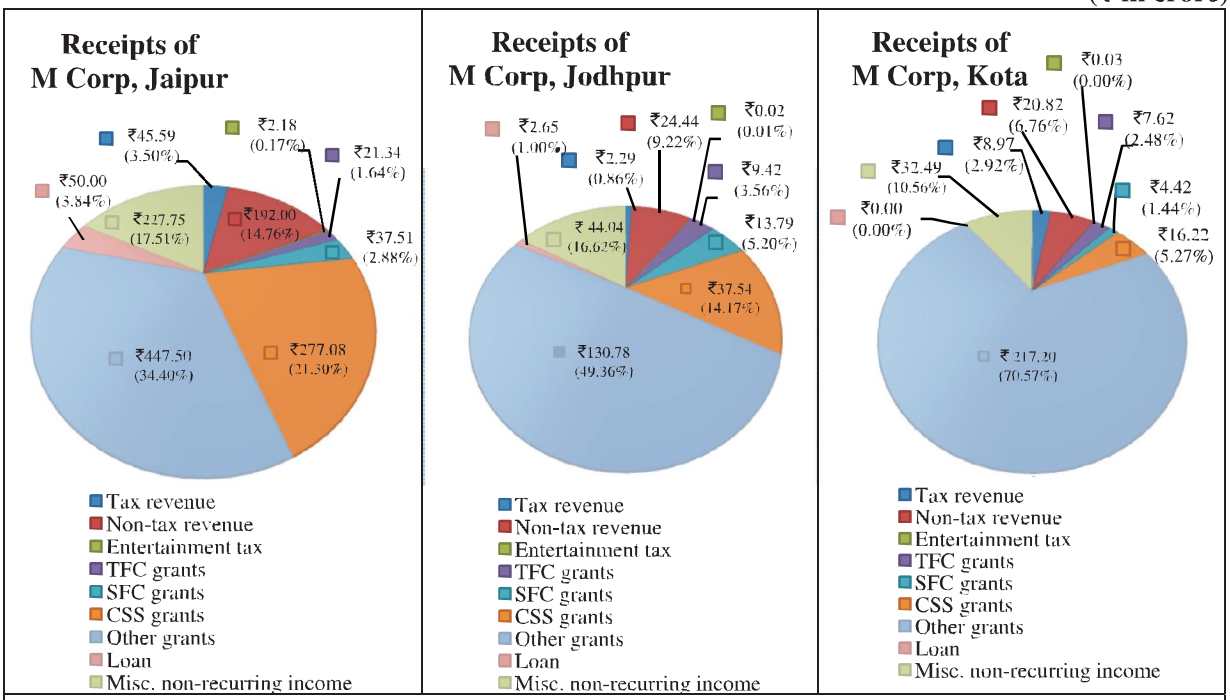
M Corp	Opening Balance (1 April 2005)	2005-06		2006-07		2007-08		2008-09		Total		Closing Balance (31 March 2009)
		R	E	R	E	R	E	R	E	R	E	
Jaipur	12.24	223.49	206.56	282.27	244.79	337.63	326.98	457.56	486.50	**1,300.95**	**1,264.83**	48.36
Jodhpur	8.40	51.43	42.60	54.02	52.87	62.77	65.42	96.75	83.47	**264.97**	**244.36**	29.01
Kota	45.83	66.75	62.97	67.55	60.88	85.83	76.72	85.52	96.22	**305.65**	**296.79**	54.69
Total		**341.67**	**312.13**	**403.84.**	**358.54**	**486.23**	**469.12**	**639.83**	**666.19**	**1,871.57**	**1,805.98**	

(Source: Annual Accounts in conventional formats and information made available by the M Corps)
(R= Receipts and E= Expenditure)

Head-wise/item-wise total receipts and expenditure of M Corps during 2005-09 (Details in ***Appendix*-X and XI**) are depicted as under:

(i) Receipts:

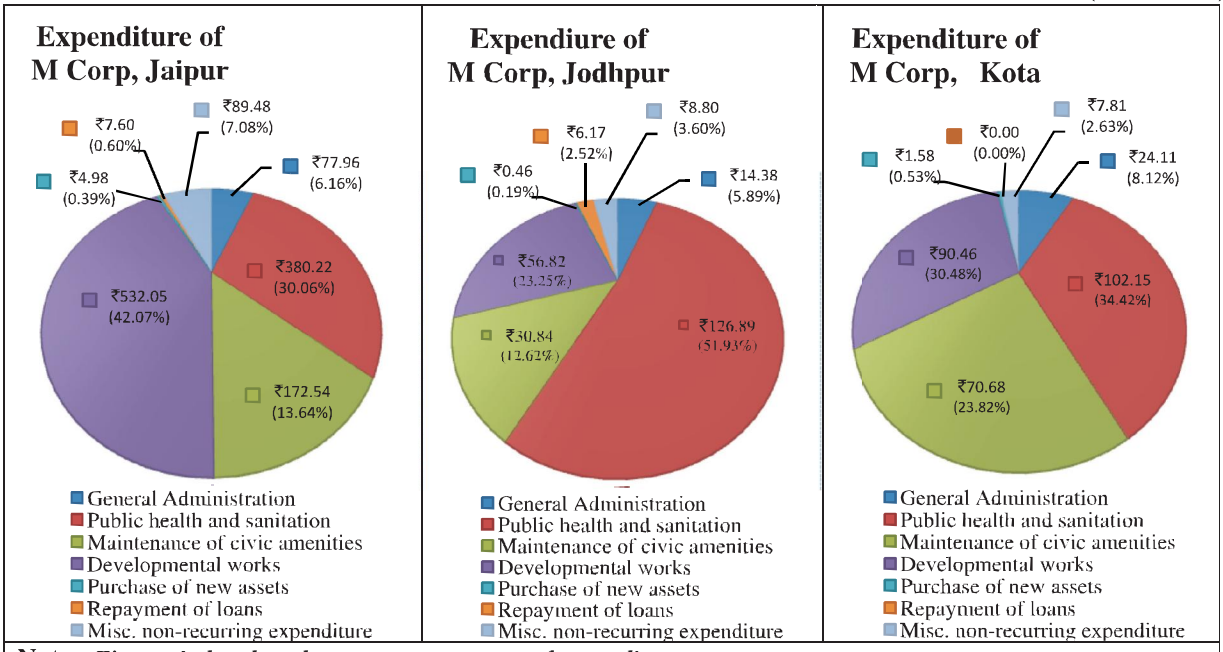
(₹ in crore)



Note : Figures in brackets denote percentage to total receipts

(ii) Expenditure:

(₹ in crore)



Note : ***Figures in brackets denote percentage to total expenditure.***

The following were noticed:

4.1.7.1 Discrepancy in figures of receipts

The total of receipts shown in the annual accounts of M Corp, Kota for the year 2006-07 was ₹ 67.55 crore whereas their item-wise total comes to ₹ 69.67 crore, thus leaving a difference of ₹ 2.12 crore.

In exit conference Chief Accounts Officer, M Corp, Kota stated that the Corporation had reconciled the difference but no details were available/ provided in support. The reply could not be verified as the reconciled position, has not been intimated to audit so far (January 2012).

4.1.7.2 Excess expenditure over budgeted amount

The budget should be prepared on basis of estimated receipts and expenditure. The Municipal Bodies can revise the budget during the course of a year with the approval of the SG as per Section 278 of RMA, 1959.

A comparison of the budget provisions and expenditure incurred there against during 2005-09 revealed that expenditure had exceeded the budget provisions by nine to 73 *per cent* in M Corp, Jaipur under three heads of account[7] and 20 *per cent* under lighting head in case of M Corp, Kota. The variations were attributable to the failure to identify areas requiring re-appropriation in time indicating shortcomings in the internal control procedures relating to budgetary controls. In exit conference the excess expenditures in M Corp, Jaipur were attributed to requirements and it was intimated that SG has been approached (December 2011) for regularisation while in case of M Corp, Kota the excess expenditure was stated to be notional which arose due to adjustment of expenditure on electricity against receivables on account of transfer of land to the electricity distribution company. The reply was not tenable as adjustment affects both the receipt and expenditure side leading to excess over budgeted amount which requires the sanction of SG.

These expenditures in excess of the budget provision have not been regularised (December 2011) by the SG as required.

4.1.7.3 Shortfalls in collection of revenue

Sections 147 to 160 of RMA, 1959 laid down the procedure for recovery of municipal claims from assesses by issue of bills, demand notices or warrants for distress and by sale of property of the defaulters. Alternatively, dues could be recovered by filing civil suits against the defaulters in the courts of law or by invoking provisions of the Public Demand Recovery (PDR) Act, 1952 and/or Rajasthan Land Revenue Act, 1956.

It was observed that:

- Shortfalls in collection of tax revenue against income projected in the

7. Lighting, Cattle house and Garden.

annual budgets (2005-09) of M Corps ranged from 39 to 99 *per cent*[8] and that of certain non-tax revenues[9] ranged from 29 to 97 *per cent* (***Appendix-XII***). M Corp, Jodhpur stated (June 2010) that the targets of revenue collection could not be achieved due to administrative reasons. In exit conference, reasons for shortfall were attributed to fixing of estimated receipts on a higher side without any rationale by the Finance Committee and the Board, shortage of staff for recovery of revenues and reluctance of the public to pay applicable dues which gets facilitated/encouraged through changes in system of charging of tax. The reply is not tenable as the SG under Section 277 of RMA, 1959 has the power to modify any part of the budget. The shortage of staff, lack of adequate response from public is controllable and anticipated event which needs to be addressed both by the SG as well as the M Corps. The non-realisation of the dues is attributable to administrative failure of initiating action by the concerned M Corps.

- Due to shortcomings on part of M Corps to enforce the statutory provisions regarding deterrent action such as seizure and sale of the properties of defaulters, the arrears of own revenue/dues have accumulated to ₹ 516.02 crore[10] (Details in Paragraph 4.1.8. and ***Appendix-XIII***). Due to paucity of own funds, M Corps, Jaipur and Jodhpur had *inter alia* liabilities of ₹ 4.93 crore[11] and ₹ 5.67 crore[12] respectively remaining un-discharged (31 March 2009) and M Corps (Jaipur and Jodhpur) could not provide their entire matching shares under certain developmental schemes[13]. To discharge the liabilities, M Corps, Jaipur and Jodhpur were forced to raise interest bearing loans of ₹ 50 crore and ₹ 15 crore respectively during March 2009 and October 2009. During exit conference it was intimated that the loan of ₹ 15 crore has been repaid by M Corp, Jodhpur. It was also stated at the exit conference that M Corp, Jaipur was making efforts for recovery and dues pertaining to M Corp, Kota were not leviable or non- realisable. The replies are not tenable as stated efforts for recovery are in the nature of directing concerned officials which are not effective. The view that dues in M Corp, Kota are non-leviable/non-recoverable should be supported by decision taken

8. House tax (Jaipur: 39 to 80 *per cent* and Jodhpur: 86 to 99 *per cent)* and UD Tax (Jaipur: 66 *per cent;* Jodhpur: 95 *per cent* and Kota: 88 *per cent*).
9. Slaughtering fee (Jodhpur: 68 to 74 *per cent*); Building permission fee (Jaipur: 39 to 67 *per cent* and Jodhpur: 29 to 93 *per cent*); Road cutting charges (Jaipur: 42 to 95 *per cent* except during 2007-08, Jodhpur: 80 to 97 *per cent* and Kota: 32 to 75 *per cent* except 2005-06); Income from cattle houses (Jodhpur: 80 to 91 *per cent*) and Parking lots (Kota: 43 to 68 *per cent*).
10. ₹ 29.39 crore as per ***Appendix-XIII*** and house tax (Jaipur: ₹ 260.70 crore and Jodhpur: ₹ 109.56 crore) and urban development tax (Jaipur: ₹ 99.50 crore, Jodhpur: ₹ 7.77 crore and Kota: ₹ 9.10 crore).
11. ₹ 3.06 crore payable to various contractors, suppliers, etc (as per purchase ledger) and ₹ 1.87 crore to be repaid to Rajasthan Urban Infrastructure Finance and Development Corporation Limited as of March 2010.
12. GPF contribution (₹ 1.18 crore), Pension Fund contribution (₹ 0.90 crore) and payables to contractors (₹ 3.59 crore). Besides, M Corp, Jodhpur stated (June 2010) that liability towards gratuity contribution was also pending for the period prior to 1992, which could not be calculated by M Corp as of September 2010.
13. Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Integrated Housing and Slums Development Programme and Urban Infrastructure Development Scheme for Small and Medium Towns.

by the competent authorities for write-off. The dues if not processed in time have a stronger possibility of becoming unrealisable.

- Further, own revenue of M Corps aggregating ₹ 76.84 crore (Jaipur: ₹ 60.47 crore, Jodhpur: ₹ 10.03 crore and Kota: ₹ 6.34 crore) during 2008-09 was not sufficient even to meet their recurring expenditure aggregating to ₹ 322.38 crore (Jaipur: ₹ 204.03 crore, Jodhpur: ₹ 54.69 crore and Kota: ₹ 63.66 crore) incurred on payment of salaries, contingencies, etc. during 2008-09, thereby, leaving narrow scope for smooth delivery of civic services and creation of adequate infrastructure for urban people from M Corps' own revenue. The M Corps were largely dependent on grant/assistance from Government. The M Corps did not initiate effective action to maximise the collection of revenue and to mobilise their own resources either by levying new tax and tapping new sources of non-tax revenues (October 2010) or by enforcing better realisation from existing sources. In exit conference, reasons for short collection was attributed to shortage of staff for recovery of revenues and reluctance of the public to pay applicable dues which gets facilitated/ encouraged through changes in system of charging of tax. It was also intimated that possibilities of new sources of revenue such as taxes/fees on mobile towers, marriage gardens and sale of land in case of M Corp, Jodhpur are being explored for augmenting the revenue.

Recommendations

The ability of the M Corps to meet its obligations is critically dependent on its efforts to raise resources and they need to come out with an effective policy for levy, assessment and collection of tax and non tax revenues. The SG should play the role of an active facilitator.

4.1.8 Poor performance in collection of obligatory tax

As per Section 104 (1) of RMA, 1959, an obligatory tax commonly known as house tax was leviable on buildings or lands or both (properties) situated within municipal limit up to 2006-07. From 2007-08, house tax was abolished and Urban Development (UD) tax was levied with reference to area and value of the properties.

The demand, collection and balance position of house tax and UD tax in M Corps was being watched through *e*-governance operated by a private agency. The positions of demand and collection of House tax and UD tax for the period 2005-09 are given in **Tables 4.3 to 4.4** below:

Table 4.3 : Demand and collection of house tax

(₹ in crore)

Year	Jaipur			Jodhpur			Kota
	Total demand	Collection (Percentage)	Balance	Total demand	Collection (Percentage)	Balance	
2005-06	NA	22.76	NA	90.65	0.86 (0.95)	89.79	House tax was not assessed and collected by M Corp, Kota.
2006-07	266.87	2.99 (1.12)	263.88	110.54	0.86 (0.78)	109.68	
2007-08*	265.14	2.98 (1.12)	262.16	109.68	0.06 (0.05)	109.62	
2008-09*	262.66	1.96 (0.75)	260.70	109.62	0.06 (0.05)	109.56	
* Total Demand included arrears of previous years.							

(Source: Information collected from respective M Corps)

Table 4.4 : Demand and collection of UD tax

(₹ in crore)

Year	Jaipur			Jodhpur			Kota		
	Total demand	Collection (Percentage)	Balance	Total demand	Collection (Percentage)	Balance	Total demand	Collection (Percentage)	Balance
2007-08	50.54	3.61 (7.14)	46.93	3.88	0.01 (0.26)	3.87	4.74	0.07 (1.48)	4.67
2008-09	109.82	10.32 (9.40)	99.50	7.97	0.20 (2.51)	7.77	9.42	0.32 (3.40)	9.10

(Source: Information collected from respective M Corps)

It was observed that:

4.1.8.1 M Corp, Kota did not collect house tax in any of the years due to decision of the mayor not to permit levy of the tax. The minutes of the Board meeting of Municipal Corporation (May 2003 and May 2005) show that the mayor of M Corp, Kota got his/her proposal for non-levy of the house tax endorsed by the board of the M Corp, Kota. The Chief Executive Officer (CEO), M Corp, Kota protested (8 May 2005) by clearly highlighting that this is an obligatory tax and the mayor will have to bear responsibility for the decision. The CEO, M Corp, Kota also brought this illegal decision/action to the notice of the SG. As per sub-section (8) of section 104 of RMA, 1959, the SG may exempt from levy of this tax on request and representation by the Board on reasonable grounds. The SG may allow such exemption by a special order to be published in the official Gazette but no such order was found to exist. On the contrary the SG even dismissed the decision of the Board (January 2006) under section 68 (3) of RMA, 1959 being an obligatory tax which was to be collected by M Corp, Kota. Being an obligatory tax the M Corps was bound to levy the tax from the dates prescribed by the SG, which needs to be collected now. Besides, appropriate legal and administrative action should be taken against those responsible for non-collection of the obligatory house tax. In exit conference the audit contention was accepted.

4.1.8.2 Collection of house tax in M Corp, Jaipur had declined over the years from ₹ 22.76 crore in 2005-06 to ₹ 1.96 crore in 2008-09. As against the demands/arrears of house tax, M Corps, Jaipur and Jodhpur could collect only one *per cent* (approximate) of the demand during 2005-09 indicating slackness in taking timely and effective action to maximise collection of the tax revenue.

The performance of M Corps in collecting UD tax was also not encouraging as the percentage of collection during 2008-09 was only 9.40 in Jaipur, 2.51 in Jodhpur and 3.40 in Kota.

4.1.8.3 The short collection of house tax was attributed by M Corps mainly to agitation by some political parties, granting exemption to buildings and land measuring up to 100 sq yd (commercial) and up to 300 sq yd (residential) from April 2007 by SG due to which the potential tax payers did not take interest in paying the tax to M Corps and usually waited for the declaration about tax exemption/waiver. This discouraged the law abiding tax payers and encouraged the defaulters not to pay the leviable taxes to M Corps in future.

4.1.8.4 In M Corps, survey of buildings and land assessable to house tax and UD tax got conducted through M/s Oswal Data Processors in 2005 was *mutatis mutandis* adopted for the assessment of UD tax. The records of new

constructions and additions to the properties made after 2005 were not maintained. Thus, there was no assurance that all the potential properties assessable to UD tax had actually been brought into the tax net.

In exit conference it was stated that reasons for short collection are identical to those for shortfall in collection of revenue and survey for updation of the database of properties after 2005 shall be carried out shortly.

The replies were not tenable as these taxes were obligatory and their collection necessary for meeting the obligations of the M Corps. The SG and M Corps were required to create necessary legal and administrative mechanism to enable levy, assessment and collection of these obligatory taxes.

Recommendation

Failure to collect Urban Development Tax should be tackled. SG should issue illustrative instructions to guide M Corps as to how to tackle such cases. Survey to ensure a reliable database needs to be put in place. Penalty provisions and interest to deter non-compliance by tax payers need to be examined.

4.1.9 Loss due to non/short realisation of non-tax revenue

4.1.9.1 Building permission fee, regularisation charges, etc.

- M Corp, Jodhpur and Urban Improvement Trust (UIT), Jodhpur (Now Jodhpur Development Authority) had been regulating construction of buildings in Jodhpur city under the provisions of Municipal Building Bye-laws effective from November 1945. Later, the UIT, Jodhpur Building Bye-laws, 2001 framed by UIT, Jodhpur and published in the SG Gazette on 4 January 2002 were followed by M Corp, Jodhpur also.

Scrutiny of records revealed that (i) UIT, Jodhpur had issued notices to owners of 12 buildings during 1997-99 to deposit building permission fee/regularisation charges of ₹ 1.13 crore for constructions done without permission or against the approved plans/maps. However, after transfer of colonies and files to M Corp, Jodhpur, no follow up action was taken by M Corp to expedite recovery of the amount and (ii) In 13 cases, M Corp, Jodhpur granted (2006-09) building permission after realising fees of ₹ 1.36 lakh instead of ₹ 13.77 lakh[14] recoverable as per building regulations of 2001. This resulted in short realisation of fees amounting to ₹ 12.41 lakh which could not be recovered as of November 2009. During exit conference the M Corp, stated that action against defaulting officials would be initiated.

- As per Jaipur Development Authority (Regularisation of Irregular Construction of Buildings) Regulations, 1989, any irregular construction of buildings could be regularised on payment of the charges at double the reserve price of the area of unauthorised construction. It was observed that M Corp, Jaipur had granted (April 2006) permission to a person for constructing a

14. Checking fee: ₹ 0.46 lakh, *Malba* fee: ₹ 0.59 lakh and Building permission fee: ₹ 12.72 lakh.

multi-storey commercial building with 5,903.56 square metre (sqm) built up area. However, unauthorised construction was done on additional 292.82 sqm area. M Corp decided (February 2008) to regularise the unauthorised construction subject to recovery of regularisation charges. Commissioner (Planning) of M Corp belatedly issued (May 2009) the demand notice of ₹ 14.32 lakh[15] to the building owner which could not be recovered as of December 2011. In exit conference it was intimated that penalty for unauthorised construction was levied when the builder approached M Corp for approval of the building plan. Since the builder did not deposit the penal amount his building plan has not been approved. The reply was not tenable as the M Corp failed to take recourse to the provisions of RMA, 1959 to recover the penal amount. Besides, no action against the unauthorised construction was found to be taken.

4.1.9.2 Occupancy certificate fee

Jaipur Development Authority (Jaipur Region Buildings) Regulations, 2000 (also adopted by M Corp, Jaipur) stipulated that after completing construction of a building of more than 15 metre height (i.e. multi-storey building), for safety concern of persons occupying the high rise buildings, the building owner was to obtain an occupancy certificate on payment of prescribed fee at ₹ 15 per sqm for residential building and ₹ 30 per sqm for commercial/ institutional building.

It was observed that M Corp, Jaipur did not issue any completion/occupancy certificate during 2005-09 even though permissions for construction of 110 multi-storey buildings (44 residential buildings covering 3,17,923 sqm built-up area and 66 commercial/institutional buildings covering 6,29,376 sqm built up area) were issued by M Corp up to March 2007 i.e. three years ago and in 20 cases permanent 'Fire No Objection Certificates' (NOCs) had already been issued by the Chief Fire Officer of M Corp indicating that construction of these buildings had since been completed. Thus, laxity on part of M Corps to verify and raise demands resulted in non-recovery of occupancy certificate fee of ₹ 2.37 crore to M Corp. Buildings regulations had provision that permanent electric connections should not be provided by *Jaipur Vidyut Vitran Nigam* Limited (JVVNL) till issuance of occupancy certificate by the M Corp, Jaipur for ensuring watch over recovery of occupancy certificate. However, from the findings stated above the JVVNL was not following the provisions of building regulations while issuing permanent electricity connection. The matter was correlated by looking at 'terms and conditions for supply of electricity 2004' wherein there is no requirement of obtaining occupancy certificate from the Municipal authorities before granting permanent electrical connection. In audit opinion, JVVNL is not governed by the building regulations of JDA/M Corp but governed by Electricity Act, 2003 and instructions issued by Electricity Regulatory Commission in so far as giving of electrical connection is concerned. Thus, the objective of M Corp was not achieved and hence there is need to consider appropriate changes in provisions and procedures to keep a watch on recovery of occupancy certificate fee. During exit conference, the

15. Fee for approval of plan/map: ₹ 4.43 lakh, *Malba* charges: ₹ 0.10 lakh and Regularisation fee: ₹ 10.54 lakh less ₹ 0.75 lakh already deposited.

officials of Directorate and Municipal Bodies agreed with audit view and opined that they did not have requisite technical capacity. The SG agreed to look in to the issue in detail in view of security implications for the residents.

4.1.9.3 Advertisement fee

M Corp, Kota fixed the size of a unipole as 160 square feet (sq ft) (16 ft x 10 ft) of which 32 sq ft (16 feet x 2 feet) i.e. 20 *per cent* space was to be reserved for Government/official messages. The advertising agencies paid ₹ 52.68 lakh to M Corp, Kota towards advertisement fee of unipoles for the period 2007-09 without leaving any space for Government/official messages. Thus, fee of ₹ 13.17 lakh[16] becomes due for exhibiting advertisements on the reserved space which had not been recovered as of October 2009. M Corp, Kota stated (October 2009) that notices had been issued to the agencies for depositing the amount. During exit conference, M Corp stated that amount has been recovered but no documents in support of recovery have been produced for verification.

4.1.9.4 Cattle fair fee

A *Pashu Hatwada* (cattle fair) was being organised by M Corp, Jaipur at Ramgarh Road, *Sugli* river every Saturday. Fee for loading/unloading, entry and exit of animals at the rates prescribed by M Corp according to type and size of animals were collected either through its own staff or public auction (private contractor). Despite the facts/trend[17] that the amount obtained through private contractors was proportionately much higher than the amount collected by its staff, M Corp collected cattle fair fee through its own staff and failed to issue permit in time to the successful bidders during 2006-09. This led to loss of revenue to a tune of ₹ 5.24 crore as indicated in **Table 4.5** below:

Table 4.5 : Loss of revenue on account of Cattle fair fee

(₹ in lakh)

Period of loss of revenue	Proportionate amount of fee that could be received through contractors		Details of fee actually collected/received during the same period of loss of revenue		Amount of loss of revenue	Reasons for Loss
	Basis adopted for calculation	Amount	Through whom	Amount		
April 2006 to February 2007 (11 months)	Actual income of ₹ 2.00 crore through bidder during 2005-06 (12 months)	183.33	Through own staff (Amount as per zonal commissioner)	57.41	125.92	Failed to issue permit in time to successful bidders
March 2007 to March 2008 (13 months)	The highest bid of ₹ 3.50 crore offered by bidder 'A' for the period from March 2007 to March 2008 (13 months)	350.00	Through own staff during March 2007 to 9 August 2007 Received from bidder 'A' from 10 August 2007 to March 2008	9.10 207.57	133.33	do
April 2008 to March 2009 (12 months)	The highest bid of ₹ 2.76 crore offered by bidder 'B' for the period from May 2008 to March 2009 (11 months)	301.09	Through own staff as per annual accounts	36.41	264.68	do
Total		**834.42**		**310.49**	**523.93**	

16. ₹ 52.68 lakh was payable for 80 *per cent* space, hence amount payable for 20 *per cent* space worked out to ₹ 52.68 lakh x 20/80 = ₹ 13.17 lakh.
17. The amount of highest bids obtained during 2002-03 to 2005-06 ranged between ₹ one crore (in 2002-03) and ₹ two crore (in 2005-06) per annum whereas the amount collected by its staff was as low as ₹ 2.62 lakh during April to July 2003 and ₹ 0.83 lakh during April to May 2004.

During exit conference M Corp, Jaipur replied that there was low sale/purchase of animals during own staff period and loss worked out by audit was not acceptable. The reply was not tenable as there was delay[18] in approval of bid by the M Corp, Jaipur staff. The fact of leakage of revenue was admitted by CEO, M Corp in his UO note dated 20 November 2009. The loss was attributable to the officials of Jaipur M Corp. and SG.

4.1.9.5 Surcharge on transfer of immovable properties

As per rules framed by M Corps, Jaipur and Kota duly approved by SG (LSGD)[19], a surcharge at 0.5 *per cent* of the value of immovable properties transferred within the municipal limits was leviable before their registration in the registrar office. These rules were made applicable after one month of their publication in the Gazette on 14 February 2007 and 12 July 2007 respectively. Later, collection of the surcharge was deferred by SG (LSGD) vide its general notification issued on 28 January 2008. LSGD could not provide file (January 2012) wherein decision for deferment was taken. Before issue of deferment notification the SG should have followed the procedure of issuing notices to concerned M Corps and hearing them as laid down under Section 298 of RMA, 1959. In absence of concerned file it has not been possible to verify the reason, procedure and authority for deferment.

It was observed that while M Corp, Jaipur did not collect any amount towards surcharge on transfer of immovable properties even though a target of ₹ 10 crore was fixed in its annual budget for the year 2007-08. M Corp, Kota belatedly started its collection from 17 September 2007. Thus, non-collection/belated collection of surcharge resulted in loss of revenue to a tune of ₹ 12.18 crore[20] to M Corps, Jaipur and Kota. M Corp, Kota contended (July 2009) that time period from 13 August 2007 to 26 September 2007 was supposed to be consumed in implementing the notification. The contention was not acceptable, as one month's time after publication of the rules in Gazette had already been provided in the notification itself. During exit conference it was stated that M Corp, Jaipur did not collect the surcharge due to opposition which led to it being withdrawn by the SG on 28 January 2008 while the delay in case of M Corp, Kota was attributed to delay in realisation

18. For 2007-08 the auction was held for the period 02 March 2007 to 31 March 2008. The auctioned amount of ₹ 3.50 crore was not accepted on 01 March 2007 but process of rejection was not finalised for reasons which are not available on record. The work had to be given to the same bidder w.e.f. 10 August 2007 to March 2008 on orders of the Court. Thus this loss is directly attributable to the working of the officials of Jaipur M Corp. For the period May 2008 to March 2009 auction was held on 26 April 2008 and notice for depositing 1/4th amount given on 01 October 2008 which was not accepted by the bidder as 22 (Saturdays) out of 48 (Saturdays) for which tender was floated had elapsed. The loss is attributable to the Jaipur M Corp and State Government.
19. Municipal Corporation, Jaipur (Surcharge on Transfer of Immovable Properties) Rules, 2005 and Municipal Corporation, Kota (Surcharge on Transfer of Immovable Properties) Rules, 2007 published in Rajasthan Gazette on 14 February 2007 and 12 July 2007 respectively.
20. Jaipur: ₹ 11.79 crore on 29,919 properties valuing ₹ 2,357.90 crore (approximately) registered with eight Sub Registrars during April 2007 to January 2008 and Kota: ₹ 0.39 crore on 514 properties valuing ₹ 78.45 crore (approximately) registered with two Sub Registrars during 13 August 2007 to 26 September 2007.

that Sub Registrar office was not collecting the surcharge and collection had to be made by the M Corp itself. The reply was not tenable as non-observance of legal provisions led to loss of ₹ 12.18 crore to M Corps. The M Corps should recover due tax for period upto 28 January 2008, by collecting information from concerning registration authorities.

4.1.9.6 Fee from registration/licensing of marriage places

As per bye-laws[21] for registration of marriage places, no person would operate marriage place without obtaining licence from M Corp. The licence fee was payable every year to M Corp at the rates fixed according to category of the marriage place.

It was observed that:

- In Jaipur, 100 marriage places of Civil Lines Zone were registered in the middle (July to March) of 2006-07, but licence fee was recovered for the remaining period instead of full year as required under the bye-laws resulting in short realisation of ₹ 5.66 lakh. Renewal of 65 marriage places for the subsequent years (2007-10) was not done in four zones of M Corp, Jaipur resulting in non-realisation of the fee of ₹ 11.20 lakh[22] apart from the penalty leviable for non-renewal. The M Corp, stated in exit conference that bye-laws were published on 6 July 2006 hence recoveries for full year 2006-07 were not made. Reply was not tenable, as bye-laws did not provide recovery on proportionate basis.

- In Jodhpur, 41 out of 237 marriage places were reported to have been closed and registration of 68 places/homes was not done resulting in non-realisation of the registration fee of ₹ 3.40 lakh. Six were depositing annual fees. Out of the license fee of ₹ 19.14 lakh demanded (June-August 2009) from 13 marriage places, M Corp, Jodhpur could recover ₹ 0.65 lakh only and the balance amount of ₹ 18.49 lakh remained unrecovered (October 2009). The details of remaining 177 places (109 registered and 68 unregistered) e.g. their area, registration/renewal of licences, raising of demands, recovery of licence fee, etc. were neither available on record nor collected and made available to Audit (October 2009). During the exit conference it was stated that action was being taken for registering the marriage places and recovery of dues.

4.1.9.7 Rent of dairy booths

LSGD of SG issued (January and December 2001) instructions to municipalities to recover rent of dairy milk booths (each of 6 ft x6 ft size) at ₹ 500 per month. The rent was subsequently fixed (June 2005) at ₹ 400 to

21. The Jaipur Municipal Corporation (Marriage Places) Bye-laws, 2005 and Municipal Corporation, Jodhpur (Marriage Places) Bye-laws, 2008.
22. Civil Lines Zone: ₹ 9.70 lakh for 2007-08 (45 places); Hawa Mahal (E) Zone: ₹ 0.35 lakh for 2008-10 (three places); Mansarovar Zone: ₹ 1.00 lakh for 2007-09 (two places) and Sanganer Zone: ₹ 0.15 lakh for 2008-09 (one place).

₹ 850 per booth per month for different categories of booths depending on the quantity of milk sold daily.

It was observed that:

- As per survey conducted (2002-03) by M Corp, Jaipur, 562 dairy booths were in operation under Jaipur Dairy. Against the M Corp's demand of ₹ 1.71 crore towards rent of these dairy booths for the period 2002-05, only ₹ 0.85 crore was paid by Jaipur Dairy and balance of ₹ 0.86 crore along with interest at 18 *per cent* per annum, though demanded, had not been paid to M Corp, Jaipur as of February 2010. From 2005-06 onwards, category-wise rent of only 405 dairy booths was paid by Jaipur Dairy and neither the rent of remaining 157 booths was paid nor their category-wise details furnished to M Corp due to which amount of outstanding rent could not be worked out. During exit conference it was stated that notices to Jaipur dairy have been issued from time to time for recovery of dues amounting to ₹ 2.82 crore and furnishing of details, but Jaipur dairy being government controlled body, had not paid the said amount.

- In Jodhpur, there were 198 dairy milk booths as surveyed (May 2001) by M Corp, Jodhpur. Subsequently, Revenue Officer of M Corp reported (April 2008) that there were 169 booths, of which 89 booths were running unauthorisedly. It was observed that M Corp did not initiate any action for recovery of rent from 89 unauthorised booths. During exit conference it was stated that milk was being sold from shops instead of booths and hence number of booths has declined. It was also stated that amount from 36 booths have been recovered and action for recovery from balance 53 booths was being taken.

4.1.9.8 Parking charges

After inviting open bids, M Corp, Jaipur entrusted the collection of parking charges from five parking places (lots) to six successful bidders (contractors) during 2006-07 (five) and 2007-08 (one). As per terms and conditions of agreements, one-fourth of contract amount was to be deposited by contractor on the date of issue of permit and balance in three equal installments on 30th, 120th and 180th day of issue of permit. On default in payment of any installment on due date, contract was liable to be terminated with immediate effect and parking was to be operated at risk and cost of the contractor. It was observed that on default in payment of installments on due dates, M Corp terminated the contracts with delays of two to six months and collected parking charges through its staff during remaining period. After adjusting cost of collection of M Corp, ₹ 24.94 lakh became recoverable from the defaulting contractors towards risk and costs which could not be recovered by M Corp, Jaipur as of March 2010. During exit conference it was stated that the registered notices for recovery in all the cases have been issued in March 2011 and efforts are being made for recovery of dues under the provisions of the RMA, 2009. The reply was not tenable as there were unexplained delays in issue of notices and taking effective action.

4.1.10 Internal control

Though required under rules[23], the M Corps had no adequate and systematic internal check mechanism to prevent and detect errors and irregularities to guard against loss of public money. Excess expenditure over budgeted amount, significant shortfalls in collection of revenues, loss of revenues due to non/short levy or realisation, etc were seen in audit. Prescribed records such as Demand, Collection and Balance registers[24] of various non-tax revenues, registers of confiscated properties[25] were either not maintained at all or were maintained without complete details. These lapses/deficiencies in various controls indicated weak and inefficient internal control systems in the M Corps.

4.1.11 Monitoring

Monitoring mechanism in M Corps was lax as against 48 meetings each of Board and Executive Committee required to be held during 2005-09 as per rules, the number of meetings actually held was only 16 each (33 *per cent*) in M Corp, Jaipur, 17 meetings of Board (35 *per cent*) and six meetings of Executive Committee (13 *per cent*) in M Corp, Jodhpur and 16 meetings (33 *per cent*) of Board in M Corp, Kota. Thus, these apex bodies of M Corps mainly consisting of public representatives were not provided envisaged opportunities for monitoring the financial management delivered by municipal administration/employees.

4.1.12 Conclusion

Budgets were not prepared in time. Accounts on accrual basis have not been prepared, in absence of which position of assets and liabilities could not be verified. The entire sequence of events starting from assessment, demand, collection and accounting of the revenue administration is largely non-existent in the audited M Corps, resulting in huge arrears of ₹ 516.02 crore and loss of revenue. Surveys of all the properties/unauthorised constructions were not conducted regularly and basic records were not maintained properly to prevent evasion and leakages of revenue. M Corp Jaipur failed to take recourse to the provisions of the Municipal Act to recover the building permission fee and regularisation charges. There was also leakage of resource due to collection by staff in comparison to bidders in collection of cattle fair fee. The M Corps had no adequate and systematic internal check mechanism to prevent and detect errors and irregularities to guard against loss of public money. Thus, without generating adequate own income and exercising proper control over expenditure in the M Corps, possibilities of providing of quality civic services and creation of adequate infrastructure to cater the growing need of urban people were remote.

23. Rule 11 of RMARs, 1963.
24. Forms No. 2, 8, and 9 prescribed under RMARs, 1963.
25. Form 5 A under Rule 24 (2) of RMARs, 1963.

4.2 Sanitation including Solid Waste Management in Municipal Corporations

Executive Summary

The Rajasthan Municipalities Act (RMA), 1959 (replaced by Rajasthan Municipalities Act, 2009) provided for establishment and incorporation of a Municipal Corporation (M Corp) in every large urban area. Performance audit of Sanitation including Solid Waste Management by three M Corps (Jaipur, Jodhpur and Kota) for the period 2005-09 was conducted (July 2009 to April 2010) which revealed that there was tardy progress in implementation of Municipal Solid Wastes (MSW) Rules, 2000 in the M Corps even after nine years of their notification leading to deterioration in quality of ambient air and water. Despite shortage, 452 sweepers were diverted by M Corps for other items of work. House-to-house collection and its segregation were not done fully and sanitary landfills were not set up for scientific disposal of the waste. Incorrect estimation of the maximum quantity of waste by M Corp, Jaipur led to avoidable payment of ₹3.47 crore to private contractors engaged for transportation of waste. M Corps, Jaipur and Jodhpur failed to take action against contractors despite repeated shortfalls/ deficiencies in SWM and cleaning of roads/drains, collection and transportation of waste.

4.2.1 Introduction

The Rajasthan Municipalities Act (RMA), 1959[26] provides for establishment and incorporation of a Municipal Corporation (M Corp) in every large urban area. There were five M Corps[27] in Rajasthan (March 2009). The M Corps are required to perform such primary and secondary functions and exercise such powers as embodied in different sections of the RMA. Their main functions *inter alia* include sanitation i.e. sweeping/cleaning of streets, roads, drainage etc., solid waste management, construction of roads, drainage, sewerage etc. (developmental works) and regulation of the construction of buildings in municipal area.

4.2.2 Organisational set up

The Department of Local Self Government (LSGD) is the controlling Department of all municipalities for all administrative purposes. It also performs monitoring and co-ordination function at the State level for all the municipal bodies of the State. This Department has a Directorate to look after the day to day functioning of all these Urban Local Bodies. Duties and powers of officers of administrative Department and M Corps are given in **Table 4.6** below:

26. Subsequently replaced by RMA, 2009 from 15 September 2009.
27. Ajmer (Since July 2008), Bikaner (August 2008), Jaipur (December 1992), Jodhpur (December 1992) and Kota (January 1993).

Table 4.6 : Duties and responsibilities of officers

Secretary, Local Self Government Department.	Responsible for administration and over all control over Municipal Corporations (M Corps).
Director, Local Bodies	Executive head of Directorate, Local Bodies responsible for coordination, control and monitoring of activities of M Corps.
Chief Executive Officer (CEO)	Responsible for performance of duties and exercise of powers imposed or conferred upon him by or delegated to him under RMA, 1959 (now 2009) and as per rules, bye-laws made there under. He is also responsible for performance of duties under Municipal Solid Wastes (Management and Handling) Rules, 2000.

4.2.3 Audit objectives

The Performance Audit of sanitation including solid waste management was conducted to ascertain whether:

- sanitation work including solid waste management was performed by the M Corps economically, efficiently and effectively;
- optimum utilisation of manpower, materials and machines was ensured by M Corps for smooth delivery; and
- monitoring mechanism was appropriate and effective.

4.2.4 Audit criteria

The audit was conducted with reference to the audit criteria prescribed in :

- Provisions of RMA, 1959 and relevant rules[28] framed there under by State Government.
- Relevant rules/bye-laws framed by M Corps and approved by the State Government.
- Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) issued by Government of India (GoI).
- Relevant notifications, orders, circulars and scheme guidelines issued by Central/State Government from time to time.

28 . Municipal Solid Wastes (Management and Handling) Rules, 2000 (MSW Rules) issued by Government of India (GoI).

4.2.5 Audit scope and methodology

The Performance Audit was conducted during July 2009 to April 2010, covering the period 2005-09 by test check of records related to sanitation including Municipal Solid Waste Management in three M Corps, Jaipur, Jodhpur and Kota. The entry conference could not be held due to pre occupation of senior officers in charge of LSGD. The exit conference was held on 21 December 2011.

The significant findings noticed during performance audit are mentioned in the succeeding paragraphs.

4.2.6 Planning for sanitation

In pursuance to State Government's instructions (May 2001), M Corps were required to assess the demand of Sweepers on the basis of population and area of roads with and without side drains as per norms laid down (March 1967) in the United Provinces Public Health Manual. M Corp, Jaipur did not conduct any survey of area of roads with and without drains for determining the required strength of Sweepers. During exit conference it was stated that requirement of sweepers is determined on the basis of population at the rate of four sweepers per 1,000 population on account of notification of the norm in February 1967, demand by elected representatives and members of the Unions. The detail of roads with and without drains was not available with the M Corps. It was also informed that action to prescribe work norms as per United Provinces Public Health Manual was under consideration. The reply was not convincing as deployment will require conduct of regular surveys. The information was also a necessary requirement for ensuring coverage of all areas within its jurisdiction. Besides, the information was vital for monitoring purpose.

4.2.7 Cleaning of streets and sewer lines

4.2.7.1 Diversion of Sweepers despite their shortage

MSW Rules and Policy guidelines (June 2007) required that street sweeping should be done daily including Sundays and holidays. However, 670 to 932 posts (13 to 36 *per cent)*[29] of *Safai Karmcharis* (Sweepers) were lying vacant in M Corps as on 31 March 2009. Despite shortage, 452 Sweepers (M Corps, Jaipur: 131, Jodhpur: 101 and Kota: 220) were posted in other sections or diverted to other work/purposes as of March 2009 affecting the sanitation work for which they were appointed. State Government (SG) informed (December 2011) that the M Corps have justified the diversion of sweepers for other functions due to vacancies in those cadres as there was ban on recruitment by the SG. It was also intimated that SG is issuing orders directing non-diversion of persons appointed as sweepers for any other assignments. The reply was not tenable as such informal adjustments/diversions were

29. Jaipur: 932 (13 *per cent*) against 6,947 sanctioned posts; Jodhpur: 670 (24 *per cent*) out of 2,806 sanctioned posts and Kota: 672 (36 *per cent*) against 1,889 sanctioned posts.

unlikely to result in matching of persons with appropriate skills placed to do appropriate works and the extra expenditure on outsourcing of excess staff for cleaning arose on account of diversion.

4.2.7.2 Irregularities in cleaning of sewer lines through contractors

M Corp, Jodhpur awarded (October and December 2007) the work of running and maintenance of its nine sewer-jet and five de-silting machines to Contractor 'A' for two years from January 2008 to December 2009. Before completion of this contract, M Corp awarded (May 2008) the comprehensive work of cleaning and maintenance of 800 (kilometre) km long sewer lines to contractor 'B'. Later, Additional Civil Judge, Jodhpur passed (9 June 2008) temporary injunction on awarding the contract midway to contractor 'B' and accordingly M Corp, Jodhpur restored (March/May 2009) the work to contractor 'A'.

It was observed that:

- The action of M Corp, Jodhpur in awarding the work to contractor 'B' without terminating the previous contract and belated restoration of the work to contractor 'A' after nine to 11 months resulted in nugatory expenditure of ₹ 6.70 lakh incurred on payment of idle charges to contractor 'A' for three sewer-jet and three de-silting machines for the period June 2008 to April 2009. SG did not furnish any reply to the contents of the paragraph (January 2012) and the reply at the exit conference was that payment has been made for work executed. The reply is not related to the contents of the paragraph.

- An analysis of work done by contractor 'B' revealed that he had not cleaned the sewer lines of different sizes during May 2008 to May 2009 as per frequencies and time schedule stipulated in the contract. 250 km of sewer lines of diameter less than 150 (milimetre) mm to be cleaned once in every two months (i.e. six times per year) was not cleaned at all. Out of 50 km of sewer lines of diameter more than 1,100 mm to be cleaned once in every year, only 2.28 km of sewer lines were cleaned in June 2008. Thus, contractor 'B' did not clean 1,547.720 km[30] of sewer lines for which he was paid in excess by ₹ 34.82 lakh[31] which was not recovered by M Corp, Jodhpur as of October 2009. State Government did not furnish any reply (January 2012).

Recommendations

M Corp should not divert sanitation workers for other works and their services should be fully utilised for cleanliness of cities.

4.2.8 Segregation and collection of waste

To improve MSW services, LSGD of State Government formulated (March 2006) an Action Plan for utilisation of Twelfth Finance Commission (TFC) grant to be released to municipalities during 2005-10. LSGD also issued (June

30. 250 km x 6 times + 50 km – 2.280 km= 1,547.720 km.
31. (Rate contract amount of ₹ 18 lakh per month divided by 800 km long sewer line) x 1,547.720 km = ₹34.82 lakh.

2007) policy guidelines to all the municipalities for effective implementation of MSW Rules, 2000 which prohibits littering of MSW and *inter alia* envisaged house-to-house collection of waste and its category-wise (organic, inorganic, recyclables and hazardous waste) segregation for proper use and disposal of the waste of each category.

The following irregularities were noticed:

4.2.8.1 Non-segregation of waste

In contravention of MSW Rules, category-wise segregation of wastes was not done (2005-09) fully in any of the three M Corps. To seek public participation in waste segregation, local Residents Welfare Associations (RWAs) were not formed in Kota and regular meetings with RWAs and Non-Government Organisations (NGOs) were not held in Jodhpur. Due to non-segregation of wastes, proper use and disposal of each type of waste could not be ensured. SG accepted the facts and stated (December 2011) that work of segregation of waste was not done due to non-cooperation of local residents and for future, tenders for SWM contract were being invited by the SG in collaboration with *Awas Vikas* Limited (AVL) (a SG Public Sector Undertaking). The reply was not tenable as the initiative required continuous, active and prolonged engagement with the residents which was not found to be attempted by the M Corps. It was also not elaborated as to how selection of vendor by the SG through AVL would achieve co-operation from the residents.

4.2.8.2 Deficiencies in house-to-house collection of waste

- Out of 70 wards, M Corp, Jaipur did not start house-to-house collection of waste in its 35 wards during 2005-09 and did not get it done through contractors fully for the remaining 35 privatised wards as illustrated in Paragraph 4.2.10. The SG at the exit conference attributed the failure to non-cooperation by the residents in the wards and informed that the tenders were being invited at the SG level where provisions for publicity as well as penal action for non-cooperation by residents are envisaged. The reply was not tenable as cooperation from the residents required engagement with them which was not found to have been done.

- M Corp, Jodhpur also did not collect waste from house-to-house in all the 60 wards during 2005-08[32] and in 15 wards during 2008-09. The work in 45 wards was allotted (February 2008) to a contractor who did not collect waste from 25 to 30 *per cent* houses (as per notices issued to contractor). In the exit conference it was stated that the vendor did not carry out its obligations and the agreement has since been terminated and the work was being done through NGOs. ₹ 1.53 crore have been recovered against ₹ 3.95 crore (assessed to be recoverable) and for future, the selection of vendor are being done at the level of SG.

32. Except house-to-house collection in five wards only for one to two months (between February and June 2007) after which the work was withdrawn from contractors due to their unsatisfactory performance.

- In M Corp, Kota, house-to-house collection of waste was not done during 2005-09. Besides, 100 rickshaw-trolleys purchased (June 2007) for ₹ 11.51 lakh from TFC grant could not be used as of October 2009. SG at the exit conference accepted that rickshaw-trolleys were not used for house hold collection but stated that rickshaw-trolleys were used for transportation of waste within the city.

Thus, due to non-collection of waste from house-to-house in contravention of MSW Rules, waste was littering on roads, plots and other open spaces spreading foul odour and creating environmental pollution.



Waste littering on road (Main Raja Park Market, Jaipur)



Waste littering on road and pigs wandering (Gali No.4, Raja Park, Jaipur)

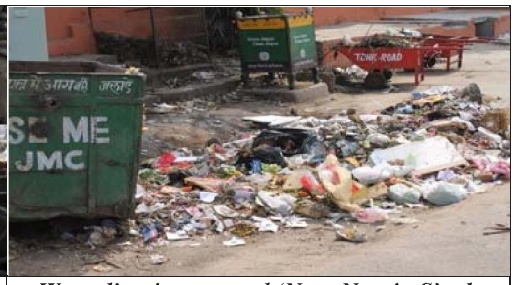
4.2.8.3 Disproportionate distribution of waste containers among wards

As per MSW Rules storage facilities or bins were required to be set up at the places accessible to users and considering the quantity of waste generated and population densities of the area. Further, such facilities should be of 'easy-to-operate' design and the stored waste should not be exposed to open environment which may create unhygienic and insanitary conditions around.

It was observed that M Corps, Jaipur and Jodhpur had waste containers of different sizes with a total capacity of 1,681.335 MT and 856.030 MT respectively. Audit however, observed that the containers were distributed disproportionately among the wards. As a result, while 31 wards of M Corp, Jaipur had containers of nearly four times capacity (1652.53 MT) than required as per norms of 350 gram (Jaipur) /250 gram (Jodhpur) per capita per day for generation of waste as per MSW Rules. Out of remaining 39 wards, 34 wards had no containers and five wards had a few containers. In M Corp, Jodhpur, 15 wards of City Zone had containers of lesser capacity than required. In the exit conference it was stated that this was due to congested nature of these areas. The reply was not tenable as these are long term issues related to hygiene and environment and indicates lack of commitment to these issues on the part of M Corps.



Waste littering on road (Dhurav Marg, Raja Park, Jaipur)



Waste littering on road (Near Narain Singh Circle, Jaipur)

Recommendation

Solid Waste should be scientifically segregated, arrangement for house to house collection and proper transportation should be made.

4.2.9 Transportation of waste

4.2.9.1 Irregular transportation of waste in uncovered vehicles

MSW Rules stipulate that vehicles used for transportation of waste should be covered so as to avoid littering of the waste and its exposure to open environment and the vehicles should be specially designed to avoid multiple handling of waste before its final disposal. SG also prohibited (June 2007 and September 2008) the use of open vehicles particularly tractors with open trolleys for transportation of waste.

It was observed that:

- In violation of MSW Rules, three contractors transported the uncovered waste in 1,378 trips from 29 wards[33] of M Corp, Jaipur between July 2008 and September 2009 but M Corp, Jaipur could not take any action against them due to non-inclusion of such condition in the contracts. SG stated at the exit conference that the condition for imposing penalty on transporting of waste in uncovered vehicle would be included in the contracts which would be executed in future. Thus, the objective of MSW Rules of transportation of solid wastes without its exposure to open environment was not achieved.



Waste transfer station at Galta Gate crematoria showing transportation of rubbish in uncovered vehicle

33. M/s Arihant Enterprises: 746 trips (11 wards of Hawa Mahal – (West) Zone), M/s B S Transport: 55 trips (six wards of Civil Lines Zone) and M/s Rajesh Kumar Yadav: 577 trips (12 wards of Hawa Mahal (East) Zone).

- M Corp, Jodhpur used its own uncovered vehicles (13 dumpers and two tractor-trolleys) and hired 30 tractors with trolleys and eight dumpers for transportation of waste during June 2007 to March 2009 for which ₹ 1.10 crore was paid to the private contractors. Thus, transportation of waste in uncovered vehicles resulted in environmental pollution and potential health hazard by uncovered waste. SG while accepting the facts at the exit conference stated that this was due to non-availability of covered transportation vehicle and precaution was taken to cover the vehicles with tarpaulin sheets. It was also stated that transportation of waste in future would be done in covered vehicles.

4.2.9.2 Lack of optimum utilisation of Corporations' own vehicles

In test checked M Corps' 19 vehicles (Jaipur: one, Jodhpur: 12 and Kota: six) meant for street sweeping, lifting and transportation of waste remained off road/idle for more than nine months to eight years for want of repairs and registration. Besides, affecting the quality of work of sanitation and management, M Corps had to rely on private contractor for meeting the shortfall. SG at the exit conference attributed idling of vehicles to a variety of reasons like non replacement of damaged vehicles, surplus capacity, absence of registrations, shortage of spares, non suitability of the procured machine, shortage of containers, etc. It was also stated that the three drain cleaning vehicles in M Corp, Kota were being used through hiring of hydraulic tractors. The reply was not tenable as purchases of containers, spares, registration, etc. were all indicative of inefficiencies and weaknesses of internal controls of these entities. The reply regarding use of the three drainage cleaning vehicles was not agreed to in view of the reply by the Executive Engineer of the concerned M Corp (August 2009) wherein it has been intimated that these vehicles have not been used since procurement.

4.2.9.3 Avoidable hiring of private vehicles for transportation of waste

In M Corp, Jodhpur per day average carrying capacity of a dumper and a tractor-trolley was 24 MT (eight MT capacity x three trips) and 12 MT (three MT capacity x four trips) respectively. Based on this, M Corp, Jodhpur would have required a maximum of 13 dumpers and 25 tractor-trolleys for transportation of 79,560 MT[34] waste to dumping site at Keru from 60 wards during June 2007 to February 2008 and four dumpers and seven tractor-trolleys for transportation of 29,860 MT[35] waste from 15 wards during March 2008 to March 2009. As M Corp, Jodhpur already had 13 dumpers, 11 dumper placers and eight refuse collectors (excluding six let out to contractor from April 2008) sufficient for transportation of waste, no dumper was required to be hired during 2007-09 and hiring of only seven tractor-trolleys could have sufficed during March 2008 to March 2009. However, M Corp, Jodhpur failed to ensure optimum utilisation of its own vehicles (dumpers/dumper

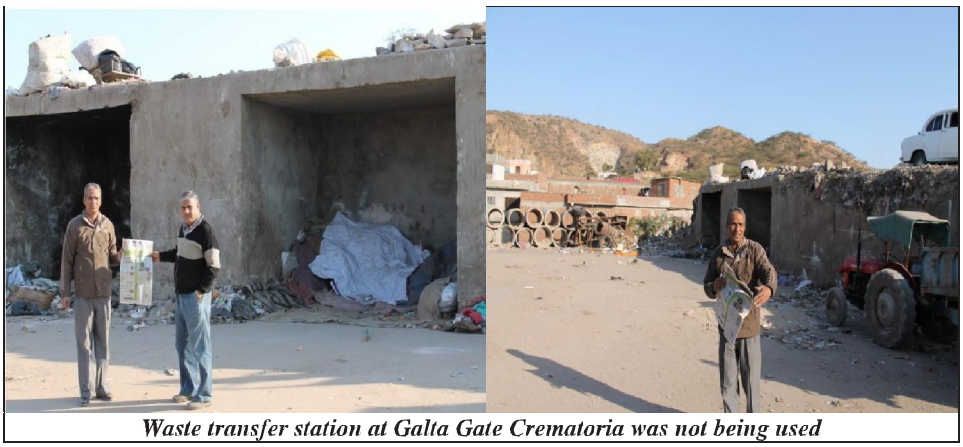
34. 8,840 MT per month (average) x nine months (June 2007 to February 2008 = 79,560 MT and per day quantity transported works out to 291 MT.
35. 29,860 MT (Actual as per weigh bridge at Keru dumping site) and per day quantity transported works out to 76 MT.

placers/refuse collectors) and did not assess actual requirement of dumpers before hiring which led to avoidable extra expenditure of ₹ 1.04 crore incurred on unnecessary hiring of eight dumpers (₹ 83.23 lakh) during June 2007 to March 2009 and 23 tractor-trolleys (₹ 20.89 lakh) during March 2008 to March 2009.

M Corp, Jodhpur (Garage Section) stated (October 2009) that dumpers and tractor-trolleys were hired on the demands of its Health Section for transportation of waste from parks, drains, etc. However, M Corp, Jodhpur neither put forth detailed justifications of the demands of Health Section nor offered any specific comments on the requirement of dumpers worked out by audit on the basis of actual quantity of all the types of waste transported. SG at the exit conference reiterated the earlier referred reply from M Corp which was not tenable as it is bereft of details and justification for hiring of vehicles.

4.2.9.4 Non-usage of waste transfer stations

To facilitate transfer of waste from smaller transporting vehicles to large hauling vehicles for carrying it to the designated disposal sites, M Corps, Jaipur and Kota constructed three waste transfer stations at a cost of ₹ 1.68 crore[36]. These transfer stations could, however, not be put to intended use for more than one to two years as bulk/large hauling vehicles and other required facilities/mechanical works had not been purchased/executed by M Corps, Jaipur (April 2010) and Kota (October 2009). Thus, purpose of their construction was not fulfilled resulting in blocking of funds of ₹ 1.68 crore. SG at the exit conference attributed non-functioning of the waste transfer station due to non-availability of large hauling vehicle, absence of electricity, water and seating space for employees in respect of M Corp, Kota. It also intimated that the concerned transfer stations in Jaipur are now in use. In the course of verification in audit (23 January 2012) it was found that one waste transfer station at Jhalana bye-pass was being used and the other waste transfer station at Galta Gate Crematoria was not being used. The reply in case of Kota is not tenable as reasons are found to be controllable.



Waste transfer station at Galta Gate Crematoria was not being used

36. M Corp, Jaipur: ₹ 58.35 lakh on one transfer station constructed (March 2009) near Galtagate Crematoria and ₹ 58.91 lakh on the second one constructed (August 2008) near Jhalana By-pass both under JNNURM; and M Corp, Kota: ₹ 50.90 lakh from TFC grant on one transfer station constructed (February 2009) near Thegda village.

4.2.9.5 *Excess payment due to excess quantity of waste cleared by private contractors*

M Corp, Jodhpur privatised (February 2008) collection and transportation of waste from its 45 wards. A comparison of the quantity of waste transported by contractor from 45 wards with that transported by M Corp, Jodhpur's own vehicles from other 15 wards during 2008-09 revealed that per capita quantity of waste depicted to have been transported by the contractor was inexplicably higher by 64 *per cent*[37] due to transportation of building rubbish as indicated in **Table 4.7** below:

Table 4.7 : Excess quantity of transportation of building rubbish

Waste transporting agency	Quantity of waste transported during 2008-09 (MT)	Projected population in 2008	Per capita per day quantity of waste transported
Private contractor	89,940	6,93,541 (45 wards)	355 gms
M Corp, Jodhpur	26,860	3,39,001 (15 wards)	217 gms

The quantity of waste including building rubbish transported by the contractor was more by 26,654 MT (89,940 MT minus 63,286 MT[38]) as per norms of 250 gms[39] per capita per day envisaged in the contract. Had the quantity been limited to that as prescribed by norms, M Corp, Jodhpur could have saved ₹ 1.90 crore (26,654 MT x ₹ 711 per MT) which was paid for the excess quantity. Further, the quantity transported in M Corp's vehicles was less than the norms which indicated that entire waste generated was not being cleared daily thereby creating insanitary/unhygienic conditions in violation of MSW Rules. SG at the exit conference stated (December 2011) that waste generated in contractor's ward was excess due to market, railway station, bus stand, etc. being a part of the privatised wards and recoveries on account of transportation of building rubbish has been made from the bills of the contractor. It was also stated that waste generated in the wards serviced by the vehicles owned by the M Corp was lesser than the norm as these wards are spread out containing agricultural land, farm houses and gardens. The SG was asked to direct the M Corp to provide maps of the 60 wards as well as details of verification of recoveries made from the bills. The concerned M Corp was also approached directly to provide these details which have not been produced to audit as of January 2012. The reply was not tenable as it was not supported by the requisite details.

4.2.9.6 *Avoidable extra/excess payments to contractors for transportation of waste*

- After approval of the rate contracts, M Corp, Jaipur awarded (May 2006) the work of transportation of waste from six wards of Civil Lines Zone to three paneled contractors (two wards each) at ₹ 209 per MT. After expiry of these contracts, M Corp, Jaipur awarded (July 2008) the work of

37. (355-217) x 100/217 = 64 *per cent*.
38. Projected population in 2008 = 6,93,541 x 250 gms x 365 days = 63,286 MT.
39. As per information supplied by M Corp, Jodhpur and norms prescribed for waste generation per capita per day for cities having population five to 10 lakh.

transportation from its three zones viz. Civil Lines Zone, Hawa Mahal (East) (HM (E)) Zone and Hawa Mahal (West) (HM (W)) Zone to the same three contractors[40] at ₹ 209 per MT with an annual increase of 10 *per cent* and on other terms and conditions of the same rate contracts (2006).

It was observed that 3.68 lakh MT of waste depicted to have been transported by the contractors during June 2006 to September 2009 was more by 1.51 lakh MT than the quantity arrived at (2.17 lakh MT) by adopting the norms of 350 gms[41] per capita per day. Thus, transportation of waste in excess of the maximum quantity of waste estimated by M Corp, Jaipur led to excess expenditure of nearly ₹ 3.47 crore on payment to the three contractors as per details given in ***Appendix-XIV***.

The reason for transportation of the waste in excess of norms is largely due to transportation of building material and building rubbish which the contractors transported to increase weight and consequent extra payment. The matter was also brought to the notice of Commissioner Vigilance by the Commissioner Health (November 2009). This expenditure on transportation of building rubbish under clause 8 of the agreement was to be obtained from the builder and not from the M Corp, Jaipur.

State Government did not furnish (January 2012) any reply on excess transportation of waste against the prescribed norms.

- Test check (July 2006) of records of M Corp, Jaipur revealed that after inviting (June 2002) open tenders, the M Corp awarded (October and November 2002) the work of transportation of wastes from Wards No. 58 to 61 and 39 to 43 of HM (W) Zone to a contractor for ₹ 2.56 lakh and ₹ 3.48 lakh per month respectively. Clause 12 of the contract agreements explicitly laid down that waste would be dumped on the places specified by the Zonal Commissioner and payment or deduction, as the case may be, would be made at ₹ five per km for more or less distance in comparison to the dumping site. As per agreements executed (October and December 2002) with the contractor, the waste was to be dumped on the trenching ground (dumping site) at Kanota[42] (17 km far from the wards). Subsequently, the dumping site was changed to VKI area (eight km far from wards) from 31 October 2002 subject to deductions to be made for the shorter distance and to Mathuradaspura (17 km far from wards) from 21 February 2003.

In spite of the aforesaid facts evidencing that the original dumping site was Kanota, Commissioner (Headquarters) of M Corp, Jaipur treated the original

40. Civil Lines Zone (Six wards) to M/s B.S. Transport; HM (E) (12 wards) to M/s Rajesh Kumar Yadav and HM (W) (11 wards) to M/s Arihant Enterprises.
41. As per information supplied by M Corp, Jaipur and norms prescribed for waste generation per capita per day for cities having population 20 to 50 lakh.
42. As was *inter alia* evidenced from the contractor's letter (5 August 2002) and the rates justified and counter-offered by the Executive Committee of M Corp, Jaipur considering the dumping site at Kanota, which were accepted by the contractor in his letters of 12 August 2002 (Wards No. 39 to 41) and 26 October 2002 (Wards No. 58 to 61). Accordingly, the contractor transported the waste from Wards No. 58 to 61 to Kanota on 30 and 31 October 2002.

dumping site as VKI area and issued (September 2003) orders for making payment to the contractor for the extra distance of 18 km[43] per trip to the changed dumping site (Mathuradaspura). This irregular decision of M Corp, Jaipur led to avoidable extra payment of ₹ 28.41 lakh (₹ 3.93 lakh[44] + ₹ 24.48 lakh[45]) to the contractor during November 2002 to February 2005, besides showing undue favour to him. SG did not furnish any reply (January 2012).

4.2.10 Comprehensive sanitation/waste removal work contracts and non/short recovery of penalties and other recovery from contractors

Scrutiny of records related to comprehensive sanitation contracts revealed that due to non/short performance of sanitation/waste management work in the following cases, environmental pollution was not prevented. The violations were extensive but no effective action was taken. Potential penalties to the tune of ₹ 36.40 crore could be worked out against the concerned contractors. Besides other recoveries of ₹ 2.18 crore were also not ensured.

4.2.10.1 After inviting open tenders, M Corp, Jaipur issued (May 2005) letters of acceptance (June-July 2005) of comprehensive sanitation contracts for its three zones to three contractors for three years as given in **Table 4.8** below:

Table 4.8 : Letters of acceptance of comprehensive sanitation contracts

Zone	Contractor	Rate per MT (Maximum quantity)			Number of households	Period	Contract amount (₹ in crore)
		I[st] year	II[nd] year	III[rd] year			
HM (E)	M/s Global Waste Management Cell, Mumbai	₹ 480 (50,000 MT)	₹ 509 (51,000 MT)	₹ 531 (52,000 MT)	54,324	15 August 2005 to 14 August 2008	7.76
HM (W)	M/s K K Carrier, Mumbai	₹ 499.50 (45,000 MT)	₹ 534 (46,000 MT)	₹ 576 (47,000 MT)	45,536	18 July 2005 to 17 July 2008	7.41
Moti Doongri (MD)	M/s ACME Enterprises, New Delhi	₹ 400 (50,000 MT)	₹ 415 (51,000 MT)	₹ 430 (52,000 MT)	62,882	1 July 2005 to 30 June 2008 (Terminated on 16 August 2007)	6.35

43. 2 x difference between one side distance of VKI area and Mathuradaspura = 2 x (17 km- 8 km) = 18 km.
44. ₹ 3.93 lakh was not deducted from the bills (1 November 2002 to 10 March 2003) of the contractor for shorter distance of 78,552 km (i.e. 2 x difference between one side distance of Kanota and VKI area = 2 x (17 km- 8 km) = 18 km per trip x 4,364 trips).
45. Extra payment of ₹ 24.48 lakh made to the contractor for extra distance of 4,89,726 km (i.e. 18 km per trip x 27,207 trips) covered up to Mathuradaspura from 11 March 2003 to 29 January 2005 (Wards No. 58 to 61) and from 11 March 2003 to 28 February 2005 (Wards No. 39 to 43).

The comprehensive contracts included door-to-door (house-to-house) collection of waste, its segregation into wet and dry categories, cleaning of sewer lines, sanitary lanes, drains of more than two feet depth, manholes etc., lifting, transportation and unloading of waste to the earmarked disposal sites as per MSW Rules. In case of shortfalls in the different items of work, liquidated damages (penalties) at the specified rates were recoverable from the contractors.

The following deficiencies were noticed:

- In case of non-removal of waste from any of the private premises/ houses, a penalty of ₹ five per day per premises was required to be recovered from the contractors. In case of non-removal of waste, liquidated damages maximum upto 10 *per cent* of contract value was leviable and contract could be terminated, if the liquidated damages exceed 10 *per cent* of the contract value. The contractors collected (July 2005 to August 2008) waste from lesser number of houses (house-days being 5.67 crore) than those existing in the privatised wards (house-days being 12.27 crore[46]). However, against penalty of ₹ 32.98 crore to be deducted/recovered for 6.60 crore house-days from the contractors' bills, or termination of contract after reaching 10 *per cent* of the contract amount M Corp, Jaipur recovered/withheld only ₹ 14 lakh resulting in short recovery of ₹ 32.84 crore[47]. State Government at the exit conference stated that the scheme for door to door collection of waste was implemented first time and waste generated from door to door was to be collected by the contractor along with the user charges from the residents. However, most of the residents did not co-operate and neither paid the user charges to the bidders nor provided him with the waste. Thus, it was not practical to levy the prescribed penalty of ₹ five per day per household. It was also stated that maximum penalty under the contract could be 10 *per cent* of the contract amount of ₹ seven crore. Further, it was stated that in case, conditions of the tender were strictly followed there was strong possibility of the contractor leaving the work which would have had an adverse impact on environment and health of the residents as waste transportation would have been affected and hence the contract was not terminated despite violations.

The reply was not tenable as the objective of comprehensive sanitation work included door to door collection as one of its most important components. The contract with the contractors clearly spelt that the collection from households was to be done by them and user charges collected. The M Corp was not to compensate for any shortfall in collection of user charges. The bidders entered into the contract with full knowledge of their obligations. The contract provided for issue of notices for defect correction but despite continued short collection which finally totaled to 6.60 crore households (documented by officials of the M Corp), no notice(s) for defect removal was found to be given.

46. As per information supplied by the M Corp, Jaipur.
47. HM (E) Zone (M/s Global Waste Management Cell): ₹ 16.42 crore, HM (W) Zone (M/s K K Carrier): ₹ 7.68 crore and MD Zone (M/s ACME Enterprises): ₹ 8.74 crore.

- The contractors were required to clean all the drains, sewer lines/manholes and sanitary lanes throughout the year. It was observed that inadequate cleaning of drains and manholes were done which were 54 *per cent* and 65 *per cent* respectively. M Corp, Jaipur had cleaned 800 sanitary lanes of HM (W) Zone and incurred (June 2007 to August 2008) an expenditure of ₹ 11.83 lakh on cleaning of four drains in contractors' wards of HM (E) and MD Zones, but neither the amount was recovered from the concerned contractors nor any penalty for the default was imposed. SG at the exit conference stated that deductions and recoveries for drains, sewer lines/manholes and sanitary lanes not cleaned by the contractor have been made from the contractor's bills. The reply was not tenable as details showing the bills through which recovery of ₹ 11.83 lakh was made, have not been produced to audit for verification.

- In case of non-removal of waste from secondary collection centres (garbage depots), a penalty of ₹ 100 per depot was required to be deducted from contractors' bills. In MD Zone, the contractor did not clear waste from 19,601 garbage depots during July 2005 to October 2006 but M Corp, Jaipur did not impose and deduct penalty of ₹ 19.60 lakh from their bills. SG at the exit conference stated that the firm has been black listed and no balance amount has been paid to it and action was taken to forfeit the bank guarantee furnished by the firm but it was challenged in the court and final decision is awaited. The reply is not tenable as the issue was of levy of liquidated damages during execution of the contract between July 2005 and October 2006. The action for termination took place much later (September 2007) and fails to address the issue contained in the paragraph.

- The contractor of MD Zone had furnished (May 2005) a bank guarantee of ₹ 31.76 lakh (valid up to 31 August 2008) towards performance guarantee. M Corp, Jaipur terminated the contract mid way on 16 August 2007 i.e. one year before its expiry stating that the work of contractor was not satisfactory. M Corp, Jaipur wrote (January, March and April 2008) to Syndicate Bank, New Delhi and also to contractor (August 2008) to remit/deposit the amount (₹ 31.76 lakh) of bank guarantee, but the same had not been remitted to M Corp, Jaipur. SG at the exit conference stated that the bank had refused to encash the bank guarantee on the grounds that bank guarantee was valid until 90 days of the contract completion/ termination and request for encashment has been sent on 10 January 2008 i.e. beyond 90 days of date of termination of the contract i.e. 16 September 2007. It was also intimated that matter is currently pending before the court for adjudication. In our opinion vigilant action on the part of M Corp could have enabled encashment of the bank guarantee.

4.2.10.2 M Corp, Jodhpur invited (October 2007) open tenders for awarding comprehensive contract including house-to-house collection of waste from 45 wards, its storage and transportation to Keru dumping station. The rate of ₹ 711 per MT tendered by M/s Centre for Development Communication (CDC) was the lowest. However, M Corp, Jodhpur allotted (5 February 2008) the work to its joint venture named M/s Kanak Resources Management Limited for five years. The work was to be started before 15 February 2008.

The following deficiencies were noticed:

- Allotment of the work to M/s Kanak Resources Management Limited (contractor) was irregular as the contractor had not submitted the tenders at all and the firm (M/s CDC) whose tendered rates were accepted had already been blacklisted by Municipal Corporation, Aurangabad (Maharashtra) and State Government had accorded (January 2008) the financial sanction of ₹ 12.19 crore in favour of M/s CDC. Before awarding contract, M Corp, Jodhpur did not ascertain the past experience/performance of the contractor and revised sanction of the Government was not obtained in favour of the contractor. Later, M Corp also viewed several deficiencies/irregularities in the work performed by the contractor for which notices were issued to the contractor in February, June and August 2009. Contract was finally terminated (January 2010) with effect from 11 December 2009 and penalties of (₹ 2.57 crore), users charges (₹ 1.94 crore) and hiring charges of refuse collector (₹ 11.99 lakh) were recoverable from the contractor. M Corp, Jodhpur accepted that revised sanction had not been obtained from State Government and stated (December 2011) that penalties would be adjusted against performance security withheld but did not give any justification for replacement of the original vendor by M/s Kanak Resources Management Ltd.

- As per contract, a penalty of ₹ 1,000 per spot was recoverable if waste was found lying on any spot after 4.00 PM. The contractor belatedly started the work in 40 out of 45 wards between 16 February 2008 and 5 April 2008. M Corp, Jodhpur recovered penalty for non- collection of waste from house-to-house and non-lifting/non-transportation of containers for the period from 5 March 2008 to 4 April 2008, but omitted to recover penalty of ₹ 65.28 lakh[48] leviable at ₹ 1,000 per depot for the waste not cleared from a minimum of eight depots per ward. State Government stated (December 2011) that penalty would be imposed now and would be included along with other recoveries.

- The contractor did not accomplish the work on 22 and 23 February 2009 due to strike by his sanitary workers. M Corp, Jodhpur, therefore, accomplished the work but item-wise penalties of ₹ 13.87 lakh[49] leviable as per contract for non-performance of the work on these days were not imposed and recovered from the contractor. Demand for recovery was sent to the contractor (February 2009) but no recovery was made till date.

SG at the exit conference accepted the facts and stated that the contractor has not submitted the bills for the period July 2009 to 11 December 2009 and his performance security has also not been released. It was also stated that due recoveries would be recovered and the matter is pending before a review committee for decision.

48. ₹ 1,000 per depot per day x minimum eight depots x total ward-wise days of delay i.e. 816 days.
49. House-to-house collection of waste: ₹ 4.67 lakh, non-lifting and transportation of waste containers: ₹ two lakh and non-removal of waste from spots: ₹ 7.20 lakh.

Recommendation

The M Corps should strictly implement contract/agreement executed with contractor to avoid loss to corporations and to provide quality service.

4.2.11 Setting up of waste processing facility

To make use of wastes for producing composts, fuel pallets, etc. and to minimise burden on landfill sites, waste processing units were required to be set up under MSW Rules before 31 December 2003. MSW Rules further stipulate that biodegradable waste such as waste from slaughter houses/meat/fish markets and fruits/vegetable markets should be processed by *vermi*-composting or any other biological process.

The following points were observed:

4.2.11.1 While M Corp, Kota did not set up any waste processing facility as of August 2009, M Corps, Jaipur and Jodhpur had the processing plants set up in January 2007, nearly three years after the due date. Consequently, entire waste generated in Kota during 2004-09 and in Jaipur and Jodhpur prior to setting up of the plants was dumped without any treatment/processing. SG accepted the facts at the exit conference.

4.2.11.2 M Corp, Jaipur awarded (August 2005) the work of establishing a waste processing plant to a contractor on Build, Own, Operate and Transfer (BOOT) basis on 25 acre land at Langariawas (Jaipur) for 30 years which started functioning from January 2007. The processing capacity of the plant was 500 Tonne Per Day (TPD) and daily average quantity brought to dumping site at Mathuradaspura was 700 MT per day. However, only 110 MT (15.7 *per cent* of the total waste and 22 *per cent* of the plant's capacity per day) of waste was processed by the operator and rest was dumped without treatment during January 2007 to March 2009 violating the provisions of MSW Rules and memorandum of undertaking (MoU)/contract. SG stated at the exit conference that the capacity of plant was 350 TPD while the letter (November 2006) of the contractor to M Corp, Jaipur states it to be of capacity 500 TPD. No comments were given on the under utilisation of the plant despite an average daily quantity brought to site in excess of the capacity of plant.

4.2.11.3 In M Corp, Jodhpur, the work of compost plant of 100 TPD was completed (October 2006) at a cost of ₹ 16.35 crore at Keru (Jodhpur) by a contractor. MoU was signed between M Corp, Jodhpur and another contractor in November 2006 for its operation/maintenance for five years which started functioning from January 2007.

The following deficiencies were noticed:

- In violation of MoU, the operator did not obtain the required authorisation from Rajasthan State Pollution Control Board (RSPCB) even after two years of commissioning of the plant as of November 2009 and closed the plant for about one month (25 February to 28 March 2008) without prior permission of M Corp, Jodhpur. Consequently, entire quantity of waste (approximately 4800

MT) brought was dumped without treatment on the dumping site and around the plant. SG at the exit conference accepted the fact and stated that application has been submitted to RSPCB for getting authorisation and a committee has been constituted for levy of penalty for the period for which the plant was not in operation.

- In violation of MSW Rules, the operator did not monitor the quality of ambient air and surface/ground water which was to be done twice a year. Leachate[50] was also not collected and treated. Thus, operator did not take adequate measures to check environmental pollution. SG did not furnish any reply (January 2012).

- M Corp, Jodhpur was also required to supply at least 10 MT of waste containing more than 90 *per cent* of biodegradable waste for *vermi*-composting, against which the M Corp supplied two MT and the operator used only 20 *per cent* waste for *vermi*-composting during July 2007 to March 2008. Thereafter, *vermi*-composting was not done and consequently 68 *vermi*-compost pits constructed at Keru were lying unutilised (October 2010). Thus, M Corp, Jodhpur could neither collect nor supply the agreed quantity (10 MT per day) of biodegradable waste from bulk generators of such waste. The operator also could not obtain it by segregating the mixed waste brought to Keru dumping station. State Government did not furnish any reply (January 2012).

Recommendation

As envisaged in MSW Rules, the M Corps should establish proper and scientific waste process infrastructure with full utilisation of established capacity.

4.2.12 Setting up of waste disposal facilities

To prevent contamination of ground water, surface water and ambient air quality, waste disposal facilities including sanitary landfill sites conforming to the specifications prescribed under MSW Rules were required to be developed before 31 December 2003 and new land sites were to be identified and kept ready for operation up to 31 December 2002. Land filling was to be restricted to post-processing residues and non-biodegradable/ inert /waste found unsuitable for processing.

The following deficiencies were noticed:

4.2.12.1 Earmarking of sites for disposal of waste

- In M Corp, Jaipur, land for disposal of waste was earmarked at Mathuradaspura (176 *bigha* 3 *biswa*) in February 2003, Sewapura (200 *bigha*) in April 2003 and Langariawas (443 *bigha* 16 *biswa* excluding 40 *bigha* for processing plant) in June 2005 with delays of one to 29 months after the due date i.e. 31 December 2002. SG at the exit conference accepted that due to

50. 'Leachate' means liquid that seeps through solid wastes or other medium and has extracts of dissolved or suspended material from it.

administrative reasons land for disposal of waste could not be earmarked in time but did not furnish the nature of administrative reasons.

- M Corp, Jodhpur earmarked (September 2004) 800 *bigha* of land for developing waste disposal facility (Landfill site) at Keru (Jodhpur) with a delay of 20 months. M Corp obtained the requisite authorisation from RSPCB which had expired on 26 October 2005. However, M Corp, Jodhpur did not renew it thereafter. SG at the exit conference admitted the fact and stated that requisite authorisation from RSPCB for landfill site would now be got renewed and dumping of waste is being done in the earmarked sites.

4.2.12.2 Non-development/non-use of disposal sites as 'Sanitary landfills'

Joint inspections of dumping sites at Keru (10 November 2009), Mathuradaspura (9 April 2010) and Sewapura (12 April 2010) were also conducted by the audit party alongwith the Health Officers of M Corps, Jodhpur and Jaipur. It was observed that all these sites did not comply with the specifications laid down in MSW Rules and the sites could not be treated as scientifically developed 'Sanitary landfills' because: (i) pre-processed waste/processing residues were dumped without compacting it to achieve the required density, (ii) requisite measures were not taken to check environmental pollution i.e. quality of ground water, ambient air quality and collection/treatment of leachate, (iii) waste brought to dumping stations and that rejected by operator of the processing plants including inert waste was dumped there, (iv) fencing was broken at many places and stray cattle and rag pickers were roaming in the piles of dumped waste, (v) a Government primary school was running adjoining/within the dumping site (Mathuradaspura) ignoring ill effects on the health of students, (vi) demarcation of the boundaries of the land of dumping sites (Mathuradaspura and Sewapura) and declaration of no-development (buffer) zone around them were also not found done as some habitations existed nearby and (vii) waste dumped on some spots at Sewapura was burning. Further, a sanitary landfill on 85,000 sqm and one leachate holding tank were constructed at Keru and handed over by National Buildings Construction Corporation to M Corp, Jodhpur in June 2007. While the tank was not used at all, the developed landfill was not used for scientific disposal of waste, but was used merely for dumping of waste and no sign of sanitary landfill as such remained as of October 2010.



Dumping site at Mathuradaspura (Jaipur) near school building and stray cattle roaming the dumped waste (9 April 2010).

Thus, failure of M Corps, Jaipur and Jodhpur to develop/use sanitary landfill sites even six years after due date led to dumping of waste in unscientific manner ignoring ill effects on the health of human beings and cattle due to contamination of ground/surface water and ambient air. SG at the exit conference stated that the M Corp had not developed a sanitary landfill site at that point of time and land filling site for scientific solid waste management is being developed at Langariwas but did not reply in respect of dumping site of Mathuradaspura and Sewapura. No reply has been furnished in respect of M Corp, Jodhpur (January 2012).

4.2.12.3 Unauthorised dumping of waste near Aerodrome

As per MSW Rules, prior clearance/approval of Airport Authority is required if proposed landfill site is located within 20 kms from Airport. M Corp, Kota applied (April 2002) to RSPCB for authorisation of a waste disposal facility (landfill site) on 52.28 hectare land at Dabi Road which was not issued by RSPCB for want of No Objection Certificates (NOCs) from four departments including Airport Authority which refused (December 2004) to issue the NOC stating that depositing of rubbish and other polluted or obnoxious matter within a radius of 10 kms from the Aerodrome was not permissible under the Aircraft Rules, 1937. Thus, failure of M Corp, Kota to obtain prior NOC from Airport Authority and authorisation from RSPCB before selecting and developing the site in proximity to Aerodrome led to unauthorised dumping of waste on the potentially unsafe site for air traffic in violation of the MSW Rules and unfruitful expenditure of ₹ 39.59 lakh was incurred on development of site. SG at the exit conference stated that it is trying to get the condition relaxed by Airport Authority and RSPCB. The reply was not tenable as landfill site is located within 20 Kms from Airport without an NOC from the Airport Authority in contravention of MSW Rules, 2000 and M Corp, Kota was also aware that the site selected was not permissible under the rules but insists on seeking relaxation from the application of the rules. It is not willing to look for alternate sites consistent with applicable rules.

Recommendations

Disposal sites should be scientifically developed as sanitary landfills.

4.2.13 Monitoring

Monitoring mechanism in M Corps was lax as against 12 meetings of Health and Sanitation Committee to be held per annum, the number of meetings of committees held in M Corp, Jaipur (one committee): seven in 2005-06, 19 in 2006-07, 10 in 2007-08 and nine in 2008-09 and in case of M Corp, Jodhpur (zone-wise three committees): two to six in 2005-06, nil to six in 2006-07, one to five in 2007-08 and nil to two in 2008-09.

4.2.14 Conclusion

There was tardy progress in implementation of MSW Rules in the M Corps even after nine years of their notification. Category-wise segregation of waste

was not done fully. House-to-house collection of waste was either not done at all or it was not done regularly. While no facility for processing of waste was set up in M Corp, Kota, the quantity of waste being processed by processing plants at Jaipur and Jodhpur was very low in comparison to that brought to site. Infrastructure for safe disposal of waste like sanitary landfills conforming to the specifications/norms laid down in MSW Rules could not be developed ignoring potential contamination of ambient air and water. Cases of improprieties in contract management of works relating to sanitation/waste management were also noticed.

LONG PARAGRAPH

4.3 Utilisation of Twelfth Finance Commission Grant by Urban Local Bodies

4.3.1 Introduction

The Twelfth Finance Commission (TFC) was constituted (November 2002) to give recommendations on specified aspects of Centre - State fiscal relations for the year 2005-10. The TFC was required to make recommendations on the measures needed to augment the Consolidated Fund of the State to supplement the resources of the municipalities.

TFC recommended a grant of ₹ 220 crore for Urban Local Bodies (ULBs) for the years 2005-06 to 2009-10 for the State of Rajasthan. Government of India (GoI) issued guidelines in June 2005 for devolution of TFC grant to ULBs. As per TFC guidelines (June 2005) at least 50 *per cent* of the grant-in-aid provided to the State for ULBs should be earmarked for the schemes of Solid Waste Management. Further, high priority was to be given for creation of database and maintenance of accounts at the grass root level.

Out of five Municipal Corporations (M Corps), 13 Municipal Councils (MCs) and 166 Municipal Boards (MBs) functioning in the State, records of total 26 units pertaining to two M Corps[51], three MCs[52] and 21 MBs[53] for the period 2005-10 were selected for test check covering all zones, including hilly, plain, tribal and desert areas of the State during April 2009 to September 2009 and May 2011 to September 2011. In addition the records of (i) Directorate, Local Bodies Department (DLBD), Jaipur, (ii) Rajasthan Urban Infrastructural Finance and Development Corporation Limited (RUIFDCo) (executing agency - a Government of Rajasthan (GoR) undertaking), Jaipur and (iii) Department of Information, Technology and Communication (DoITC), Jaipur were also reviewed.

The audit observations are discussed in succeeding paragraphs:

51. M Corps : Ajmer and Kota.
52. MCs : Beawar, Kishangarh and Udaipur.
53. MBs : **Tribal**: Banswara, Dungarpur, Mount Abu, Nathdwara, Pratapgarh, Rajsamand, Sagwara, Shivganj and Sirohi; **Desert**: Bilada, Nokha and Phalodi; **Others**: Bundi, Chomu, Dausa, Jaitaran, Nawalgarh, Shahpura, Shrimadhopur, Sojat City and Sumerpur.

4.3.2 Financial performance

4.3.2.1 Non-utilisation of TFC Grant ₹ 28.57 crore

TFC recommended ₹ 220 crore for ULBs in the State of Rajasthan for the period 2005-10 to be equally distributed in 10 half yearly installments of ₹ 22 crore each, which was to be utilised for execution of TFC objective in the respective scheme up to March 2010. First installment of TFC grant was released by DLBD in December 2005 while Action Plan was approved with delay in August 2006 by High Level Committee (HLC) comprising Chief Secretary as Chairman and Additional Chief Secretary, Principal Secretary etc. as members. Entire fund of TFC was to be utilised by 2008-09. However, the municipal bodies were barred by DLBD from incurring any expenditure till 10 October 2006. Consequently, ₹ 28.57 crore was lying unspent as on 21 December 2011. The year-wise release and expenditure incurred against TFC grant during 2005-06 to 2011-12 is given in **Table 4.9** below:

Table 4.9 : Release and utilisation of TFC grant

(₹ in crore)

Year	Opening balance	Release by GoI to GoR	Release by GoR to ULBs	Total funds available	Expenditure incurred	Unspent Balance	
						Amount	Percentage
1	2	3	4	(2+4) 5	6	7	8
2005-06	00.00	44.00	44.00	44.00	00.00	44.00	100.00
2006-07	44.00	22.00	22.00	66.00	21.07	44.93	68.08
2007-08	44.93	22.00	22.00	66.93	48.58	18.35	27.42
2008-09	18.35	88.00	66.00	84.35	53.15	31.20	36.99
2009-10	31.20	44.00	66.00	97.20	26.86	70.34	72.37
2010-11	70.34	0	0	70.34	38.98	31.36	44.58
2011-12	31.36	0	0	31.36	2.79*	28.57	91.10
Total		**220.00**	**220.00**		**191.43**		

(Source: As per information provided by Directorate, Local Bodies, Rajasthan)

* ***Expenditure of 2011-12 intimated by Director Local Bodies in exit conference held on 21 December 2011.***

The above table shows that utilisation of grant was slow since the beginning of the scheme. HLC constituted at State level for ensuring proper utilisation of grant by ULBs had also expressed its displeasure (in fifth and sixth meeting held on 19 September 2007 and 02 January 2008) over slow utilisation of grant.

Scrutiny of records of nine test checked units[54] revealed that ₹ 1.68 crore was lying unutilised as on 31 March 2011. DLBD intimated (December 2011) that the reason for non utilisation of grant of ₹ 28.57 crore was late approval of Action Plan and lack of technical staff in ULBs. Reply is not tenable because posting of technical staff in ULBs was controllable activity and sufficient time was available (64 months) for utilisation of grant.

54. Banswara: ₹ 14.26 lakh, Bundi: ₹ 22.31 lakh, Dausa: ₹ 0.24 lakh, Dungarpur: ₹ 1.14 lakh, Mount Abu: ₹ 66.87 lakh, Rajsamand: ₹ 23.39 lakh, Shahpura: ₹ 0.19 lakh, Shrimadhopur: ₹ 25.55 lakh and Sirohi: ₹ 13.72 lakh **Total: ₹ 167.67 lakh.**

Analysis of records in audit revealed that non utilisation was mainly due to delay in approval of Action Plan, imposing ban on utilisation of TFC grant till October 2006, issue of certificate with delay by GoR resulting in delayed release of funds by GoI and non execution of works as discussed in succeeding paragraph.

4.3.3 Release of TFC grant

4.3.3.1 Delayed release of TFC grant

As per para 6.1 of guidelines, TFC grant were to be released by GoI in two equal installments in July and January of each financial year. It was observed that the GoI released grant with delays ranging between 10 to 392 days.

According to para 6.2 of TFC guidelines the State Finance Secretary was required to provide a certificate within 15 days of release of each installment by GoI certifying the dates and amounts of grant received by the State from GoI and further allocated/released to the ULBs. It was noticed that certificates were sent with delays ranging from 12 to 309 days (excluding prescribed period of 15 days) as indicated in **Table 4.10** below:

Table 4.10 : Delayed release of TFC grant

Year	Due month of release of installment	Amount (₹ in crore)	Date of release by GoI	Delay in release by GoI (4-2) (in days) *	Certificate sent to GoI by Finance Secretary, GoR	Delay in sending certificates (in days)
1	2	3	4	5	6	7 (Col. 6 - (Col. 4 + 15 days)
2005-06	July 2005 (first)	22	14.12.2005	136	03.11.2006	309
2005-06	January 2006 (second)	22	23.03.2006	51	03.11.2006	210
2006-07	July 2006 (first)	22	27.12.2006	149	26.03.2007	74
2006-07	January 2007 (second)	22	27.02.2008	392	25.03.2008	12
2007-08	July 2007 (first)	22	23.05.2008	297	16.10.2008	131
2007-08	January 2008 (second)	22	24.10.2008	267	28.11.2008	20
2008-09	July 2008 (first)	22	15.12.2008	137	28.02.2009	60
2008-09	January 2009 (second)	22	17.03.2009	45	12.08.2009	133
2009-10	July 2009 (first)	22	31.08.2009	31	28.01.2010	135
2009-10	January 2010 (second)	22	10.02.2010	10	Not issued	Not issued

* ***Delay has been calculated from date of release by GoI after excluding prescribed period of 15 days.***

Audit scrutiny revealed that late submission of certificates by GoR and slow utilisation of TFC grant by ULBs, resulted in delayed release of TFC grant by GoI. DLBD stated (December 2011) that the reason for delayed issue of certificates was attributable to delay in approval of Action Plan by the HLC empowered to approve the Action Plan. This delayed utilisation of funds and consequently led to delays in furnishing of certificates to GoI. The delay in

finalisation of Action Plan by HLC is reflective of shortcomings in planning, monitoring and supervision.

4.3.3.2 Improper distribution of TFC grant to Urban Local Bodies

As per decision taken by HLC (21 March 2006) grant was to be distributed on the basis of census 2001. During test-check of records, it was noticed that in five ULBs grant were not distributed on the basis of population figures of census 2001, as shown in **Table 4.11** below:

Table 4.11 : Release of TFC grant to five ULBs

(₹ in lakh)

	M Corp, Ajmer	**M Corp, Kota**	**MC, Udaipur**	**MC, Kishangarh**	**MC, Beawar**
Grant to be given (on proportion of population of ULB as per censes 2001)	837.00	1,196.90	671.30	200.30	213.30
Grant actually released	**597.34**	**854.16**	**479.07**	**187.24**	**170.59**
Less grant released	**239.66**	**342.74**	**192.23**	**13.06**	**42.71**

DLBD stated (December 2011) that the first installment of the TFC grant was released on basis of Action Plan of municipal bodies. Thereafter it was released on basis of census figures of 2001. Subsequently, in compliance to direction of HLC (January 2008) an amount of ₹ 22 crore representing 10 *per cent* of grant was used for works considered urgent. The reply is not convincing since shortfall in releases ranging between 20 *per cent* to 29 *per cent* in case of the four out of the five ULBs was noticed. Also, the department has not been able to provide details in support of differences in release of grant as due on basis of census and actual releases. This deviation led to inequitable distribution of TFC grant and the beneficiaries were deprived of the benefits to that extent.

4.3.4 Utilisation of TFC grant

4.3.4.1 Non-fulfillment of TFC recommendations

Action Plan was to be implemented during the period 2005-06 to 2008-09 and against the amount of ₹ 220 crore, only an expenditure of ₹ 122.94 crore (55.88 *per cent*) was incurred upto March 2009 on various activities as detailed in **Table 4.12** below:

Table 4.12: Outlay and expenditure as per Action Plan

(₹ in crore)

Activity	Outlay as per detailed and year-wise Action Plan against which expenditure was to be incurred up to March 2009	Expenditure incurred upto March 2009	Expenditure in percentage against outlay
Solid Waste Management			
Equipments/ vehicles	32.95	37.71	114.45
Transfer station	5.25	0.00	0.00
Composting/*vermi* composting	51.13	3.41	6.67
Land fill	35.67	0.00	0.00
Other Solid Waste Management activities	0.00	36.13	-
Total	**125.00**	**77.25**	**61.80**
Reform Agenda			
Computerisation	0.00	0.00	0.00
Accounting reforms	41.50	4.33	10.43
Creation of database including GIS mapping	42.50	0.85	2.00
Total	**84.00**	**5.18**	**6.17**
Administrative Charges			
Administrative Charges (Information, Education and Communication)	11.00	0.50	4.55
Other general works	0.00	40.01	-
Grand Total	**220.00**	**122.94**	**55.88**

The above table shows that ULBs incurred ₹ 40.01 crore on other general works and ₹ 36.13 crore on other Solid Waste Management activities not included in Action Plan. No expenditure was incurred on land fill and transfer station for which outlay of ₹ 40.92 crore (₹ 35.67 crore + ₹ 5.25 crore) was retained in Action Plan. DLBD had only furnished the details of expenditure incurred by ULBs under TFC grant up to March 2009. DLBD stated (August 2010) that TFC grant was not allotted sub head wise to ULBs and information about sub head wise expenditure after March 2009 will be furnished after collection from ULBs. However, no details of utilisation of TFC grant was made available upto December 2011. DLBD further stated (December 2011) that HLC in its meeting held on 28 June 2008 had changed the mode of utilisation of grant as 50 *per cent* on Solid Waste Management and remaining on general purpose grant which was to be utilised as per the requirement and priorities of ULBs. Thus, the HLC abandoned the procedure prescribed by TFC and as a result the objective of improvement in maintenance of accounts and creation of database was not fulfilled which reflects non-fulfillment of TFC recommendations. Further, the grants were not permitted to be used by municipal bodies till October 2006 due to need for approval of Action Plan and by June 2008, the HLC had abandoned the same Action Plan. HLC was not effective in carrying out its functions of monitoring and supervision.

4.3.4.2 Non-execution of GIS mapping work

As per detailed Action Plan (August 2006), the cost of creation of database including Geographical Information System (GIS) was estimated at ₹ 42.50 crore for mapping of properties of 39 ULBs[55] during 2005-06 to 2008-09 for the purpose of enhancing property tax net and better administration. It was noticed that an amount of ₹ 2.35 crore[56] was paid (between January to September 2008) by only 12 out of 39 ULBs to RUIFDCo for GIS mapping work under Rajasthan Urban Information System-II (RUIS-II) through DoITC, GoR. Against this an expenditure of ₹ 1.12 crore[57] was incurred during 2008-09 to 2009-10. Due to non-receipt of funds from the ULBs the work on this project could not proceed further. The Executive Director (ED), RUIFDCo while accepting the facts informed that in the meeting (January 2010) held under Chairmanship of Commissioner and Secretary, DoITC, Project Director, DLBD and others decided to hold in abeyance the project due to paucity of funds. Reply to hold the project in abeyance due to paucity of funds is not tenable as an amount of ₹ 28.57 crore was lying unspent as on 21 December 2011 and full amount was not released to executing agency by ULBs. Further, DLBD informed (December 2011) that the details of expenditure incurred on the project and use of ₹ 1.23 crore has been called for from RUIFDCo. It is seen in audit that a complicated system of decision making and flow of funds exists in Directorate of Local Bodies. Decisions about implementation are taken at the level of Local Self Government Department (LSGD) and Director, Local Bodies (DLB). Government bodies and quasi Government bodies like DoIT and RUIFDCo are entrusted with task of selection of vendors for implementation of identified programs/ activities. A tripartite agreement between the Government body, the vendor and the municipal bodies (one or several) is drawn up and the work plan implemented. Bodies like RUIFDCo and DoITC also obtain technical persons through outsourcing. The funds are first transferred to municipal bodies which further transfer funds in such cases to quasi Government bodies/ Government bodies. The utilisation certificates in such cases only show transfer of funds and not its utilisation. The LSGD, DLBD as well as quasi Government bodies and municipal bodies do not own up the programme/activity.

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55. **2005-06**: Alwar, Baran, Jhalawar, Jhunjhunu and Sikar (₹ 0.50 crore), **2006-07:** Barmer, Balotara, Beawar, Deoli, Fatehpur, Jaisalmer, Jalore, Kishangarh, Pali and Sumerpur (₹ six crore), **2007-08:** Anta, Bundi, Dausa, Dholpur, Gangapur City, Hanumangarh, Hindaun City, Nawalgarh and Raisinghnagar (₹ 14 crore), **2008-09:** Abu Road, Banswara, Chittorgarh, Churu, Ladnu, Merta City, Mount Abu, Nagaur, Nimbahera, Pratapgarh, Rajsamand, Ratangarh, Sardar Shahar, Sirohi and Sujangarh- (₹ 22 crore) = **Total ₹ 42.50 crore.**
56. Alwar: ₹ 47.85 lakh; Abu Road: ₹ 16.59 lakh, Banswara: ₹ 6.50 lakh; Chittorgarh: ₹ 16.24 lakh; Fatehpur: ₹ 32 lakh; Hindaun City: ₹ 6.55 lakh; Ladnu: ₹ 3.93 lakh; Nagaur: ₹ 33.79 lakh; Pratapgarh: ₹ 5.47 lakh; Raisinghnagar: ₹ 7.91 lakh; Ratangarh: ₹ 30.86 lakh and Sujangarh: ₹ 27.23 lakh = **Total: ₹ 2.35 crore.**
57. Advertisement: ₹ 2.15 lakh; Satellite images: ₹ 54.77 lakh; CDP/DPR amount adjusted against TFC: ₹ 39.18 lakh and Quality check of database: ₹ 15.50 lakh = **Total: ₹ 1.12 crore.**

This has resulted in blockade of ₹ 1.23 crore along with unproductive expenditure of ₹ 1.12 crore. Besides non execution of GIS mapping has resulted in lack of inputs required for assessment of property tax and for improving administration of areas under jurisdiction of the municipal bodies.

4.3.4.3 Diversion and retention of funds by Awas Vikas Limited provided for construction of compost plants

During scrutiny of the records of DLBD, Jaipur it was noticed that out of TFC grant, ₹ 6.30 crore ***(Appendix-XV)*** was advanced to *Avas Vikas* Limited (AVL) (executing agency) by 13 ULBs (2006-07 to 2011-12) for construction of compost/*vermi* compost plants in the areas of respective ULBs to be started by 2006-07 and completed up to 2008-09. However, it was noticed that construction of compost plants was not started in nine ULBs upto October 2011. Thus, advances of ₹ 1.56 crore[58] were lying unutilised with AVL. The Chief General Manager, AVL while enclosing details of installation of compost plants informed DLB (June 2010) that there was land dispute in Beawar and in remaining ULBs tenders could not be finalised due to non-participation of bidders and decision regarding cluster planning was pending with DLB.

AVL retained the funds from 2006-07 to 2010-11 and refunded ₹ 68.75 lakh to three ULBs (Beawar, Kishangarh and Sriganganagar) as works were not awarded on Design, Build, Operate, Own and Transfer (DBOOT) basis and dispute of land. Advance of ₹ 87.50 lakh received from six ULBs were treated by AVL as having been diverted to the plants relating to other three ULBs (Bharatpur, Bhilwara and Pali). DLB stated (December 2011) that no sanction for such diversion was issued by the State Government. Further, it was noticed that AVL has reflected an expenditure of ₹ 20 lakh (expenditure ₹ 195 lakh - projects cost ₹ 175 lakh) in excess of the total project cost at Bharatpur.

Non-execution of work in nine ULBs has led to depriving the public of intended benefits like availability of compost/*vermi*-compost, bio-gas and improved sanitary conditions even after funds were released to AVL. Besides ₹ 87.50 lakh pertaining to six ULBs where work has not been executed, has not been refunded. The complex system of decision to assign work to vendors through AVL is taken by DLBD while funds to AVL are to be made available by municipal bodies. AVL while charging nine *per cent* as processing charges is not responsible to the municipal bodies.

Recommendation

It is suggested that the mechanism should be reviewed to ensure accountability towards the spender i.e. the municipal bodies.

58. **2006-07** – Beawar: ₹ 31.25 lakh, Gangapur City: ₹ 12.50 lakh, Hanumangarh: ₹ 12.50 lakh, Jhalawar: ₹ 12.50 lakh, Jhunjhunu: ₹ 12.50 lakh, Kishangarh: ₹ 12.50 lakh, Sriganganagar: ₹ 25 lakh and Tonk: ₹ 15 lakh, **2007-08** – Tonk: ₹ 10 lakh and **2008-09** – Churu: ₹ 12.50 lakh = **Total: ₹ 1.56 crore.**

4.3.4.4 Diversion of funds against TFC guidelines by monitoring agency

HLC approved the Action Plan 2006 with the specific instructions that no expenditure should be incurred in violation of TFC guidelines. However, the HLC itself in its meeting held on 10 January 2008 earmarked 10 *per cent* (₹ 22 crore) of TFC grant of ₹ 220 crore for works of 'special needs of extraordinary circumstances'. Further, the HLC in its meeting held on 28 June 2008 changed the mode of utilisation of TFC grant and decided that while at least 50 *per cent* of the TFC grant (₹ 110 crore) was to be utilised on Solid Waste Management, the remaining TFC grant could be treated as general purpose grant and allowed the ULBs to utilise the same as per requirement and priorities of ULBs. This decision of the HLC was inconsistent with the recommendation of the TFC and led to diversion of funds meant for maintenance of accounts and creation of database.

It was observed that an amount of ₹ 18.25 crore[59] was diverted to nine ULBs as per this decision taken in HLC meeting (January 2008 to December 2009) for the works of special needs of extraordinary circumstances against which expenditure of ₹ 17.11 crore[59] was incurred. Further, it was seen that in 23 test checked ULBs an amount of ₹ 8.10 crore[60] was utilised on items like pay and allowances, electricity bills and purchase of equipments and other developmental works during 2007-08 to 2010-11 under general purpose grant as permitted by HLC decision (28 June 2008) which was in violation of TFC guidelines. DLBD while accepting the facts stated (August 2010) that the financial condition of ULBs was very poor and grant was given to provide public services. This was not tenable as the grant were utilised against TFC guidelines and as a result no efforts were made to improve maintenance of accounts and creation of database (a priority objective) under TFC.

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59 . Banswara: allotted ₹ one crore for contempt case of High Court about sewerage work and Dylab ponds, expenditure incurred ₹ 0.95 crore; Bikaner: allotted ₹ one crore for covering of nala, expenditure incurred ₹ one crore; Sikar: allotted ₹ 1.74 crore for land for sewerage treatment plant, expenditure incurred ₹ 1.74 crore; Jaitaran: allotted ₹ 0.50 crore for development works, expenditure incurred ₹ 0.50 crore; Jalore: allotted ₹ 0.51 crore for land acquisition for sewerage, expenditure incurred ₹ 0.51 crore; Jhunjhunu: allotted ₹ one crore for land acquisition for sewerage, expenditure incurred ₹ one crore; Mount Abu: allotted ₹ 3.50 crore for underground cabling and renovation of polo ground, expenditure incurred ₹ 2.85 crore; Nagaur: allotted ₹ four crore for constructions of town hall and their roads, expenditure incurred ₹ four crore; Pilibanga: allotted ₹ five crore for contempt case of High court about removal of encroachments of roads, expenditure incurred ₹ 4.56 crore = **Total Allotment: ₹ 18.25 crore and Total expenditure: ₹ 17.11 crore.**

60 . (i) Cement concrete roads and other construction works in 19 ULBs: ₹ 648.24 lakh (details in ***Appendix-XVI)***, (ii) Electricity bills and purchase of equipments in five ULBs: ₹ 57.75 lakh (Banswara: ₹ 18.70 lakh, Beawar: ₹ 8.13 lakh, Chomu: ₹ 29.03 lakh, Jaitaran: ₹ 0.93 lakh and Mount Abu: ₹ 0.96 lakh), (iii) Pay and allowances of staff in three ULBs: ₹ 49.60 lakh (Beawar: ₹ 18.85 lakh, Bundi: ₹ 26.26 lakh and Nokha: ₹ 4.49 lakh), (iv) Purchase of tree guards in two MBs: ₹ 15.72 lakh (Jaitaran: ₹ 5.52 lakh and Sumerpur: ₹ 10.20 lakh), (v) Cost of land and other compensation in three MBs: ₹ 30.17 lakh (Nathdwara: ₹ 4.76 lakh, Pratapgarh: ₹ 8.79 lakh and Sumerpur: ₹ 16.62 lakh) and (vi) Bolero jeep in one M Corp, Ajmer: ₹ 8.27 lakh = **Total ₹ 8.10 crore**.

4.3.4.5 *Irregular expenditure of ₹ 1.69 crore on computerisation work*

The works of e-governance, accounting reforms and GIS mapping in ULBs of six divisional headquarter's were covered in Rajasthan Urban Infrastructure Development Project through Total Solution Providers funded by Asian Development Bank. Therefore no provision was made in the Action Plan for computerisation of records of five M Corps[61] and one Municipal Council, Udaipur from TFC grant.

Test-check of records of M Corps, Ajmer, Kota and MC, Udaipur revealed that in contravention of Action Plan, an amount of ₹ 1.69 crore[62] was paid (2006-07 to 2010-11) by concerned ULBs to a private firm and expenditure was incurred for operation of the application software (computerisation work) out of TFC grant resulting in irregular utilisation of the grant against Action Plan. Accounts Officer, M Corp, Ajmer and MC, Udaipur stated (May 2011) that payment was made to M/s Oswal Data Processor for computerisation work as per directions (January 2008) of DLB. CAO, M Corp, Kota stated that pay bills and marriage registration and death and birth certificates are the part of computerisation and as per memorandum of understanding (MoU) with the Government the payment made from TFC for computerisation work is genuine. DLBD stated (December 2011) that sanctions for payment of computerisation work at divisional level was as per recommendations of TFC. The reply is not tenable as the expenditure incurred on computerisation work in these ULBs was against the approved Action Plan and the funds were used for the payment to the vendor for operation. The diversion also led to failure of development of appropriate skills in the municipal bodies and municipal bodies do not find themselves in position to take over the functions as on December 2011 even when the contract ends in March 2012. The existing mechanism of involving government and quasi government bodies for identification of vendors and subsequent absence of hand holding or monitoring by these agencies has led to a situation where municipal bodies has not owned the initiative leading to absence of required skill set with the concerned municipal bodies to take over the operations.

4.3.5 *Monitoring*

As per Para 5.1 to 5.4 of TFC guidelines, a HLC headed by the Chief Secretary with Finance Secretary and other Secretaries of the concerned departments as members was constituted (25 August 2005) by the State Government to monitor proper utilisation of Local Bodies Grant. The HLC was responsible through its quarterly meetings for approval of the projects at

61 . Ajmer, Bikaner, Jaipur, Jodhpur and Kota.

62 . M Corp, Ajmer: ₹ 45.76 lakh (2006-07: ₹ 0.54 lakh, 2007-08: ₹ 23.79 lakh, 2008-09: ₹ 15.69 lakh and 2009-10: ₹ 5.74 lakh), M Corp, Kota: ₹ 67.13 lakh (2006-07: ₹ 15.64 lakh, 2007-08: ₹ 17 lakh, 2008-09: ₹ 30.42 lakh and 2010-11 ₹ 4.07 lakh) and MC, Udaipur: ₹ 56.41 lakh (2006-07: ₹ 5.73 lakh, 2007-08: ₹ 12.54 lakh, 2008-09: ₹ 18.47 lakh, 2009-10: ₹ 10.96 lakh and 2010-11 ₹ 8.71 lakh) and = **Total : ₹ 1.69 crore**.

the beginning of every year, monitoring of both physical and financial targets and ensuring adherence to the specific conditions in respect of each grant.

The HLC held 11 meetings against 19 meetings during the period from August 2005 to March 2010. Further, there was a gap of eight months between the fourth (9 January 2007) and fifth (19 September 2007) meetings. HLC expressed (19 September 2007) displeasure over slow utilisation of grant and stated that unless LSGD is in a position to speed up the utilisation of earlier grant, further grant from GoI will remain unclaimed. Further LSGD assured prompt utilisation of grant by the ULBs but the same was not followed as indicated in minutes of HLC meeting held on 02 January 2008 and 28 June 2008. HLC's ineffective monitoring led to diversion of funds, non adherence to Action Plan, non fulfillment of objectives in priority areas like maintenance of accounts and creation of database.

4.3.6 Conclusion

DLBD released first installment of TFC grant in December 2005 and simultaneously imposed a ban on its utilisation up to October 2006. The Action Plan was approved by HLC in August 2006 i.e. nearly eight months after receipt of funds. There were delays in release of TFC grant due to delays in utilisation of releases by ULBs. Irregularities regarding improper distribution of grant, blocking of funds etc. were also noticed. However, against total TFC grant of ₹ 220 crore there was unspent grant of ₹ 28.57 crore as on 21 December 2011. It was noticed that a sum of ₹ 25.21 crore (₹ 17.11 crore for the works of special needs of extraordinary circumstances and ₹ 8.10 crore for general purpose) was found diverted which is inconsistent with TFC guidelines. TFC grant was not properly and timely utilised for the intended purposes, which indicated that monitoring mechanisms were not effective.

AUDIT OF TRANSACTIONS

4.4 Loss of interest

Failure of Municipal Board, Hanumangarh in observing provision of Public Works Financial & Accounts Rules and raising of loan without fulfillment of other essential requirements resulted in loan amount remaining unutilised and loss of ₹ 10.25 lakh in payment of interest.

Rajasthan Municipalities (Purchase of Material and Contracts) Rules, 1974 states that the provisions not provided in these rules and contained in the Public Works Financial and Accounts Rules (PWF&AR) shall be applied *mutatis-mutandis* to these rules. This will have to be ensured by the highest Executive and Accounts Authorities of the urban local bodies (ULBs) concerned. PWF&AR stipulates that for execution of work funds should be allocated after according of Administrative, Financial and Technical sanctions (AF&TS).

Test check (September 2008) of records of Municipal Board (MB), Hanumangarh revealed that for execution of Roads and Water Sullage Scheme in Hanumangarh City at a total cost of ₹ 10.45 crore, Housing and Urban Development Corporation Limited (HUDCO), Jaipur sanctioned (April 1998) loan amounting to ₹ 4.19 crore. As per loan agreement, loan was to be repaid in quarterly installments with interest at the normal rate 8.75 *per cent* per annum. For execution of water sullage work at Hanumangarh town (a part of the city) HUDCO released (August 2004) loan amounting to ₹ 1.31 crore to MB. *Awas Vikas* Limited (AVL), Jaipur being the executing agency submitted (November 2004) technical estimates for ₹ 2.74 crore for the work. MB in its board meeting decided (April 2005) to forward the case to the State Government for according of AF&TS for ₹ 2.74 crore. The State Government accorded (October 2005) Administrative and Financial sanctions for the same amount. MB executed (December 2005) a Memorandum of Understanding with AVL for the execution of the work, according to which ₹ 1.37 crore (50 *per cent* of ₹ 2.74 crore) was to be paid to AVL in advance before starting of the work. MB again approached (April 2006) the State Government for sanction of advance payment to AVL. Pending sanction of the State Government, MB in its board meeting decided (November 2006) to get the work executed under another scheme (Urban Infrastructure Development Scheme for Small and Medium Towns). Finally the State Government while accepting aforesaid decision of MB directed (February 2007) it to repay the entire outstanding loan amount alongwith interest in lump sum. The entire loan amount ₹ 1.31 crore being unutilised was repaid by MB between November 2004 to May 2007 in quarterly installments to HUDCO. Besides this, MB also paid interest of ₹ 18.67 lakh at normal rate on the entire loan amount alongwith installments. The entire loan amount was lying in current account in a bank without earning interest from August 2004 to September 2005. However, out of this the MB deposited (October 2005) ₹ 1.19 crore as term deposit and earned an interest of ₹ 8.42 lakh thereon.

Deputy Secretary (DS), Directorate Local Bodies Department (DLBD) stated (December 2011) that MB purchased a land of 10 *bigha* at the cost of ₹ 4.05 lakh from loan amount for construction of pumping house for disposal of sullage water and that land was sold (August 2009) at the cost of ₹ 26.15 lakh. Hence, there was no loss to MB. The reply was not acceptable as purchase cost of land did not form part of loan amount of ₹ 1.31 crore. The DS, DLBD further stated (November 2011) that instructions are being issued to all the municipalities for raising the loan in future as per actual plan of expenditure. However, the fact remains that Commissioner, MB, Hanumangarh raised the loan much before its requirement, the major portion (91 *per cent* approximate) of which was invested in term deposit. The loan was paid back alongwith interest without being utilised. The decision led to loss of ₹ 10.25 lakh[63] in payment of excess interest to the MB.

4.5 Avoidable expenditure

4.5.1 Avoidable expenditure on construction of nallah

Failure of Local Self Government Department to approve rates of tender and sanction expenditure within validity period of tender, resulted in avoidable expenditure of ₹ 20 lakh on construction of *nallah*.

Test check (January 2009) of the records of Municipal Council (MC), Pali revealed that for segregation of city sewerage from industrial effluents, MC, Pali decided (August 2007) to construct a *nallah* (work) from Subhash Nagar Syphan to Gandhi Nagar under *Sahari Jan Sahabhagita Yojna* (SJSY) at an estimated cost of ₹ 1.21 crore (Based on Basic Schedule of Rates 2005). Under SJSY, the cost of the work ₹ 1.21 crore was to be shared amongst (i) the State Government, (ii) Pali Water Pollution Control, Treatment and Research Foundation (being public share) and (iii) MC in the ratio 50:30:20.

District Collector, Pali sanctioned (September 2007) the work for ₹ 1.21 crore [64] and Superintending Engineer, Directorate Local Bodies Department issued (November 2007) technical sanction of the work for the same amount. MC, Pali invited (September 2007) tenders of the work and technical and financial bids of tenders were opened on 10 and 11 October 2007 respectively. The validity period for accepting the tenders was 120 days from the date of its opening. After negotiations, MC and Contractor 'A' agreed (October 2007) for execution of the work at contract amount of ₹ 1.43 crore at 18 *per cent* above Schedule. Thereafter, MC sent (8 November 2007) the case to Local Self Government Department (LSGD) for approval of rates of tender and according of sanction for incurring expenditure of ₹ 1.43 crore. Despite being reminded about validity period of tender by MC and furnishing timely replies to queries of LSGD, Deputy Secretary, LSGD accorded (29 April 2008) requisite sanction after 172 days (52 days beyond stipulated period). MC immediately issued letter of acceptance to contractor 'A' to sign

63. ₹ 18.67 lakh (interest paid to HUDCO by MB) - ₹ 8.42 lakh (interest earned by MB on the term deposit).
64. State share: ₹ 60.50 lakh; Public share: ₹ 36.30 lakh and MC own share: ₹ 24.20 lakh.

the contract but the contractor 'A' refused (May 2008) to execute the work due to expiry of validity of the tender. MC decided (May 2008) to retender the work at a revised cost of ₹ 1.84 crore (Based on Basic Schedule of Rates 2008). Retendering of the work (June 2008) could not mature as only single tender was received at 23 *per cent* above Schedule which was found to be above the prevailing market prices. Thereafter, MC split up (June 2008) the Schedule 'G' amount of the work of ₹ 1.84 crore in four packages[65]. Information collected (November 2010 and November 2011) from MC revealed that MC constructed the *nallah* by execution of three packages only and as of November 2011 had incurred an expenditure of ₹ 1.54 crore[66] on execution of these packages. Package No. 1 was withdrawn for re-designing of the entire syphan which did not adversely affect use of the *nallah* for the envisaged purpose.

MC, Pali also endorsed (November 2011) the facts narrated above in its letter addressed to Director, Local Bodies but no specific reply to audit objection was made available.

LSGD did not keep time limit of validity of tender in mind and took 172 days in according approval to the MC's proposals of November 2007. Had the LSGD accorded timely approval, MC could have constructed the same type of *nallah* at the cost of ₹ 1.34 crore[67] and the extra expenditure of ₹ 20 lakh[68] (State share: ₹ 10 lakh; Public share: ₹ six lakh and MC own share: ₹ four lakh) could have been avoided. Thus, MC has incurred an avoidable expenditure in excess of ₹ 20 lakh.

The case was referred to the State Government in February 2011; reply was awaited (January 2012).

4.5.2 Avoidable expenditure on construction of drain

Failure of Municipal Council, Bharatpur in providing encroachment free site before awarding of construction work of drain resulted in extra avoidable expenditure of ₹ 10.98 lakh.

As per Rajasthan Municipalities (Purchase of Material and Contracts) Rules, 1974 read with Public Works Financial and Accounts Rules no work should be commenced on land that has not been duly made over by the civil officer.

65. Package No 1: Providing and laying RCC Hume Pipe for ₹ 17.51 lakh; Package No 2: construction of nalla from chainage 0/0 to 0/490 for ₹ 43.13 lakh; Package No 3: construction from chainage 0/490 to 1/470 for ₹ 52.28 lakh and Package No 4: construction from chainage 1/470 to 4/366 for ₹ 70.91 lakh.
66. Package No 2: expenditure incurred ₹ 22.66 lakh (completed in September 2010); Package No 3: expenditure incurred ₹ 59.76 lakh (completed in April 2009) and Package No 4: expenditure incurred ₹ 71.41 lakh (completed in May 2009).
67. Cost of ₹ 1.34 crore = 18 *per cent* above cost of ₹ 1.14 crore arrived after deducting the cost of providing and laying of RCC Hume pipe of ₹ 7.20 lakh from the original Schedule 'G' amount of ₹ 1.21 crore.
68. ₹ 1.54 crore - ₹ 1.34 crore.

Test check (November 2008) of records of Municipal Council (MC), Bharatpur revealed that Board of MC, Bharatpur accorded (March 2006) administrative and financial sanction (A&FS) for ₹ 14 lakh for construction of drain on both sides of Rajasthan State Industrial Development and Investment Corporation (RIICO) Road from Babu Raj Bahadur Hospital to RIICO Industrial Area. Executive Engineer of MC accorded (August 2005) technical sanction for ₹ 13.97 lakh of the work. MC awarded (November 2006) the work for construction of drain on both sides of the road to a contractor 'A' selected on the basis of open tenders for ₹ 14.81 lakh (at six *per cent* above Schedule) with the stipulated dates of commencement and completion of work as 24 November 2006 and 24 May 2007 respectively. Records revealed that the contractor constructed the drain (February 2007) on one side only as site of proposed work were encroached at different places by individuals on both sides of RIICO Road. MC failed to remove these encroachments as of December 2007 due to which the contractor could not complete the work. On request (December 2007) of the contractor, MC treated (April 2008) the work as completed although incomplete after incurring an expenditure of ₹ 10.34 lakh[69] on its construction. Further information collected (June 2011) from MC revealed that for construction of drain on other side MC accorded (July 2007) fresh A&FS for ₹ 15 lakh and MC completed (January 2009) the drain by incurring an expenditure of ₹ 15.45 lakh through Contractor 'B'.

Directorate Local Bodies Department (DLBD) stated (April 2011) that District Collector and Officers of RIICO had repeatedly been requested for removal of encroachment but the dispute could not be resolved so the payment was made to the contractor 'A'. Further, there is no hindrance in flow of water except at encroached places and dirty water is flowing smoothly in both sides' drain of the road to the envisaged place by providing sufficient slope in the drain. The fact remains that the MC had to incur expenditure of ₹ 15.45 lakh on construction of drain on other side after foreclosing the contract with Contractor 'A' due to its inability to provide encroachment free site to the contractor in time. Had the MC ensured availability of encroachment free site before commencement of construction work of drain on both sides of RIICO Road, the extra expenditure of ₹ 10.98 lakh[70] could have been avoided.

Thus, failure of MC, Bharatpur in providing encroachment free site before awarding of construction work of drain resulted in extra avoidable expenditure of ₹ 10.98 lakh.

69. First running bill (February 2007): ₹ 5.99 lakh, Second running bill (March 2007): ₹ 3.46 lakh and third and incomplete final bill (June 2008): ₹ 0.89 lakh.

70. ₹ 15.45 lakh (expenditure incurred on remaining work) + ₹ 10.34 lakh (expenditure incurred on incomplete work) - ₹ 14.81 lakh (initial work order amount of work) = ₹ 10.98 lakh.

4.6 Short-realisation of conversion charges

Municipal Corporation, Jodhpur irregularly changed land use of three plots from residential to commercial purpose only for built up areas of plots instead of its entire areas without approval of the State Government which resulted in short-realisation of conversion charges of ₹ 30.68 lakh.

Rajasthan Municipalities Act, 1959 restricts change of use of any land of municipalities for the purpose other than that for which it was allotted or sold. However, in public interest, Rajasthan Municipalities (Change of Land Use) Rules (RMRs), 2000 permit a municipality to change the use of land from residential to commercial purposes by recovering conversion charges. Under rules ibid, cases involving the area of land more than 1,500 square yards (13,500 square feet (Sqft)) are to decided by the State Government.

Test check (October 2008) of records of Municipal Corporation (M Corp), Jodhpur revealed that M Corp, Jodhpur changed (December 2005) land use of three plots measuring 10,850 sqft, 12,220 sqft and 20,680 sqft situated at *Bhagat ki Kothi*, Pali Road, Jodhpur under RMRs, 2000 from residential to commercial purposes for its built up areas measuring 3,680 sqft, 5,180 sqft and 11,840 sqft excluding set back from two to three sides of the plots while permitting conversion and recovery of conversion charges. M Corp realised conversion charges of ₹ 4.94 lakh, ₹ 6.90 lakh and ₹ 15.66 lakh respectively only for built up areas of these plots. After land use conversion, these plots were re-constituted into a big plot measuring 43,750 sqft by the owners of plots for construction of a commercial complex and M Corp permitted (January 2007) owners for construction of a commercial complex on it.

The areas of plots that was left for setback was to be used as parking lot for the commercial complex meant for commercial activity. RMRs, 2000 does not provide that land use of built up area of a plot only is to be changed. Hence, M Corp, Jodhpur should have also changed land use of setback areas of the pre-constituted three plots measuring 7,170 sqft, 7,074 sqft and 8,840 sqft at the time of according permission (January 2007) for construction of commercial complex by recovering conversion charges[71] of ₹ 9.62 lakh, ₹ 9.37 lakh and ₹ 11.69 lakh respectively. The approval of the State Government was also to be obtained under RMRs, 2000 as the area of one plot (20,680 sqft) as well as of re-constituted plot was in excess of 13,500 sqft.

Thus, M Corp, Jodhpur irregularly changed land use of three plots from residential to commercial purpose only for built up areas of plots instead of its entire areas without approval of the State Government which resulted in short-realisation of conversion charges of ₹ 30.68 lakh[72] and exercise of powers which were not vested with M Corp, Jodhpur.

The Chief Executive Officer, M Corp, Jodhpur during exit conference held in November 2011 while accepting the facts intimated that notice has been issued

71. Calculated proportionately on the basis of conversion charges realised on built up areas.
72. ₹ 30.68 lakh = ₹ 9.62 lakh + ₹ 9.37 lakh + ₹ 11.69 lakh.

(November 2011) for recovery of dues. Secretary, Local Self Government Department at the time of exit conference (November 2011) also directed the Director, Local Bodies to conduct preliminary enquiry in the case.

4.7 Loss of revenue

Failure of Municipal Boards, Srikaranpur and Phalodi to regularise agriculture land for residential purpose resulted in depriving the municipalities of revenue of ₹ 1.18 crore.

The guidelines (December 1999 and July 2001) of the State Government for regularisation of agriculture land for residential purposes stipulate that (i) Officers authorised by Revenue Department will transfer the title of agriculture land from private holder to municipalities concerned under Section 90(B) of Rajasthan Land Revenue (RLR) Act, 1956 and (ii) after transferring the title of land, municipality will regularise the agriculture land for residential purpose on deposit of the regularisation charges by the land holders at the rate fixed by the State.

Test check of records of Municipal Boards (MBs), Srikaranpur (November 2007) and Phalodi (July 2008) revealed that Authorised Officers (Sub District Magistrates (SDM), Srikaranpur and Phalodi) transferred title of agriculture land of 3.85 lakh square yards (sqyds) in 125 cases in favour of MBs, Srikaranpur in February 2001 and Phalodi during April- July 2007 under Section 90 (B) of RLR Act, 1956 but both the MBs did not regularise the land from agriculture to residential purpose depriving the regularisation charges of ₹ 1.18 crore [73] in spite of clear instructions (July 2001) of the State Government to regularise the cases by organising camps and issuing notices to the land holders.

On being pointed out, while accepting the facts, MB, Srikaranpur replied (August 2009 and December 2011) that SDM, Srikaranpur had taken *suo-motu* action under Section 90(B) and two notices (October and November 2001) have been issued to deposit the regularisation charges but no amount has been deposited by any land holder due to non-furnishing of ownership related documents and non-fulfillment of prescribed norms. MB, Phalodi replied (July 2008) that outstanding amount would be recovered soon by taking appropriate action in pending cases.

MB, Srikaranpur had last issued notices in October 2001 and November 2001 with no subsequent follow up either by regularising through deposit of regularisation charges or in the alternative, taking possession of the land.

Thus, failure of MBs, Srikaranpur and Phalodi to regularise 3.85 lakh sqyds agriculture land for residential purposes even after lapse of more than four

73. MBs, Srikaranpur: 120 cases comprising areas of land 0.25 lakh sqyds regularisation charges ₹ 0.10 crore at the rate of ₹ 40 per sqyd and Phalodi: five cases comprising areas of land 3.60 lakh sqyds regulariastion charges ₹ 1.08 crore at the rate of ₹ 30 per sqyd.

years (Phalodi) and 10 years (Srikaranpur) resulted in depriving the municipalities revenue of ₹ 1.18 crore.

The matter was referred to the State Government in October 2009, reply was awaited (January 2012).

4.8 Non-recovery of outstanding rent

Failure of Municipal Board, Banswara in taking timely and effective action for recovery of rent of shops from defaulting tenants resulted in accumulation of outstanding rent amounting to ₹ 84.88 lakh.

Rajasthan Municipalities Act (RMA), 1959 empowers the municipality for recovery of rent of its property by issuing demand notices, warrant of distress to the tenant followed by sale of his property and by filing a suit in the court of competent jurisdiction. Further, outstanding rent can be got recovered under Rajasthan Public Demand Recovery Act, 1952. Besides, Rajasthan Public Premises (RPP) (Eviction of Unauthorised Occupation) Act, 1964 provides for eviction of tenants defaulting in the payment of rent.

Test check (June 2008) of records of Municipal Board (MB), Banswara and information collected (May 2011) from MB revealed that the MB let out 22 shops situated at Kagdi Complex, Banswara to 25 persons on monthly rent basis through auction during April 1999 to June 2005 . As per terms and conditions of agreement executed between MB and tenants concerned (i) monthly rent would increase automatically by 10 *per cent* after expiry of one year of tenancy and (ii) in case rent is not deposited up to three months, MB has right to evict the tenant under RPP (Eviction of Unauthorised Occupation) Act, 1964. It was noticed that 22 tenants deposited their rent only for one month to three years 10 months and that too without increasing the rent by 10 *per cent* after expiry of each year while remaining three tenants (Sl Nos. 11, 15 and 17 of ***Appendix-XVII***) deposited their rent for full period of tenancy without increasing the rent by 10 *per cent*. Despite having powers conferred under the RMA and RPP Acts *ibid*, MB did not take timely and effective action which resulted in accumulation of outstanding rent amounting to ₹ 84.88 lakh[74] as of March 2010 as per details given in ***Appendix-XVII***. This outstanding amount would increase further with passage of time.

Secretary of the Local Bodies Department stated (January 2010) that (i) rent of 22 shops could not be recovered as tenants stopped depositing the rent due to dispute on that place, (ii) MB has passed (April 2006) a proposal for dismantling of these shops for beautification of Kagdi and (iii) MB has issued notice for recovery of outstanding rent. Audit observed that shops were not dismantled because approval of the State Government on the MB's proposal of April 2006 was still awaited and shops were being used by tenants for their business (May 2011). Further, MB informed (May and August 2011) that it has filed (January 2011) suits in 17 cases in the court of the Estate Officer and as of August 2011 respondents neither furnished replies in time

74. The outstanding rent has been worked out on the monthly rent increased by 10 *per cent* after expiry of each year.

nor deposited outstanding amount and as such the cases are pending in the court for decision. The fact remains that despite the matter having been brought to the notice of MB in July 2008, action taken has been delayed (January-February 2011) in 17 cases and action is yet to be initiated in eight cases which proves that MB did not take timely and effective action either in resolving the dispute with the tenants or for recovery of outstanding rent. Further, action against defaulting officials has not been taken since the matter was detected.

Thus, failure of MB, Banswara in taking timely and effective action for recovery of rent of shops from defaulting tenants resulted in accumulation of outstanding rent amounting to ₹ 84.88 lakh as of March 2010.

JAIPUR,
The

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NEW DELHI,
The

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