CHAPTER-IV

PERFORMANCE AUDIT AND AUDIT OF TRANSACTIONS OF URBAN LOCAL BODIES

This chapter contains Performance Audit of 'Integrated Housing and Slum Development Programme' and four paragraphs related to transactions audit of Urban Local Bodies.

Local Self Government Department

PERFORMANCE AUDIT

4.1 Integrated Housing and Slum Development Programme

Executive summary

Integrated Housing and Slum Development Programme, a sub-mission under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), was launched on 3 December 2005 by the Government of India for ameliorating the conditions of slum dwellers who do not possess adequate shelter and reside in dilapidated conditions. The programme is applicable to all cities and towns as per Census of 2001, except the cities and towns covered under JNNURM. The mission period of the programme was fixed from December 2005 to March 2012, which has now been extended (April 2012) up to March 2014.

Performance audit of the programme revealed that out of total sanction of ₹ 1,059.77 crore for 69 projects, only ₹ 236.44 crore (22 per cent) was utilised resulting in construction of only 13 per cent of the houses targeted. Audit also observed that execution of works worth ₹ 123.43 crore were in areas which did not qualify as slums. Instances of extending assistance to households not covered within the scope of the programme (₹ 37.55 crore), expenditure on infrastructure development works (₹ 13.54 crore) which were not envisaged, diversion of funds (₹ 3.84 crore), and houses remaining un-occupied (₹ 23.75 crore) or encroached upon (₹ 1.13 crore) were also noticed .

4.1.1 Introduction

Integrated Housing and Slum Development Programme (IHSDP), a sub-mission under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), was launched on 3 December 2005 by the Government of India (GoI). It aims at an integrated approach in ameliorating the conditions of slum dwellers who do not possess adequate shelter and reside in dilapidated conditions by combining of the existing Valmiki Ambedkar Awas Yojana

(VAMBAY) and National Slum Development Programme. The Programme is applicable to slum dwellers of all cities and towns as per Census 2001, except the cities and towns covered under JNNURM. The mission period of the programme, fixed from December 2005 to March 2012, has now been extended (April 2012) up to March 2014.

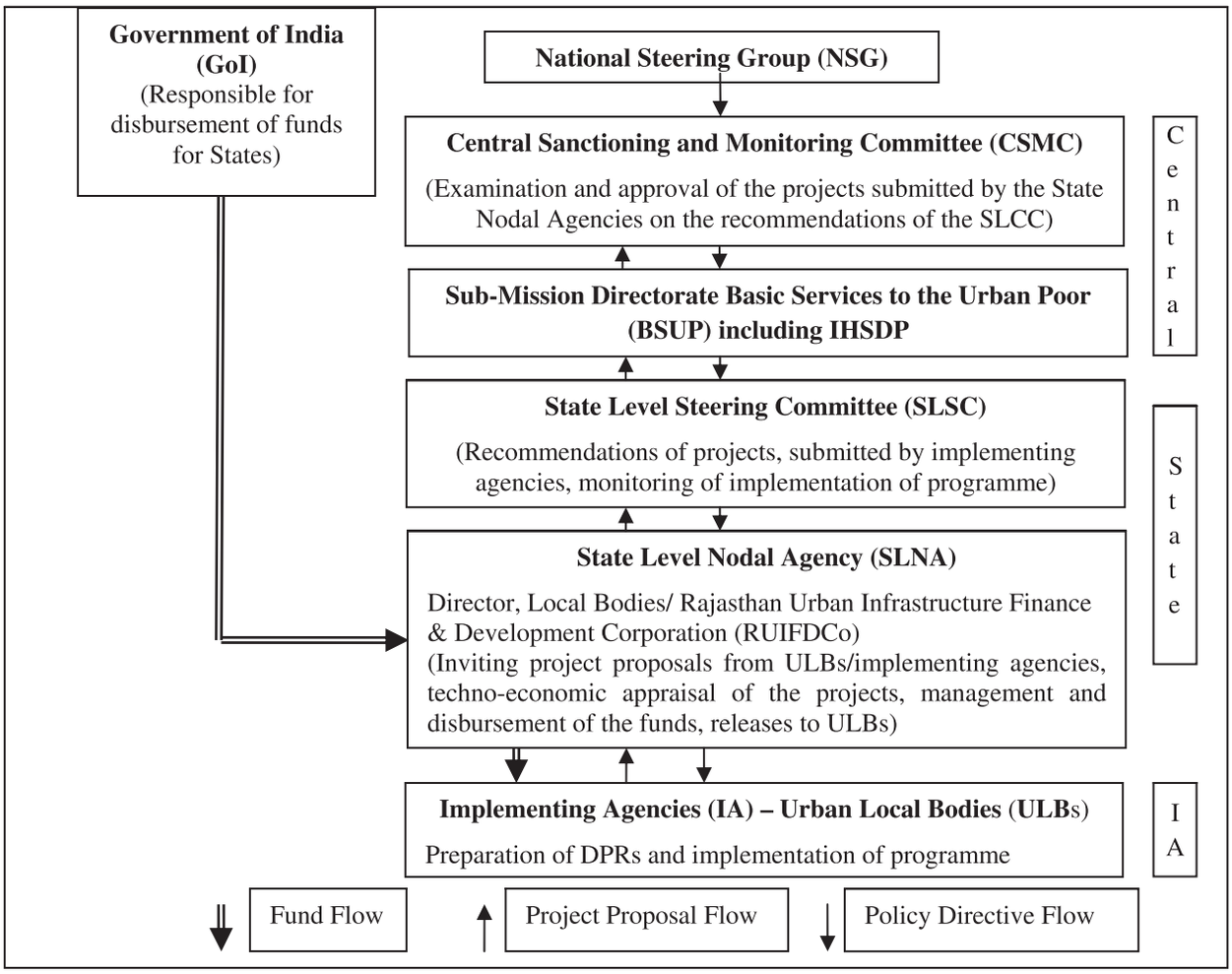
4.1.2 Programme objective

The basic objective of the programme is to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter such as construction and up-gradation of houses and basic infrastructure facilities to the slum dwellers of the identified urban areas. The major components of the programme are providing shelter including up-gradation and construction of new houses, slum relocation and community infrastructure development.

4.1.3 Organisational set up

The organisational set up and fund flow of the programme is given in **Chart 4.1** below:

Chart 4.1: Organisational set up and fund flow



The Government of Rajasthan (GoR) designated (April 2010) RUIFDCo as SLNA for monitoring the programme in the State.

4.1.4 Audit objectives

The objectives of the performance audit were to assess:

- planning process including identification of slum areas and beneficiaries;
- financial management and physical performance of the programme;
- execution of housing as well as infrastructure developmental works;
- utilisation of assets created under the programme; and
- the achievement of reform agenda.

4.1.5 Audit criteria

The audit criteria for the performance audit were derived from the following:

- Guidelines issued by GoI for projects of IHSDP.
- Minutes of meetings of the CSMC and State Level Coordination Committee (SLCC).
- Detailed Project Reports (DPRs) of selected projects.
- Directions and instructions issued by the Finance Department, GoR.

4.1.6 Audit coverage

Out of the sanctioned 69 projects, 23 projects[1] (33 *per cent*) of Housing and Infrastructure Developments i.e. roads, drainage, community centres in the slum were selected for field study through Simple Random Sampling Method. Entry conference was held on 12 June 2012 with Principal Secretary, Local Self Government Department (LSGD), wherein objectives of the performance audit were discussed. The field study for the period 2005-06 to 2011-12 was conducted from May to July 2012. Exit Conference was held on 11 February 2013 with the Additional Chief Secretary, LSGD wherein the audit findings were discussed. Reply had been received from the State Government and same incorporated suitably.

Audit acknowledges the cooperation and assistance of the State Government officials in conducting this audit.

1. Bali, Baran, Barmer, Bhilwara, Bikaner, Chhabra, Hanumangarh, Jaisalmer, Jalore, Jodhpur-I, Kota-I, Kota-II, Pali, Pilibanga, Pokran, Pratapgarh, Rawatbhata, Rawatsar, Sawaimadhopur, Sumerpur, Suratgarh, Takhatgarh and Tonk-I.

4.1.7 Physical and financial progress

4.1.7.1 Short achievement of physical targets

The year wise position of projects sanctioned, targeted date of completion and houses completed up to 31 March 2012 is given in **Table 4.1** below:

Table 4.1: Year-wise position of projects sanctioned and houses completed

Year	Number of projects sanctioned	Number of houses planned	Targeted date of completion	Houses completed (as on 31 March 2012)
2005-06	03	136	30 March 2008	136
2006-07	16*	9,041	28 February 2010	3,667
2007-08	9*	9,070	26 February 2010	1,575
2008-09	04	3,186	29 September 2010	67
2009-10	05	3,215	27 July 2011	182
2010-11	18	12,647	31 March 2012	73
2011-12	12	7,447	31 March 2014	-
Total	**67**	**44,742**		**5,700**

** Two projects namely Alwar (2,456 houses) and Jhalawar (245 houses) had been abandoned.*
(Source: Information obtained from SLNA)

The above table indicates that during 2005-12, SLNA fixed physical targets of 44,742 houses, against which only 5,700 houses (13 *per cent*) were completed till March 2012 with the exception of Bhilwara, Barmer and Sikar districts where it was 55 *per cent,* 49 *per cent* and 46 *per cent* respectively (***Appendix-XV***). In 23 test checked projects it was observed that out of 19,979 houses, only 4,355 houses (22 *per cent*) were constructed as on 31 March 2012 showing poor performance.

The State Government while accepting the facts stated (February 2013) that 7,080 houses had since been completed out of 45,309 houses as on 31 December 2012 and efforts were being made to achieve the physical targets. However, the fact remained that there was no significant improvement on achievement of targets as it was only 16 *per cent*.

4.1.7.2 Poor absorption of financial allocations

The sharing of the programme funds between GoI and State Government is in the ratio of 80:20. The share of State Government also includes 10 *per cent* share of targeted beneficiaries [2] and 12 *per cent* for others in housing components. According to guidelines, after approval of the project, the GoI releases 50 *per cent* of central share to SLNA in a separate bank account on verification of deposit of the State share. Release of second installment is based on the progress of the projects and submission of utilisation certificates (UCs). On the basis of progress of the works SLNA released the funds to IAs.

2. Schedule Caste, Schedule Tribe, Other Backward Class, Physical Handicapped and other weaker section.

- The position of funds allocated, received and utilised by SLNA during 2005-12 is given in **Table 4.2** below:

Table 4.2: Funds allocated, received and utilized by SLNA

(₹ in crore)

Year	Funds			
	Allocated	**Released**	**Utilised**	**Percentage of utilisation**
2005-06	9.03	10.25	9.90	97
2006-07	124.35	106.95	83.62	78
2007-08	166.66	88.76	62.52	70
2008-09	83.37	29.44	17.80	60
2009-10	81.85	25.61	17.21	67
2010-11	304.28	73.40	45.39	62
2011-12	265.95	-	-	-
Total	**1,035.49**	**334.41**	**236.44**	**71**

(Source: Information obtained from SLNA)

The above table indicates that between 2005-06 and 2011-12, IAs could utilise only 23 *per cent* of the funds allocated for the projects and 71 *per cent* of the funds released. The State Government stated (February 2013) that out of ₹ 409.88 crore a sum of ₹ 316.17 crore (77 *per cent*) had been utilised as on 31 December 2012.

- Audit observed that funds were released by GoI to GoR (Finance Department) instead of directly to SLNA. For 39 projects, GoI sanctioned ₹ 642.72 crore, out of which Central share was ₹ 408.49 crore and GoI released its' share ₹ 210.51 crore to GoR as first installment during 2006-07 to 2010-11. UCs of first installments were not sent by SLNA to GoI in time, due to which ₹ 197.98 crore were not released to GoR by GoI as of March 2012. The State Government while accepting the facts stated (February 2013) that every possible effort is being made to improve the progress of works.

- During December 2006 to February 2011, though SLNA received ₹ 209.98 crore for 23 test checked projects, it released only ₹ 153.85 crore to ULBs retaining ₹ 56.13 crore ***(Appendix-XVI)***. The State Government while accepting the facts stated (February 2013) that funds were released to the ULBs as and when required. Reply was not acceptable as funds were required to be released by SLNA to ULBs within three days of receipt from GoI.

- CSMC decided and instructed (January 2008) State Government to release GoI funds to ULBs within two to three days of receipt of funds from GoI to avoid delay in completion of projects failing which interest at bank rate would be payable by GoR to GoI. It was, however, observed that the GoI released ₹ 29.18 crore[3] to GoR for nine ULBs (five ULBs: ₹ 19.39 crore on 28 June 2007 and four ULBs: ₹ 9.79 crore on 9 February 2010) but the same along with State share was released by GoR to the these ULBs on 29 April

3. Baran: ₹ 3.68 crore (interest liability ₹ 0.17 crore), Bhilwara: ₹ 4.14 crore (₹ 0.46 crore), Chhabra: ₹ 1.79 crore (₹ 0.08 crore), Chittorgarh: ₹ 2.56 crore (₹ 0.12 crore), Falna: ₹ 1.76 crore (₹ 0.08 crore), Hanumangarh: ₹ 4.80 crore (₹ 0.53 crore), Jhalawar: ₹ 0.95 crore (₹ 0.15 crore), Kota: ₹ 4.67 crore (₹ 0.75 crore) and Pali: ₹ 4.83 crore (₹ 0.53 crore).

2009 (₹ 13.77 crore), 5 March 2010 (₹ 5.62 crore) and 9 November 2010 (₹ 9.79 crore) with delay of nine to 32 months resulting in creation of liability of interest of ₹ 2.87 crore at the rate of six *per cent* (Reserve bank rate). The State Government while accepting the facts stated (February 2013) that reasons for late transfer of funds would be obtained from DLB and corrective measure for obtaining approval from GoI for waiver of interest would be taken.

- As per order (May 2007) of LSGD, interest bearing separate bank account of the programme fund was to be opened. In four tests checked ULBs, funds received from GoI and GoR were kept in non-interest bearing Personal Deposit (PD) accounts/current bank accounts for 45 to 806 days resulted in loss of interest of ₹ 0.45 crore[4] (at the rate of 3.5 *per cent* up to 2 May 2011 and four *per cent* with effect from 3 May 2011). The State Government while accepting the facts stated (February 2013) that at present every ULB has a separate bank account for IHSDP and reasons for keeping GoI and GoR share in PD Account will be investigated.

4.1.8 Planning and Execution

The programme envisages preparation of DPRs keeping in view the numbers of slums of the towns selected for IHSDP, identification of slum dwellers to be benefited and the other infrastructure development required as prepared by the IAs. On the basis of recommendations of SLCC, DPRs were approved by GoI. CSMC also decided (December 2007) that DPRs should be prepared on the basis of socio-economic surveys.

It was observed that DPRs of projects were not prepared on the basis of proper surveys, in the absence of which accuracy and reliability of DPRs could not be ensured. This led to lapses in selection and execution of project as illuminated in the succeeding paragraphs.

4.1.8.1 Selection of ineligible areas

IHSDP is applicable in slums of urban areas. The GoR did not formally notify slum areas under any Act. Slum was also not defined in the programme guidelines 2005 and 2009. As per VAMBAY Scheme a slum is defined as "a compact area of at least 300 or more population or about 60-70 households of poorly built congested tenements, in an unhygienic environment usually with inadequate infrastructure and lacking in proper sanitation and drinking water facilities". As per the Census 2001, GoI, Ministry of Home Affairs, identified 26 slum areas in 26 cities of Rajasthan. However, GoR adopted on adhoc basis kuchchi bastis as slums and executed the programme. Audit scrutiny revealed that out of sanctioned 69 IHSDP projects, 48 projects (sanction amount ₹ 653.55 crore) in 45 cities were executed by incurring an expenditure of ₹ 123.43 crore (***Appendix-XVII***) where no slum areas were identified in the Census of 2001. Moreover, population in these kuchchi bastis were scattered

4. MCs: Pali (26 May 2009 to 10 July 2009) - ₹ 0.02 crore, MBs: Jalore (24 March 2009 to 03 October 2009) - ₹ 0.05 crore, Sumerpur (07 March 2011 to 31 March 2012) - ₹ 0.06 crore and Takhatgarh (15 January 2010 to 31 March 2012) - ₹ 0.32 crore.

and thinly populated in contrast to compacted cluster of poorest of poor slum dwellers. Therefore, the works were actually undertaken in areas not falling under the definition of slum. Moreover, a joint inspection conducted (May-July 2012) by audit along with Junior Engineers of the concerned 16 Municipal Bodies (out of 23 test checked) revealed, that the beneficiaries were scattered thinly over large area s ranging from 0.43 to 117.35 hectares contrary to CSMC's directions of not covering thinly spread areas. These included areas where people of eminence had large size plots with good infrastructure facilities like roads, electricity.



A view of work executed in Babar Magra Area (kuchchi bastis) (virtually non-slum) of MC, Jaisalmer

Audit scrutiny also revealed that no project was proposed in 10 such cities[5] where slum population was identified in the Census 2001. Thus, expenditure of ₹ 123.43 crore was not only contrary to the scope of the programme but also had no impact in realising the objectives of the programme.

The State Government contended (February 2013) that since slums were neither defined in guidelines approved by GoI nor notified by the State Government, kuchchi bastis were treated as slums in DPRs and IHSDP projects were executed in these bastis. Reply was not acceptable as kuchchi bastis with scattered population of beneficiaries cannot be assumed as slum because National Sample Survey Organisation has defined 'undeclared slums' as "if 20 households live in a compact area with a collection of poorly built tenements, mostly of temporary nature, crowded together usually with inadequate sanitary and drinking water facilities in unhygienic condition".

4.1.8.2 Selection of ineligible beneficiaries

CSMC decided (September 2007) that houses built under IHSDP should preferably have two rooms with attached bath latrine and kitchen and the covered area should range between 25 to 30 square meters (sqm) whether it is a relocation house, in situ house or up gradation of houses. Contrary to this, the SLCC in its meeting decided (November 2010), without any approval from GoI, that all the ULBs may issue lease deeds up to an area of 110 square yards (sqys) (93 sqm), irrespective of the fact that more land is under possession of

5. Beawar (Ajmer), Bharatpur, Fatehpur (Sikar), Kishangarh (Ajmer), Makrana (Nagaur), Navalgarh (Jhunjhunu), Nagaur, Ratangarh (Churu), Sriganganagar and Sujangarh (Churu).

the beneficiaries and land in excess of 110 sqys may be left in their possession.

It was observed that in 18 IHSDP projects of in situ and up gradation of houses in kuchchi bastis, constructed and preferred by beneficiaries themselves, 17 ULBs regularised plots by giving lease deed of actual land or 110 sqys whichever is more or beneficiaries were residing scattered in the areas. Thus, the benefit (construction of houses) of the programme was extended to the beneficiaries having plots ranging from 41.69 sqys to 6,000 sqys, which resulted in extending benefit of ₹ 37.55 crore on construction of houses to 7,719 ineligible beneficiaries in 18 IHSDP projects (***Appendix-XVIII***).

The State Government stated (February 2013) that lease deeds (pattas) in slum area were issued up to 110 sqys as per State Government's order and if slum dweller is in possession of more land the efforts are being made to take possession of the remaining land in excess of 110 sqys by ULBs. State Government further stated that as per IHSDP guideline, the required covered area is 25 to 30 sqm and not the land area which can be upto 110 sqys. Reply was not acceptable as the construction of houses in 110 sqys cannot be termed as slums. Excess area in possession of beneficiaries has also not been acquired by the State Government (February 2013).

- As per circular issued (January 2010) by GoR, the assistance for in situ houses shall be released to the beneficiaries identified in the DPRs approved by CSMC. Scrutiny of records of three ULBs revealed that the benefit of the programme was extended to 488 beneficiaries who were neither included in the DPRs nor got approval from CSMC. This resulted in extending benefit of ₹ 2.20 crore [6] to ineligible beneficiaries. The State Government stated (February 2013) that ULBs had been directed from time to time to identify other beneficiaries in place of beneficiaries mentioned in the DPRs who were not eligible for IHSDP benefits due to having no interest in the programme, having bigger plot areas, holding constructed plots etc. from the list of kuchchi bastis survey with cut of date 15 August 2009. The State Government further stated that new beneficiaries had been identified as per the guidelines and therefore category wise number of beneficiaries were not more than the number sanctioned in DPRs. Reply was not acceptable because State Government instructed (March 2008) all ULBs not to change the works included in approved DPRs without approval by GoI. The facts remained that even ex-post facto approval for execution of works other than approved in DPRs was not obtained from GoI.

4.1.8.3 Selection of improper sites

Scrutiny of records of ULBs and SLNA revealed that in 20 IHSDP projects, construction of 5,216 houses (***Appendix-XIX***) costing ₹ 64.23 crore and 14 projects for infrastructure developmental works costing ₹ 17.75 crore (***Appendix-XX***) could not be started due to non availability of dispute free

6. MBs: Barmer (beneficiaries 260: ₹ 1.29 crore), Rawatsar (beneficiaries 30: ₹ 0. 17 crore) and Suratgarh (beneficiaries 198: ₹ 0. 74 crore).

sites, court cases, encroachments, increase in cost of construction etc. Beneficiaries too were not interested in leaving their original places of residence. This indicated improper site selection and planning of works, which resulted in short achievement of targets. The State Government while accepting the facts stated (February 2013) that action had been taken to black list a DPR consultant on this account. The State Government further stated that progress of construction of houses had improved.

4.1.9 Execution of work

4.1.9.1 Unjustified expenditure on infrastructure

As per the minutes of 18th meeting (September 2007) of CSMC, poorest among the poor should be covered under housing scheme who were not in position to build houses on their own, rather than spending money only for infrastructure facilities for already built houses. The State Government should give preference for integrated development of slums but may consider providing only infrastructure facilities by its own funds.

- Scrutiny of the records of Municipal Corporation (M Corp), Bikaner, revealed that out of selected 44 slums, there was no beneficiary in Phase-I and only 241 beneficiaries in 24 slums were approved (September 2008) in Phase-II. These beneficiaries were residing in thinly populated slums wherein infrastructure works of ₹ 7.11 crore (Phase-I: ₹ 3.11 crore and Phase-II: ₹ four crore) were undertaken in contravention of CSMC instructions and only two houses were constructed/upgraded in these slums as on 31 March 2012.



Construction of BT road in Kumhar Mohalla (Kuchchi Basti), Gangashahar, M Corp, Bikaner - Non-beneficiary area



Ranisar Bas behind M.G. College, M Corp, Bikaner – Construction of CC road in non-beneficiary area

- In Municipal Council (MC), Tonk, an expenditure of ₹ 2.90 crore[7] was incurred on various infrastructure development works in three approved projects of kuchchi bastis. During joint inspection (26 June 2012) with Departmental Junior Engineers, it was noticed that in Chhawani kuchchi basti there was no eligible beneficiary and all the houses were well built pucca houses, hence, not fulfilled the conditions of the programme. In other bastis,

7. Construction of cement concrete (CC) road with drain in Mehgaon Basti: ₹ 0.25 crore, Construction of CC road with drain in Chhawani Basti: ₹ 1.25 crore, Community centre in Chhawani: ₹ 0.16 crore; Three community toilets: ₹ 0.19 crore, Construction of CC road with drain in Bahir Basti: ₹ 0.74 crore and Construction of approach PMC work: ₹ 0.31 crore.

also there were no eligible beneficiaries in approved DPRs. Thus, expenditure of ₹ 2.90 crore was unjustified.



CC road in Chhawani kuchchi basti, MC, Tonk - Non-beneficiary area



BT road in Chhawani kuchchi basti, MC, Tonk - Non-beneficiary area

- In IHSDP Barmer, work of construction of bituminous (BT) road and drain was executed at cost of ₹ 2.04 crore in whole municipal area, instead of slum areas as observed in joint inspection (19 July 2012) with Junior Engineer, MB, Barmer which was against the IHSDP guidelines.

The State Government stated (February 2013) that all the works were executed as per sanctioned DPRs and there was no deviation in these towns. These DPRs were properly appraised by the appraisal agency i.e. Housing and Urban Development Corporation. Location of slums was approved in the respective CSMC meetings. In Bikaner-I and Tonk projects all the infrastructure works were executed as per sanctioned DPRs. These works were useful to slum dwellers who were scattered in the towns. In Barmer, the executed works were beneficial to the slum dwellers who were scattered in the area. Linking roads were constructed to connect slum areas. Similarly, construction of linking drains and nallahs were in overall interest of slum dwellers. Reply was not acceptable as these works were undertaken in contravention of the instructions issued in the 18th CSMC meeting.

- As per DLB's letter (March 2008), no change would be made in DPRs approved by GoI and works would be executed accordingly. Against this MB, Chhabra, executed works of covering of nallah, precast drain and approach road, by incurring expenditure of ₹ 1.35 crore without getting these works sanctioned/approved.

- It was observed that Municipal Board (MB), Chhabra constructed three Public Health Centres (PHCs) by incurring an expenditure of ₹ 0.14 crore which were neither covered by the programme nor approved by CSMC. Moreover, these were not included in DPR. Necessary, ex-post facto sanction of GoI was not obtained. As per guidelines these could have been constructed through convergence with funds from Member of Parliament Local Area Development and Member of Legislature Assembly Local Area Development. The State Government stated (February 2013) that constructions of three PHCs at Chhabra was done by Rajasthan Awas Vikas Limited (AVL). AVL and MB, Chhabra had been asked to explain the reasons for getting these non sanctioned works executed. The fact remained that the execution of works was

against programme guidelines. Moreover, no ex-post facto approval of GoI was obtained for its regularisation.

4.1.10 Diversion/wastage of funds

4.1.10.1 Improper appropriation of IHSDP funds

As per the programme guidelines, expenditure on DPRs and administrative matters was admissible up to five *per cent* of the total programme expenditure. Guidelines prescribed five specific posts[8] each for Project Monitoring Unit (PMU) and Project Implementing Unit (PIU) on contract/remuneration basis. The contractual staff was to be engaged only for three years and the remuneration of such staff was to be borne from administrative head on the decreasing trend i.e. 100 *per cent* in first year, 75 *per cent* in the second year and 50 *per cent* in the third year for PIUs. Full expenditure of PMUs was chargeable to administrative funds thus created. An expenditure of ₹ 3.84 crore was incurred on pay and allowances (from 2009-10 to 2011-12) of the regular staff of DLB and various project offices other than the PMU and PIU from withheld amount of ₹ 4.42 crore under administrative head. The State Government while accepting the facts stated (February 2013) that Director of Local Bodies has been directed to take corrective measures. The fact remained that programme funds were diverted irregularly.

4.1.10.2 Wasteful expenditure

- M Corp, Kota got approved (March 2007) from Ministry of Housing and Urban Poverty Alleviation the phase-I work for 1,478 dwelling units in 34 kuchchi bastis along with infrastructure development work. Subsequently in November 2011 it was decided in SLCC to relocate eight kuchchi bastis (out of above 34 bastis) having 752 beneficiaries in phase-III work (DPR approved in January 2012 for ₹ 33.91 crore), as they were located either under high tension electric line, or in a submergence area or in fort wall area. Meanwhile the Municipal Corporation, Kota incurred (March 2007 to January 2012) an expenditure of ₹ 1.01 crore[9] on infrastructure development alone without any integrated developmental works, in these six out of eight bastis which were ultimately to be relocated under phase-III. This resulted in wasteful expenditure of ₹ 1.01 crore in six bastis to be relocated due to erroneous planning. The State Government stated (February 2013) that out of 1,478 houses sanctioned for Kota phase-I, construction of 1,128 houses was not possible and infrastructure works were clubbed with the infrastructure works of phase-III. Thus, there was no wasteful expenditure as pointed out by audit. Reply was not acceptable as wasteful expenditure was incurred in the kuchchi

8. PMU: Project specialists (Housing and Slum Development), Specialists (Social Development), Specialist (Community Mobilisation and MIS), Urban Poverty Management Specialist, Research and Training Coordinator.
   PIU: Project Coordinator (Housing and Slum Development), Social Development Officer, Livelihood Development specialists, Research Officer, Research and Training Coordinator.
9. Road side drain: ₹ 0.08 crore, BT road: ₹ 0.25 crore, CC road: ₹ 0.20 crore, community centre: ₹ 0.25 crore, sulabh complex and park: ₹ 0.23 crore.

bastis situated under high tension electric line and in submergence area instead of relocating them.

- MB, Chittorgarh decided (January 2008) to carry out construction of three tube wells, one Over Head Water Supply Reservoir (OHSR), one Clear Water Reservoir (CWR) and laying of 2.56 km pipeline at Ramdevji ka Chanderiya costing ₹ 0.42 crore before obtaining prospects of availability of sustainable water resources from Ground Water Department (GWD). The GWD, opined (January 2008) that sustainable ground water would not be available, even then the Assistant Engineer, MB decided (February 2008) to carry out the work of one tube well on trial basis. Simultaneously, works of OHSR, CWR and laying of pipeline was executed and after incurring expenditure of ₹ 0.21 crore as of September 2008 the remaining work was stopped because no water was found in the tube well. Thus, in spite of a negative report of GWD, the MB carried out the work and incurred wasteful expenditure of ₹ 0.21 crore. The State Government while accepting the facts stated (February 2013) that request was being made to Public Health Engineering Department (PHED) for providing water and as such there would be no wasteful expenditure. Reply was not acceptable as even after lapse of more than four years constructed OHSR, CWR and pipelines could not be used due to lack of water resources and their condition may deteriorate with passage of time.

4.1.11 Lack of proper utilisation of constructed houses

4.1.11.1 Completed houses remained vacant

In nine ULBs, out of 2,285 houses completed up to March 2012, 1,868 relocation houses costing ₹ 23.75 crore[10] were not allotted to the beneficiaries upto July 2012 due to non-completion of other related infrastructure works like roads, sewerage, lights, water supply, allottees were not interested in taking possession of them and encroachments. Non-allotment and non-occupation of houses, resulted in blocking of funds ₹ 23.75 crore. Further, deterioration in conditions of these houses also could not be ruled out. It was observed that formal consent/willingness of beneficiaries was not taken before commencing the work. The State Government while accepting the facts stated (February 2013) that the houses were lying vacant because at some places beneficiaries are not coming forward to pay beneficiary share and at some places infrastructure works are yet not completed. Further, ULBs had been directed to allot relocation houses to beneficiaries. It was further stated that out of 2,594 houses constructed upto December 2012, 714 houses had been occupied.

10. Balotra: ₹ 3.21 crore (192 houses), Bhawani Mandi: ₹ 0.66 crore (60 houses), Chittorgarh-I: ₹ 1.91 crore (124 houses), Falna: ₹ 1.61 crore (147 houses), Hanumangarh: ₹ 3.08 crore (300 houses), Pali: ₹ 5.31 crore (450 houses), Sawaimadhopur: ₹ 4.83 crore (350 houses), Sikar: ₹ 1.19 crore (109 houses) and Tonk: ₹ 1.95 crore (136 houses).

4.1.11.2 Encroachment of constructed houses

Under the programme, MBs, Bhawani Mandi and Chhabra constructed 97 and 48 houses by incurring an expenditure of ₹ 1.06 crore and ₹ 0.66 crore respectively. Out of these houses, 76 houses (Bhawani Mandi) costing ₹ 0.83 crore and 22 houses (Chhabra) costing ₹ 0.30 crore were illegally encroached/occupied by unauthorised persons. This indicated weak monitoring of allocation of houses and control over up-keeping of assets created under the programme.

The State Government while accepting the facts stated (February 2013) that First Information Reports against these non eligible persons had been lodged in Police Station, Bhawani Mandi but 32 illegal occupants had obtained "Court stay orders". MB, Bhawani Mandi was trying to get the stay vacated. Similarly, MB, Chhabra had also served notices to all 22 illegal occupants for vacating the houses. Reply was not acceptable because these MBs failed to ensure proper security of constructed houses to avoid illegal occupation by unauthorised persons.

4.1.12 Miscellaneous

4.1.12.1 Unjustified utilisation

As per programme guidelines and directions issued (November 2009) by GoR, premium on tendered cost, if any, on execution of works was to be borne by ULBs. Scrutiny of records of 13 projects of 12 ULBs revealed that tenders premium of ₹ 17.36 crore[11] was charged to IHSDP funds which was not justified. The State Government while accepting the facts stated (February 2013) that total expenditure includes tenders premium. Reply was not acceptable as the same should have been borne by ULBs as per programme guidelines.

4.1.12.2 Funds not received back

- MB, Jaisalmer transferred (December 2008) ₹ 0.15 crore to Executive Engineer, PHED Division, Jaisalmer for execution of works. The entire amount was lying unadjusted with PHED. MB, Jaisalmer stated (July 2012) that efforts were made to get the work completed. Reply was not acceptable as neither the works were completed nor amount was refunded (January 2013) to MB, Jaisalmer even after lapse of four years.

- DLB transferred (June 2007) ₹ 2.66 crore (Jhalawar: ₹ 0.88 crore and Jhalrapatan: ₹ 1.78 crore) to Rajasthan Housing Board (RHB), Jaipur for construction of houses under the programme. RHB did not execute the works and returned ₹ 2.56 crore (August 2008) after lapse of 14 months and retained

11. Baran: ₹ 0.64 crore, Bhilwara: ₹ 3.91 crore, Chhabra: ₹ 0.04 crore, Hanumangarh: ₹ 0.80 crore, Jalore: ₹ 0.41 crore, Kota-I: ₹ 0.73 crore, Kota-II: ₹ 2.53 crore, Pali: ₹ 5.46 crore, Pratapgarh: ₹ 1.03 crore, Sumerpur: ₹ 0.01 crore, Suratgarh: ₹ 0.75 crore, Takhatgarh: ₹ 0.58 crore and Tonk: ₹ 0.47 crore.

₹ 0.10 crore (January 2013). Thus, non-utilisation of funds by RHB deprived beneficiaries of the intended benefit of programme. The State Government while accepting the facts stated (February 2013) that the matter was referred to the DLB for reply.

4.1.12.3 Abandonment of the projects

Two projects costing ₹ 24.28 crore at Alwar (₹ 19.70 crore) and Jhalawar (₹ 4.58 crore) were sanctioned (October 2007 and March 2007) for construction of 2,701 houses. After incurring an expenditure of ₹ 0.23 crore in MC, Alwar on infrastructure in kuchchi bastis, the projects were dropped due to non-availability of land, rendering expenditure infructuous. The State Government while accepting the facts stated (February 2013) that Alwar and Jhalawar projects were dropped due to defective DPRs and consultant had been black listed. The State Government, further, stated that amount released by GoI for these projects shall be adjusted against newly sanctioned projects.

4.1.13 Training and capacity building

As per the programme guidelines, the Central and State Governments were to organise suitable training for capacity building programmes through reputed institutions in the field, but except MB, Sumerpur no training was organised in any test checked ULBs. Also no provisions were made in the programme for this purpose.

The State Government stated (February 2013) that personnel responsible for the projects had been imparted proper training in different seminars and workshops organised for this purpose. All the personnel were well acquainted with IHSDP guidelines for execution of these projects. Reply was not acceptable as details of seminars and workshop organised and expenditure incurred thereon were not furnished to the audit.

4.1.14 Monitoring and internal control

As per the programme guidelines, SLNA and SLCC were required to periodically monitor the progress of sanctioned projects including funds mobilisation from financial institutions and review the implementation of the programme considering its broad objectives and to ensure that the projects taken up were in accordance with the guidelines and also review the progress of urban reforms being undertaken by ULBs. Though the SLCC issued instructions/directions from time to time to various executing agencies but follow up action on these instructions were not monitored. All the ULBs were required to furnish monthly and quarterly reports to SLNA by first week of next month but progress reports were not sent to SLNA. SLCC also failed in ensuring timely completion of projects as executing agencies did not adhere the time schedule laid down (February 2009) by SLCC.

4.1.15 Non-implementation of Agenda of Reforms

As per para 12 of the modified guidelines of IHSDP, the main thrust of the revised strategy of urban renewal including providing basic services to the urban poor, the State Government, ULBs and parastatal agencies were required to accept the agenda of reforms and implement reforms within mission period. The proposed reforms fall broadly into two categories:

(i) Mandatory reforms

(ii) Optional reforms

The State/ULBs needed to choose at least two optional reforms each year for implementation. Audit observed that one optional reform regarding 'introduction of property title certification system' in ULBs and one mandatory reform of 'property tax' with 85 *per cent* collection efficiency were still not implemented which deprived the ULBs of own revenue. Besides this two State level mandatory reforms i.e. urban planning including town planning (Town Planning Department) and water supply for domestic, industrial and commercial purposes (performed by PHED) were not implemented by the State Government (February 2013). Details of reforms implemented are given in ***Appendix- XXI.***

The State Government stated (February 2013) that all mandatory and optional reforms have been implemented. Reply was not acceptable as no details of route map of implementation was provided to audit.

4.1.16 Conclusion

The impact of the programme in Rajasthan State was rather limited since only 13 *per cent* and 16 *per cent* of targeted houses could be completed as of March 2012 and December 2012 respectively, representing insignificant progress. The SLNA utilised only ₹ 236.44 crore out of ₹ 334.41 crore released during the project period representing 71 *per cent* and a substantial amount of ₹ 123.43 crore (52 *per cent*) was spent on areas which were not slums. The State Government not only failed to cover 10 cities having identified slum areas under the programme but extended benefits to ineligible beneficiaries in contravention of the guidelines. There were several instances of selection of ineligible beneficiaries, selection of improper sites, unjustified expenditure on infrastructure and diversion/wastage of funds.

4.1.17 Recommendations

- In order to realise the objectives of the programme the State Government should enhance the absorptive capacity of its agencies and target the expenditure to the areas and beneficiaries for whom the programme is intended.

- There should be proper planning in site selection, execution of works, coordination of all auxiliary works and allotment process.

- The State Government may monitor the delays closely for timely completion of projects.

- The optional reform and mandatory reforms referred to should be expeditiously implemented.

- The programme should be evaluated by an independent agency to assess its impact and identify the reasons for failure.

AUDIT OF TRANSACTIONS

4.2 Non-levy of registration and annual charges

Even after Government order, municipal bodies did not levy registration (one time) and annual charges of ₹ 1.81 crore on mobile towers.

State Government, in accordance with the powers available under Rajasthan Municipalities Act (RMA), 2009 framed model bye-laws and forwarded (March 2010) them to all municipalities for adoption by boards of municipalities concerned and publication in official gazette for registration and levy of license fee on mobile towers from the mobile companies. In the model bye-laws State Government laid down registration fee of ₹ 50,000 for new mobile towers and ₹ 25,000 for existing mobile towers leviable from the concerned mobile companies. Besides this, monthly license fee of ₹ 10 per square feet or ₹ 5,000 whichever is more, was also chargeable. The registration charges (renamed as one time charges) were revised (March 2011/January 2012) to ₹ 25,000 per tower in Municipal Corporations (M Corps) and Municipal Councils (MCs) areas and to ₹ 15,000 per tower in Municipal Boards (MBs) areas for 2010-11 and 2011-12. In place of monthly license fee, annual charges were fixed to ₹ 5,000 per year per tower for all municipalities for 2010-12.

During (May 2011 to June 2012) test check of 22 municipal bodies, audit observed that except M Corp, Jodhpur, MC, Udaipur and MB, Mertacity (District Nagaur), 19 Municipal Bodies[12] have not adopted the bye-laws prescribed by the Government. Out of 22 municipal bodies only four MBs have recovered ₹ 2.89 lakh[13] against total recoverable ₹ 1.84 crore (one time charges ₹ 1.48 crore and annual charges ₹ 0.36 crore) (***Appendix-XXII***) of all the 22 municipal bodies on account of registration (one time) and annual charges for 2010-12 on 681 towers.

Thus, slackness on part of these municipal bodies led to non-recovery of due ₹ 1.81 crore (₹ 1.84 crore – ₹ 0.03 crore).

Twelve municipal bodies[14] stated (June 2011 to May 2012) that notices for registration and depositing registration and annual charges were issued to the concerned mobile companies.

12. M Corp: Kota, MBs: Anoopgarh (Sriganganagar), Badi Sadri (Chittorgarh), Bayana (Bharatpur), Behror (Alwar), Chirawa (Jhunjhunu), Dausa, Deogarh (Rajsamand), Deoli (Tonk), Kanod (Udaipur), Nadbai (Bharatpur), Nagaur, Nawalgarh (Jhunjhunu), Nimbahera (Chittorgarh), Pilani (Jhunjhunu), Rajgarh (Churu), Sawaimadhopur, Shahpura (Bhilwara) and Shahpura (Jaipur).
13. MBs: Dausa - ₹ 0.84 lakh, Anoopgarh (Sriganganagar) - ₹ One lakh, Nadbai (Bharatpur)- ₹ 0.80 lakh and Chirawa (Jhunjhunu) - ₹ 0.25 lakh.
14. MC: Udaipur, MBs: Anoopgarh (Sriganganagar), Bayana (Bharatpur), Behror (Alwar), Chirawa (Jhunjhunu), Dausa, Deoli (Tonk), Kanod (Udaipur), Mertacity (Nagaur), Nimbahera (Chittorgarh), Sawaimadhopur and Shahpura (Jaipur).

The matter was referred to the State Government in August 2012; reply was awaited (February 2013).

4.3 Loss of revenue

Loss of revenue of ₹ 93.49 lakh due to non-realisation of external development charges.

As per instructions issued (April 2008 and May 2009) by the State Government (Urban Development Department), external development charges (EDCs) at ₹ 50 per square yard/Square meter were *inter alia* recoverable in the cases of regularisation/conversion of agricultural land in a city having population more than one lakh.

Test check (December 2010) of the records of Municipal Council (MC), Beawar (District, Ajmer) for the year 2009-10 revealed that MC was not aware of Government order, hence it did not levy and realise the EDCs in respect of 838 cases [15] in which lease deeds of regularised/converted agricultural land were issued between 9 April 2008 and 5 February 2010 resulting in loss of revenue of ₹ 93.49 lakh.

The State Government stated (September 2012) that notices for recovery were being issued and recovery intimated in due time.

Thus, due to lack of updated knowledge of rules/instructions of the State Government resulted in loss of revenue ₹ 93.49 lakh.

4.4 Short-realisation of lease money

Municipal Councils, Beawar, Jhunjhunu, Sikar and Municipal Boards, Banswara and Suratgarh levied and realised one time lease money on reserve price of land, instead of four times of regularisation charges, which resulted in short realisation of lease money ₹ 63.71 lakh.

Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 envisage that land in municipal areas should be sold on lease hold basis for 99 years on realisation of premium and annual urban assessment (lease money) from the lease holder. Further, as per Rule 7 (1) *ibid,* lease money was recoverable annually on the basis of prevalent reserve price at 2.5 *per cent* in case of residential plots and five *per cent* in case of commercial and other purposes. As per Local Self Government Department order (November 1999), if ten times lease money was paid in lump sum by the lease holder for issuing lease deed, he could be exempted from further payment of lease money. Further, the Urban Development Department, Government of Rajasthan issued (November 2007) orders for levy of lease money on reserve price calculated at four times of regularisation charges and the lease money be recovered at the rate of 2.5 *per cent* (residential) or five *per cent* (commercial), as the case may be, of the

15. 610 cases regularised during 9 April 2008 to 31 March 2009: ₹ 69.56 lakh and 228 cases regularised during 20 May 2009 to 5 February 2010: ₹ 23.93 lakh.

reserve price thus calculated. Such relaxation would be allowed if the lease money is deposited by the applicant in lump-sum for eight years.

Test check (September-November 2010, September 2011 and March 2012) of records of three Municipal Councils (MCs), Beawar, Jhunjhunu, Sikar and two Municipal Boards (MBs), Banswara and Suratgarh revealed that lease money[16] was recovered at the rate of 2.5 *per cent* or 5 *per cent* of the prevalent reserve price fixed for the residential and commercial land of the area respectively, instead of the four times of the prescribed rates of the regularisation charges on change of land use from agriculture to non-agriculture in the areas of municipal bodies, which resulted in short realisation of lease money of ₹ 63.71 lakh as under:

(₹ in lakh)

Name of municipal bodies	Period	Area of land (Square yards)	Recoverable lease money	Amount of lease money recovered from lease holders	Short realised lease money
MC, Beawar	October 2008 to July 2009	27,670.88	13.38	4.16	9.22
MC, Jhunjhunu	December 2007 to March 2010	28,747.41	15.04	4.71	10.33
MC, Sikar	June 2008 to March 2010	18,501.72	9.02	3.22	5.80
MB, Banswara	May 2010 to January 2011	1,17,796.57	37.69	9.20	28.49
MB, Suratgarh	April 2008 to March 2010	26,670.19	12.80	2.93	9.87
Total		**2,19,386.77**	**87.93**	**24.22**	**63.71**

The State Government stated (October 2012) that November 2007 order was not applicable on municipal bodies and was applicable only to Urban Improvement Trusts/Development Authorities. The reply was not acceptable as the order was issued in accordance with the provisions of Rajasthan Municipalities (Disposal of Urban Land) Rules, 1974 and made applicable to all Local Bodies, Urban Improvement Trusts, Jaipur Development Authority and Housing Board.

Thus, non-observance of Government order by MCs, Beawar, Jhunjhunu, Sikar and MBs, Banswara and Suratgarh resulted in short realisation of lease money of ₹ 63.71 lakh.

4.5 Blocking of funds

Blocking of funds of ₹ 2.22 crore due to non-monitoring of scheme by the State Government, commencement of work without identification of beneficiaries and non-recovery of their initial contribution.

Under Valmiki Ambedkar Awas Yojana (VAMBAY), a centrally sponsored scheme, the Government of India (GoI) approved (March 2005) a project for construction of 335 Dwelling Units (DUs) in Kharda Kuchchi Basti,

16. To increase revenue of the Local Bodies.

Bhankrota, Jaipur for ₹ 1.68 crore to provide low cost housing to slum dwellers and weaker sections of the society. The cost of each DU was estimated to ₹ 50,000 and 50 *per cent* cost was to be received from the GoI as subsidy and balance by the beneficiaries (₹ 5,000 on start of scheme and ₹ 20,000 as loan from Municipal Corporation, Jaipur to each beneficiary, recoverable at ₹ six or ₹ seven per day as per the paying capacity of beneficiary).

Test check (January 2010 and May 2012) of records of the Municipal Corporation (M Corp), Jaipur revealed that the State Government issued (May 2005) financial sanction (FS) and administrative sanction (AS) of ₹ 1.68 crore for construction of 335 DUs for the beneficiaries of Kharda Kuchchi Basti, Jaipur.

Construction of 335 DUs was completed between November 2006 and December 2007 by incurring expenditure of ₹ 2.22 crore[17] without getting revision of FS and AS. It was further observed that out of GoI share of ₹ 83.75 lakh, an amount of ₹ 16.87 lakh was yet to be received as of August 2012. Balance expenditure ₹ 1.56 crore was incurred by the M Corp, Jaipur from its own fund. None of the DUs was allotted to beneficiary. On joint inspection of constructed DUs on 18 May 2012 by Audit with departmental officials, revealed that all DUs have been occupied by unauthorised persons.



View of unauthorisedly occupied DUs in Kharda Kuchchi Basti, Bhankrota, Jaipur

It was also observed that the M Corp, Jaipur did not identify the beneficiaries and also not recovered the initial contribution of ₹ 5,000 from each beneficiary. Had the M Corp identified beneficiaries and recovered initial contribution, unauthorized occupation of DUs could have been avoided. Further, the State Government did not constitute the committee for monitoring the construction and allotment as required under scheme guidelines.

The Executive Engineer-II, M Corp, Jaipur intimated (January 2013) that matter of evacuating the unauthorised occupied houses and allotment to rightful beneficiaries was in process among various offices of M Corp. The reply was not acceptable as M Corp, Jaipur had neither identified nor allotted

17. Block 'A' (86 DUs): ₹ 0.63 crore (July 2007), Block 'B' (66 DUs): ₹ 0.27 crore (November 2006), Block 'C' (89 DUs): ₹ 0.65 crore (December 2007) and Block 'D' (94 DUs): ₹ 0.67 crore (July 2007).

(January 2013) DUs to intended beneficiaries since completion of constructions over five years ago. Non-allotment of DUs resulted in blocking of Government funds of ₹ 2.22 crore and in illegal occupation by unauthorised persons.

The matter was referred to the State Government in June 2012; reply was awaited (February 2013).

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