REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA ON LOCAL BODIES FOR THE YEAR ENDED MARCH 2017

GOVERNMENT OF GUJARAT

REPORT NO. 5 OF 2018

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PREFACE

This Report for the year ended 31 March 2017 has been prepared for submission to the Governor of the State of Gujarat.

This Report relates to Audit of receipts and expenditure of the Local Bodies in Gujarat conducted under provisions of the Comptroller and Auditor General (Duties, Power and Conditions of Service) Act, 1971 and read with proviso of Gujarat Panchayat Act, 1993, Gujarat Provincial Municipal Corporations Act, 1949 and Gujarat Municipalities Act, 1963, as amended on 04 April 2011 which empowers the Comptroller and Auditor General of India to conduct Audit of the accounts of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), and submit such Audit Report to the State Government for its placement in the State Legislature.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those, which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2016-17 have also been included, wherever necessary.

The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

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

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

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

(Paragraph 1.1 to 1.11)

2 Implementation of Sardar Patel Awas Yojana

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

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

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

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

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

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

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

(Paragraph 2.1 to 2.1.10)

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

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

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

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

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

(Paragraph 2.2.1 to 2.2.5)

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

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

(Paragraph 3.1 to 3.14)

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

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

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

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

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

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

(Paragraph 4.1.1 to 4.1.8)

6 Working of Gujarat Municipal Finance Board

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

(Paragraph 4.2.1 to 4.2.6)

7 Unfruitful expenditure

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

(Paragraph 4.3)

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

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

(Paragraph 4.4)

9 Wasteful expenditure

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

(Paragraph 4.5)

CHAPTER-I

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS

CHAPTER-I

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The 73rd Constitutional Amendment gave constitutional status to Panchayati Raj Institutions (PRIs). It established a system of uniform structure, regular elections, and continuous funds flow through State Finance Commissions. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as Local Self Government Institutions (LSGIs). In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice. It also included those enumerated in the Eleventh Schedule of the Constitution.

A three-tier[1] system of Panchayats was envisaged in the Gujarat Panchayats Act, 1961. This Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment.

The population growth in Gujarat during the last decade (2001-2011) was 19.30 *per cent* and was more than the national average of 17.70 *per cent*. By the year 2011, the population of the State was 6.04 crore, of which women comprised 47.90 *per cent*. The rural population of the State was 3.47 crore (57.45 *per cent*) and urban population was 2.57 crore (42.55 *per cent*). The comparative demographic and developmental picture of the State is given in **Table 1** below –

Table 1: Important statistics of the State

Indicator	Unit	State value	National value
Population	1,000s	60,440	12,10,855
Population density	*per* Sq. Km.	308	382
Rural Population	1,000s	34,695	8,33,749
Urban Population	1,000s	25,745	3,77,106
Gender Ratio	Females *per* 1,000 males	919	943
Population below poverty line	*Per cent*	16.80	27.50
Literacy	*Per cent*	78.00	73.00
Birth rate	*per* 1,000 Population	20.10	20.40
Infant Mortality Rate	*per* 1,000 live births	33	37
Maternal Mortality Ratio	*per* 1,00,000 live births	112	167
Gross State Domestic Product[2]	₹ in crore	11,25,654	1,51,83,709
Panchayati Raj Institutions (PRIs)	Numbers	14,545	2,55,481
District Panchayats (DPs)	Numbers	*33*	*618*
Taluka Panchayats (TPs)	Numbers	*247*	*6,618*
Gram Panchayats (GPs)	Numbers	*14265*	*2,48,245*

(Source: Socio-Economic Review 2016-17 of Gujarat and data available on the website of Planning Commission, Ministry of Health & Family Welfare and Ministry of Panchayati Raj, Government of India)

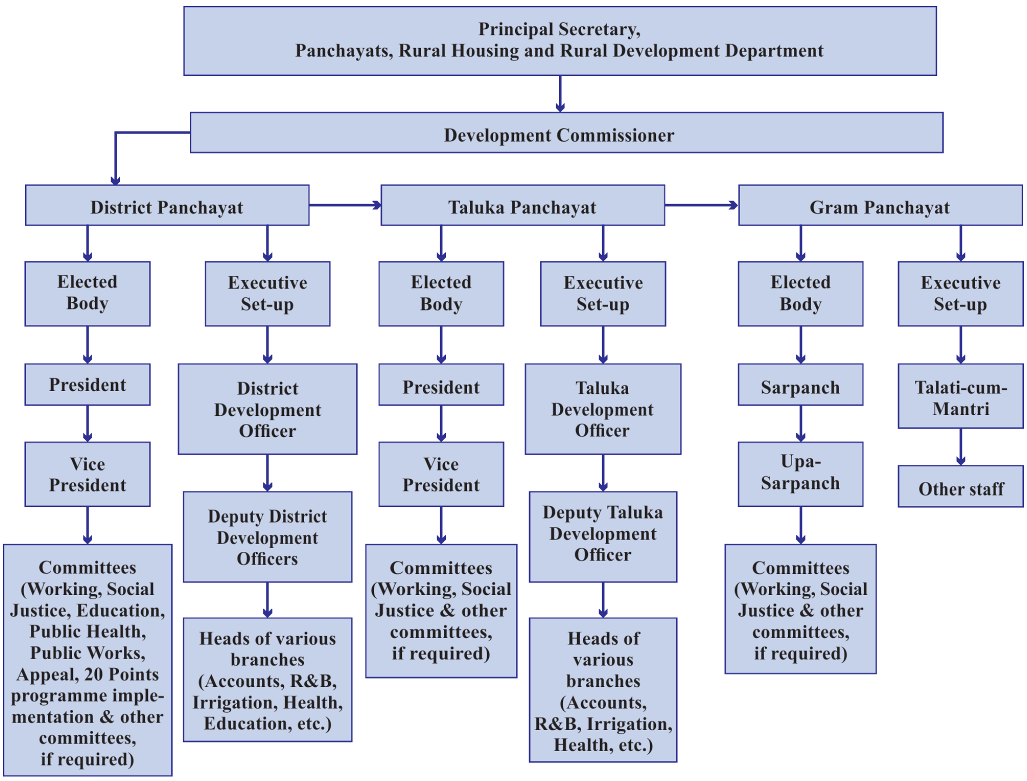
1 District Panchayat (DP) at district level, Taluka Panchayat (TP) at intermediate level and Gram Panchayat (GP) at village level

2 Source - Ministry of Statistics and Programme Implementation, Central Statistical Organisation (National) and Advance estimates by Directorate of Economics and Statistics, Gandhinagar (State)

1.2 Organisational set-up of the PRIs

Principal Secretary, Panchayats, Rural Housing and Rural Development Department (PRH&RDD) exercises administrative control over the PRIs. The PRH&RDD is responsible for framing policies pertaining to formulation and implementation of developmental schemes and administration. The PRH&RDD exercises administrative control through office of the Development Commissioner, Gandhinagar. The President and Vice President of the DPs and TPs are elected from amongst the elected representatives. The Sarpanch of a GP is elected directly by the villagers and the Upa-Sarpanch is elected from amongst the elected representatives. The Gujarat Panchayats Act envisages the functioning of the DPs, TPs and GPs through Standing Committees having elected representatives as members and chairperson. The Presidents in respect of DPs and TPs and Sarpanches of GPs are *ex-officio* Chairpersons of the Standing Committees.

The organisational set-up of the three tier system in Gujarat is shown below-



1.3 Functioning of PRIs

The 73rd Amendment to the Constitution envisaged transfer of 29 functions listed in the 11th Schedule of the Constitution to the PRIs. Article 243 G of the Constitution had empowered the State Legislature to decide and confer powers and responsibilities to the PRIs. As per Section 180 (2) of the Gujarat Panchayats Act, the State Government may entrust 29 functions to the PRIs to prepare and implement schemes[3]. State Government has, however, devolved (April 1993) 14 functions fully and five functions partially to PRIs. Ten functions have not yet been devolved. This indicated that the spirit of the Constitutional Amendment for the PRIs to function as grassroot level LSGIs has not been fulfilled.

3 Relating to economic development and social justice

1.4 Formation of various Committees

The number of Committees prescribed under the Gujarat Panchayats Act[4] is seven[5] for DPs and two[6] for both TPs and GPs respectively. In addition, the Panchayats may, with the prior approval of the State Government, constitute Committee(s) for specific purposes.

Article 243 ZD of the Constitution of India envisages constitution of District Planning Committee (DPC) at district level in every State. DPC consists of such number of elected, nominated and permanent invitee members (not less than 15 and not more than 30) as determined by the Collector of the district. The Minister in-charge of the district is the Chairperson of the DPC. The tenure of DPC is five years and it is required to meet at least once in three months.

DPCs are constitutionally responsible to consolidate the plans prepared by Local Self Government Institutions (LSGIs) in the district. They are also responsible for preparing a Draft Development Plan (DDP) of the District as a whole for onward transmission to the Government. The DPC is to monitor the quantitative and qualitative progress, especially its physical and financial achievements in implementation of the approved DDP. The State Government, while preparing the State plan, considers the proposal and priority included in the DDPs prepared for each District by the DPC.

DPCs were constituted in only 11 out of 33 districts, meetings of DPC were not held in these 11 districts[7] during 2016-17. This could have factored the aspirations and felt needs of the populace.

1.5 Audit arrangement

1.5.1 Primary Auditor

Examiner Local Fund Accounts (ELFA) is the primary auditor of the accounts of local bodies under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. The GLFA Act, 1963 provided that after the completion of the Audit, not later than three months thereafter, ELFA should prepare a report on the accounts audited and examined. The report need to be sent to the local authority concerned and copies thereof to such officers and bodies as the State Government may direct. The ELFA under the State Finance Department is headed by the Examiner and has district level offices headed by Assistant Examiners.

The status of Audit conducted by ELFA as of January 2018 is shown in **Table 2** below -

4 Article 145 and Article 123
5 Executive Committee, Social Justice Committee, Education Committee, Public Health Committee, Public Works Committee, Appeal Committee and Committee for implementation and review of Twenty Point Programme
6 Executive Committee and Social Justice Committee
7 Amreli, Aravalli, Banaskantha, Dahod, Dang-Ahwa, Junagadh, Mehsana, Panchmahals, Patan, Porbandar and Tapi

Table 2: Status of Audit by ELFA

PRIs	Number of Auditable entities[8]	Entities audited and period of accounts covered	Entities yet to be audited and period of accounts to be covered	Audit Report placed before the State legislature
DPs	26	2014-15	Nil	2012-13
TPs	223	2014-15	67(2014-15)	2012-13
GPs	14,002	2014-15	61 (2014-15)	2012-13

(Source: Information provided by ELFA)

The above table shows that Audit of 67 TPs and 61 GPs for the period 2014-15 and all DPs, TPs and GPs for the period 2015-16 onwards was in arrears. The Audit Report of ELFA on DPs, TPs and GPs for the year 2012-13 has been placed before the State legislature.

1.5.2 Audit by the Comptroller and Auditor General of India

State Government by a resolution (May 2005) entrusted the Technical Guidance and Supervision (TGS) over the audit of PRIs to the Comptroller and Auditor General of India (CAG). As per the resolution, the CAG would conduct test-check of some of the PRI and ULB units audited by the ELFA in order to provide technical guidance. The report of the test-check conducted by the CAG would be sent to the ELFA for pursuance of action taken by the PRIs and ULBs. Subsequently, the State Government entrusted (April 2011) audit of PRIs to CAG under Section 20(1) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. It also provided that the CAG shall have the right to access the accounts and records of the PRIs under other sections of the CAG's DPC Act, 1971 and under other due statutory process. The CAG may provide suitable TGS to primary external auditors of PRIs *viz.* ELFA for the purpose of strengthening Public Finance Management and Accountability in PRIs. The provision of laying of Audit Report of ELFA along with the Report of the CAG before the State Legislature was made by amending (May 2011) the Gujarat Panchayats Act, 1993. Accordingly, the Audit Reports for the year ended March 2012 to March 2016 had been placed before the State Legislature. The discussions of the Audit Reports have been assigned to the Public Accounts Committee (PAC) of the State Legislature. The PAC has completed the discussion of Audit Report for the year ended March 2013.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.6 Ombudsman

Thirteenth Finance Commission (ThFC) guidelines provided that the State Government must appoint "Ombudsman[9]" at the State level for LSGIs[10].

8 The total numbers of DPs, TPs and GPs as compared to those shown in Table 1 under paragraph 1.1 of the Report differs due to non-updation of ELFA records

9 An independent quasi judicial authority

10 PRIs and ULBs

The Ombudsman shall conduct investigations and enquiries in respect of any complaints of corruption and mal-administration. Thereafter, it may recommend suitable action against the functionaries of both elected members and officials concerned in accordance with the provisions of the Act.

The State Government decided to bring the functionaries of local bodies under the jurisdiction of Lok Ayukta. Accordingly, a bill seeking to amend the Gujarat Lokayukta Act, 1986 had been passed by the State Legislature on 30 March 2011 and the Gujarat Lokayukta Ayog Act, 2013 was enacted in September 2014. The appointment of Lokayukta was under consideration in General Administrative Department of the State.

1.7 Social Audit

The system of Social Audit (SA) was introduced to curb corruption and to promote integrity and quality of decision-making in delivery of public services. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in LSGIs.

In Gujarat, Social Audit has been carried out only in respect of works carried out under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) through UNNATI[11] upto January 2015 and thereafter through Gujarat State Social Audit Society. The State Government constituted (September 2014) an independent Social Audit Unit and also constituted (September 2014) State and district level committees to select the resource persons (RPs) for the State and district levels. As against sanctioned posts of one Director and five RPs at State level and 16 RPs at district level, only a Director (July 2017) and a RP (December 2017) at State level and seven RPs (December 2017) at district level had been appointed. Thus, Social Audit of works other than MGNREGS was not being carried out in the State.

1.8 Submission of Utilisation Certificates

The Gujarat Financial Rules[12] provided that Utilisation Certificates (UCs) for the grants should be submitted within 12 months of the closure of the financial year. The UCs shall be submitted by the institution or organisation concerned to the Head of Department concerned and after verification; these should be forwarded to the Accountant General. Audit observed that 180 UCs aggregating to ₹ 80.72 crore due in respect of grants paid upto 2015-16 were outstanding as of 31 March 2017.

1.9 Internal Audit and Internal Control System of PRI

Internal Audit and Internal Control System in an organisation is meant to ensure that PRIs have instituted their own internal audit function. It helps to ensure effective management of their own operations and sustain quality of their administrative as well as financial performance. It also helps to ensure whether the operations are carried out according to the applicable laws and regulations

11 A Non-Government Organisation

12 Rule 154 and 155 of the Gujarat Financial Rules, 1971

and in an economical, efficient and effective manner. A built-in Internal Control System and strict adherence to Statutes, Codes and Manuals minimise the risk of errors and irregularities. It helps to protect resources against loss due to waste, abuse and mismanagement.

The State Government had constituted (1982) an Audit Branch in each DP under the direct supervision of an Accounts Officer. The Audit Branch helps all branches of the DP in preparation and maintenance of the Accounts, Budget and all other required financial statements. All bills of DPs and TPs exceeding ₹ 40,000 are being pre-audited by the Audit Branch.

1.10 Financial Reporting Issues

1.10.1 Source of funds

In addition to own source of tax and non tax revenue[13] and capital receipts[14], PRIs receive funds from State Government and Government of India (GoI). Funds are received in the form of grants-in-aid/loans for general administration, implementation of development scheme/works, creation of infrastructure in rural areas, *etc.* Besides, grants from State/Central Finance Commission are also received.

The receipt of PRIs from all sources during the last five years ending 2016-17 is shown in the **Table 3** below –

Table 3: Sources of revenue of PRIs

(₹ in crore)

Revenue	2012-13	2013-14	2014-15	2015-16	2016-17
Government Grants	14,464.38	17,295.00	17,503.96	18,287.26	15,821.41
Own Revenue	268.66	273.88	276.98	282.50	777.18
Central Finance Commission Grants	322.53	420.04	525.26	932.25	1,460.18
Total	**15,055.57**	**17,988.92**	**18,306.20**	**19,502.01**	**18,058.77**

(Source: Information furnished by the PRH&RDD)

The above table shows that there was complete dependence of PRIs on the Government grant for even carrying out their basic functions. This impacted their fiscal autonomy, which is an important issue to be addressed for improving governance at the grassroot level.

1.10.2 Recommendations of the State Finance Commissions to PRIs

Article 243 I of the Constitution made it mandatory for the State Government to constitute a State Finance Commission (SFC). The SFC was to be constituted within one year from the enactment of 73rd Constitutional Amendment and thereafter on expiry of every five years. The SFC was responsible to review the financial condition of the PRIs and to make recommendations to the Governor for devolution of funds.

13 Fair Tax (Tax on melas held in the jurisdiction of PRIs), building tax, fee, rent from buildings and water reservoirs, *etc.*

14 From sale of land

The State Government had accepted 27 out of 52 recommendations (52 *per cent*) made by the First SFC and 20 out of 41 recommendations (49 *per cent*) made by the Second SFC. The department could implement only nine and seven accepted recommendations of First and Second SFCs respectively (October 2017). The Third SFC had submitted their report in December 2013. The Action Taken Report (ATR) on the Third SFC report from the State Government department was awaited. Consequently, the ATR had not been placed before the State Legislature.

1.10.3 Recommendations of Central Finance Commission

1.10.3.1 Unspent Grant of Thirteenth Finance Commission

On the recommendation of Thirteenth Finance Commission (ThFC), GoI released ₹ 1,797.29 crore to the State Government during the period 2010-15. Out of this, the State Government could utilise ₹ 1,717.84 crore, leaving unspent balance of ₹ 79.45 crore as of January 2018.

1.10.3.2 Recommendations of Fourteenth Finance Commission

The Fourteenth Finance Commission of India was constituted in January 2014 for the period 2015-2020. The Fourteenth Finance Commission (FFC) grants are divided into two components – Basic Grant (BG) and Performance Grant (PG). The BG and PG can be assessed by all States as per criteria laid down by the Commission. The State Government is required to release the grants to PRIs within 15 days from the date of receipt of grants from GoI. The details of funds allocated and released to the State by GoI and funds released to PRIs and its utilisation by them during the period 2015-17 are shown in **Table 4** below –

Table 4: Details of funds utilised by the PRIs during 2015-17

(₹ in crore)

Year	Grant allocation		Grant received		Grant released		Expenditure
	BG	PG	BG	PG	BG	PG	
2015-16	932.25	0.00	932.25	0.00	932.25	0.00	805.59
2016-17	1,290.86	169.32	1,290.86	169.32	1,290.86	169.32	915.47
Total	**2,223.11**	**169.32**	**2,223.11**	**169.32**	**2,223.11**	**169.32**	**1,721.06**

(Source: Information provided by PRH&RDD)

The above table shows that the PRIs could utilise only ₹ 1,721.06 crore (72 *per cent*) as against ₹ 2,392.43 crore received during 2015-17.

1.10.4 Maintenance of Records

- ***Cash Book***

The Gujarat TP and DP Finance Accounts and Budget Rules, 1963 provides that the Cash Book is a preliminary and important record. It should be maintained properly under the supervision and control of the office/branch officer. Audit observed deficiencies/omissions in maintenance of Cash Book at three DPs, eight TPs and 29 GPs test-checked during the year 2016-17.

- ***Other records***

As per codal provision, PRIs are required to keep and maintain registers/records, books/accounts in prescribed formats giving all the required details. Audit observed non-maintenance/improper maintenance of records in DPs, TPs and GPs test-checked during 2016-17 as shown in **Table 5** below –

Table 5: Non-maintenance/improper maintenance of records

PRIs	Number of units audited 2016-17	Agreement Register	Advance Register	Dead Stock Register	Grant Register	Work Register
DPs	11	7	3	1	8	7
TPs	13	0	0	1	7	3
GPs	45	0	0	0	0	0

1.10.5 Reconciliation of Balances as per Cash Book with Treasury/Bank Pass Book

The Gujarat TP and DP Finance Accounts and Budget Rules, 1963 provided that reconciliation of balances of Cash Book with the balances in the Treasury/Bank Pass Book should be carried out at the end of each month. Audit observed that the reconciliation of balances was not carried out in one DP, seven TPs and one GP test-checked during the year 2016-17

1.10.6 Maintenance of Accounts by PRIs

State Government decided (September 2004) to accept the Model Accounting System (MAS) prescribed by the CAG. It provided four-tier classification of accounts *viz.* major head, minor head, sub head and object head. The State Government issued (March 2011) instructions for maintaining accounts as per double entry accrual accounting system in Gujarat Rural Accounting Management (GRAM) software. It shall also include eight formats prescribed in MAS in addition to the requirement of respective Financial Rules of PRIs. Audit observed that the State has adopted these eight formats of MAS in the GRAM software. Audit also observed that the web based software (PRIASoft) developed by the GoI for maintenance of accounts of PRIs had not been adopted by the State Government.

1.10.7 Issues related to AC/DC Bills

As per Gujarat Treasury Rules, 2000, the drawing officers are required to furnish the Detailed Contingent (DC) Bills in respect of all Abstract Contingent (AC) Bills. The DC bills are required to be furnished within three months from the date of drawal of AC Bills to Accountant General (A&E). As of March 2017, DC Bills in respect of 1,436 AC Bills for an amount of ₹ 41.71 crore were outstanding though the prescribed period of three months had elapsed.

The State Government may issue instructions to the PRIs for submission of DC Bills within the prescribed time limit for timely regularisation of advance drawn on AC Bills.

1.11 Conclusion

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

CHAPTER-II

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

AUDIT FINDINGS

CHAPTER – II

This Chapter contains Audit findings of a Performance Audit on "Implementation of Sardar Patel Awas Yojana" and a Compliance Audit on the theme "Accessibility of select public services to the rural population of Gujarat"

PERFORMANCE AUDIT

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1 Implementation of Sardar Patel Awas Yojana

Executive Summary

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

A performance audit of implementation of SPAY/SPAY II for the period 2012-17 revealed that due to poor planning in setting the targets and non-preparation of preferential waitlist, the State Government was not aware of the number of BPL families who remained deprived of pucca houses under SPAY.

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

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

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

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

2.1.1 Introduction

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

The latest[1] socio-economic survey data provided (May 2017) to audit by Panchayats, Rural Housing and Rural Development Department (PRH&RDD) of Government of Gujarat (GoG), revealed that there were 80.24 lakh families residing in rural areas. The Below Poverty Line (BPL) and Above Poverty Line (APL) families in Gujarat are identified based on the scores of 13 socio-economic parameters[2] prescribed by the Ministry of Rural Development, Government of India (GoI) *i.e.* families with scores between 0 and 20 are considered as BPL and families with scores between 21 and 52 are considered as APL. Of these 80.24 lakh rural families, 31.42 lakh rural families were BPL and 26.46 lakh rural families were APL with scores between 21 and 28. However, out of 26.46 lakh APL families, 14.82 lakh families did not have *pucca* house as per socio-economic survey data.

In 1997 the State Government had introduced *Sardar Patel Awas Yojana* (SPAY) by merger of two Schemes (*i.e.* a Scheme of providing free plots and a Scheme of financial assistance for construction of *pucca* houses). Under SPAY, the State Government provided free plots of 100 square yards to landless agricultural labourers in rural areas where the beneficiary is free to construct *pucca* house by availing financial assistance from any Central/State Government housing Schemes[3] and also provided financial assistance to homeless or *kutcha* house holder BPL rural families for construction of *pucca* houses. As per information collected (July 2012) by PRH&RDD, there were 4.53 lakh rural BPL families which were homeless or having *kutcha* houses in the State. The State Government introduced SPAY II from February 2014 with the objective of providing *pucca* houses[4] to APL families having *kutcha* houses with scores between 21 and 28.

The Scheme (SPAY and SPAY II) provided for construction of *pucca* houses with a built-up area of 22.90 square meters. The PRH&RDD fixed (2001) unit cost of a house at ₹ 43,000[5] under SPAY on the basis of estimates prepared by Gujarat Rural Housing Board (GRHB). Whereas, the unit cost of house on introduction of SPAY II (February 2014) was fixed at ₹ one lakh[6]. The PRH&RDD revised the unit cost of house under SPAY from time to time and in August 2010, the unit

1 Initial survey was carried out in 2002 and the list of BPL and APL families was prepared by PRH&RDD in 2006, which was updated every year.
2 (1) Size group of operational holding of land, (2) type of house, (3) average availability of normal wear clothing, (4) food security, (5) sanitation, (6) ownership of consumer durables, (7) literacy status, (8) status of the household labour force, (9) means of livelihood, (10) status of children, (11) types of indebtedness, (12) reason for migration, and (13) preference of assistance
3 Indira Awas Yojana (Centrally Sponsored Scheme), Sardar Patel Awas Yojana, Dr. Ambedkar Awas Yojana, Pandit Deen Dayal Upadhyay Awas Yojana, *etc.*
4 By demolition of the existing kutcha houses
5 Financial assistance: ₹ 40,000 + labour contribution by beneficiary: ₹ 3,000
6 Financial assistance: ₹ 40,000 + beneficiary contribution : ₹ 60,000

cost was revised to ₹ 54,500[7]. However, the unit cost of the house under SPAY II had remained the same as of February 2018.

As per survey carried out by PRH&RDD, there were 6.98 lakh APL families having *kutcha* houses in the State as of April 2014. Between April 2012 and March 2017, the State Government provided free plots to 21,651 beneficiaries and spent ₹ 2,882.53 crore on provision of *pucca* houses to 6.40 lakh beneficiaries.

2.1.2 Organisational Set-up

The Principal Secretary is the administrative head of PRH&RDD and is responsible for planning, implementation, monitoring and evaluation of SPAY and SPAY II (Scheme). The Scheme is implemented under the supervision of Development Commissioner (DC) who is assisted by District Development Officers (DDOs) of District Panchayats (DPs) at the district level and Taluka Development Officers (TDOs) of Taluka Panchayats (TPs) at the taluka level. The TDO is assisted by Additional Assistant Engineers (AAEs) for implementation of the Scheme at the taluka level and by the *Talati-cum-Mantris* (TCMs) at the village level.

2.1.3 Audit Objectives

The broad audit objectives of the performance audit were to assess whether:

- planning for the Scheme was adequate;
- financial resources were efficiently used;
- service delivery under the Scheme in terms of quantity, quality and timing was optimal; and
- monitoring for the Scheme was efficient.

2.1.4 Audit Criteria

During performance audit, the audit criteria adopted were Scheme provisions, resolutions, orders, circulars and instructions issued by the State Government from time to time in connection with the implementation of the Scheme.

2.1.5 Scope of Audit and Methodology

The performance audit commenced with an entry conference (11 April 2017) with Principal Secretary, PRH&RDD wherein the audit objectives, scope of audit and audit criteria were discussed and the inputs of the Department were obtained.

Audit test-checked the records in the offices of PRH&RDD and DC at State level and eight[8] of 33 DPs and 17 of 62 TPs (around one-fourth of total talukas in each selected district) at the field level. The scope of audit was extended to five Gram Panchayats (GPs) in each selected taluka (85 GPs - around one-eleven

7 Financial assistance: ₹ 45,000 + construction of toilets : ₹ 2,200 from Nirmal Gujarat Scheme + labour contribution by beneficiary: ₹ 7,300

8 Ahmedabad, Anand, Banaskantha, Dahod, Navsari, Porbandar, Surendranagar and Tapi

of total GPs in each selected taluka) and joint field visits of 10 beneficiaries in each selected GP (850 beneficiaries). Audit also collected information from the TCMs of 17 villages (one from each selected taluka) regarding number of rural families left out from housing benefits and conducted joint field visits of five such families in each selected village to confirm the validity of information provided by TCMs. The audit findings were discussed with the Principal Secretary, PRH&RDD in the exit conference held on 01 February 2018. The State Government furnished paragraph-wise reply to the draft report in February 2018, which had been incorporated at appropriate places in the report.

Details of free plots provided, houses approved, houses completed and expenditure incurred at State level and test-checked TPs during 2012-17 under SPAY/SPAY II are shown in **Table 1**.

Table 1: Details of free plots provided, houses approved, houses completed and expenditure incurred during 2012-17.

(₹ in crore)

Year	Free plots provided	Total houses approved in the State	Houses completed in the State as of March 2017 (Percentage)	Total houses approved in test-checked TPs	Houses completed in test-checked TPs as of March 2017 (Percentage)	Total expenditure incurred
2012-13	11,574	4,29,900	4,24,947 (99)	49,520	23,778 (48)	1,145.23
2013-14	5,370	5,279	3,142 (60)	253	113 (45)	95.36
2014-15	2,166	1,84,480	1,34,199 (73)	22,480	5,437 (24)	407.15
2015-16	1,068	1,42,773	77,336 (54)	14,996	3,444 (23)	800.17
2016-17[9]	1,473	00	00	00	00	434.62
Total	**21,651**	**7,62,432**	**6,39,624 (84)**	**87,249**	**32,772 (38)**	**2,882.53**

(Source: Information provided by DC and TPs)

Audit has analysed different aspects of the SPAY/SPAY II and the audit findings are mentioned below.

Audit Findings

Out of eight test-checked districts, audit observed best practice in Navsari district where planning process in selection of beneficiaries was followed more effectively as very few beneficiaries were left out from availing benefit of *pucca* houses. Financial management in terms of efficient utilisation of funds and completion ratio of houses was high in test-checked Chikhli taluka of Navsari district. Whereas, Amadhra village of Chikhli taluka demonstrated good work, as eight of 10 selected beneficiaries had completed their houses and no case of irregular/fraudulent payment was noticed. Contrary to this, implementation of Scheme was found very poor in Dahod district where large number of beneficiaries were left out from housing benefits in test-checked GPs, funds remained unspent with Devgadhbaria TP, completion ratio of houses was low and fraudulent payments were noticed in two of 10 cases in test-checked Piplod village of Devgadhbaria taluka. However, deficiencies noticed in planning,

9 No houses were approved under SPAY II during 2016-17 as a new Scheme namely, Pradhan Mantri Awas Yojana - Gramin was introduced in 2016-17.

financial management, Scheme management and monitoring and evaluation of the Scheme are discussed below.

2.1.6 Planning for the Scheme

2.1.6.1 Unrealistic targets set under SPAY

The State Government had set (March 2009) a goal of providing *pucca* houses to all BPL families under various housing Schemes by the Swarnim Gujarat Year 2010. The annual target set for the houses under SPAY was 74,180, 34,289 and 28,642 for the years 2009-10, 2010-11 and 2011-12 respectively. Initially the target for the year 2012-13 was fixed as 78,816 houses. However, PRH&RDD collected (July 2012) information from all DDOs regarding number of homeless or *kutcha* house holder BPL families in their districts. Accordingly, revised target of 4,53,482 houses[10] was fixed (August 2012) under SPAY to provide *pucca* houses to all remaining BPL families during the year 2012-13. No outcome assessment was done of SPAY till 2012. The process of collection of data, budgeting and release of fund was undertaken within a period of 26 days (from 12 July 2012 to 6 August 2012) with unusual alacrity. Further, the implementation procedure and institutional capacity was not re-configured for the fresh targets 475 *per cent* higher than the earlier targets. Similarly, to extend the rural housing benefits to APL population, a survey of only APL families was conducted (April 2014) without consolidating the outcome results of SPAY till 2014. BPL families left out were not surveyed during the period. The State Government achieved only 24 *per cent* housing after extending the Scheme to APL families. Detailed audit observations are mentioned in **paragraph 2.1.8.3.**

The Principal Secretary agreed (February 2018) that target of 4.53 lakh houses set during 2012-13 was very high. He further stated that the huge target was fixed to achieve the goal set by the State Government to cover all the remaining BPL beneficiaries on campaign mode during 2012-13. However, audit is of the view that the realistic targets should be fixed with adequate planning which could benefit the rural BPL/APL population with affordable housing as envisaged.

2.1.6.2 Non-preparation of preferential waitlist

As per the instructions issued (June 2006) by PRH&RDD, the benefits of SPAY and other housing Schemes were to be provided to the BPL families on preferential basis *i.e.* families with the lowest score shall be preferred first. Accordingly, each GP was required to prepare a preferential waitlist of BPL families and ensure selection of beneficiaries as per the preferential list.

Audit observed that none of the 85 test-checked GPs had prepared the preferential waitlist. Further, consolidated/comprehensive records of housing benefits provided to beneficiaries under other housing Schemes were also not being maintained by the TCMs/TPs/DPs. Consequently, the TDOs/DDOs were unaware of the number of BPL families who had been deprived of *pucca* houses under the Scheme(s) at the village level. Thus, the data collected by PRH&RDD (July 2012) regarding numbers of BPL families not covered for *pucca* housing

10 Original targets 78,816 + number provided by all DDOs 3,74,666 = revised target 4,53,482

benefits was not realistic and many BPL families have been left out as discussed in the succeeding paragraph.

The TCMs of test-checked GPs stated (May-August 2017) that the preferential lists could not be prepared due to heavy work load. The concerned TDOs stated (January 2018) that instructions would be issued to all TCMs for approving houses as per the preferential list.

2.1.6.3 Coverage of identified BPL families

The State Government introduced (February 2014) SPAY II for APL families, assuming that all the BPL families had been covered under SPAY and other housing Schemes. However, information provided by TCMs of 17 villages of selected talukas revealed that 978 of 7,802 BPL families (13 *per cent*) had not been extended benefits under any housing Scheme(s) as indicated in **Appendix-I**. During joint visits with TCMs, 72 of 978 BPL families of test-checked GPs confirmed to audit that they did not get any benefit under any housing Scheme(s) of the Government and were therefore, compelled to stay in *kutcha* houses **(Picture 1 and 2)**. This indicated that the State Government had introduced SPAY II in haste without ensuring 100 *per cent* coverage of BPL families in the State.

Picture 1: Dilapidated *kutcha* house in Piplod village, Devgadhbaria taluka under Dahod district.

Picture 2: *Kutcha* house in Simej village, Dholka taluka under Ahmedabad district.

During exit conference, the Principal Secretary, PRH&RDD stated (February 2018) that necessary action would be taken to provide *pucca* houses to left out BPL beneficiaries under Pradhan Mantri Awas Yojana - Gramin (PMAY), after due verification. The fact remains that the State Government introduced SPAY II without ensuring 100 *per cent* coverage of BPL families resulting in many BPL families residing in dilapidated/*kutcha* houses.

2.1.6.4 Maintenance of beneficiaries' records

As per instructions (June 2006) of PRH&RDD, the GPs were required to identify the poor families residing in *kutcha* houses or homeless. The details of such families were required to be forwarded to PRH&RDD through the taluka and district level authorities for approval and consideration for providing *pucca* houses under the housing Schemes.

Audit analysis of the list of BPL and APL families maintained by PRH&RDD (May 2017) revealed that during last five years (2012 to 2016), 2.16 lakh BPL and APL families had been added, which included 10,769 families from eight test-checked districts. Further, of the 85 test-checked GPs, 28 GPs had added 153 families while the remaining 57 GPs had not updated the data during 2012 to 2016. Therefore, the records at the GP level as required by PRH&RDD were not properly maintained.

Recommendation 1: The State Government may ensure that all the targeted beneficiaries not covered by SPAY are extended housing benefits expeditiously.

2.1.7 Financial Management

2.1.7.1 Utilisation of Scheme funds

For implementation of the Scheme, PRH&RDD releases funds to DC who in turn releases the same to DDOs, based on the targets fixed for each DP under the Scheme. The funds are then released to each TP, based on the number of houses actually approved for construction under each taluka. As per the Scheme provisions, the TDOs make payments to beneficiaries under SPAY and SPAY II in three installments[11] *viz.* first installment as advance payment on approval of house, second installment after completion of work up to lintel level duly certified by AAE and final installment on completion of house duly certified by both TCM and AAE.

The details of funds released and expenditure incurred in the State under SPAY and SPAY II during 2012-17 are shown in **Table 2**.

Table 2: Funds released and expenditure incurred under SPAY and SPAY II during 2012-17

(₹ in crore)

Year	SPAY		SPAY II	
	Funds released	Expenditure incurred	Funds released	Expenditure incurred
2012-13	2,040.67	1,145.23	NA	NA
2013-14	73.14	95.36	NA	NA
2014-15	10.00	274.07	743.74	133.08
2015-16	00.10	275.73	500.00	524.44
2016-17	00.00	176.23	200.00	258.39
Total	**2,123.91**	**1,966.62(93%)**	**1,443.74**	**915.91(63%)**

(Source: Information provided by DC)

NA= Not Applicable (SPAY II commenced from 2014-15)

Audit analysis revealed that against the original budget provision of ₹ 354.67 crore for the year 2012-13, the State Government had released ₹ 2,040.67 crore by additional authorization to provide pucca houses to all remaining BPL families. However, the State Government could utilise only ₹ 1,145.23 crore

11 SPAY: ₹ 21,000 (advance payment) + ₹ 15,000 + ₹ 9,000; SPAY II: ₹ 10,000 (advance payment) + ₹ 20,000 + ₹ 10,000

(56 *per cent*) during 2012-13 of which ₹ 902.79 crore[12] was paid as first advance installment to 4.30 lakh approved beneficiaries. As seen from the above table, after closure of SPAY (2013-14), the State Government had spent ₹ 726.03 crore on SPAY during 2014-17 indicating poor financial management in terms of timely utilization of funds.

Out of total release of ₹ 3,567.65 crore under SPAY/SPAY II, the State Government utilised ₹ 2,882.53 crore during 2012-17 and an unspent ₹ 685.12 crore were kept in Public Ledger Accounts (PLA) of TDOs/DDOs, which was almost equal to the first tranche of release in SPAY II and more than double the average annual expenditure incurred in SPAY II.

During the exit conference, the DDOs stated (February 2018) that financial assistance was given to beneficiaries as per the progress of works. As many houses were not complete, utilisation of funds was less. Fact remains that the State Government has not analysed the reasons for non-drawl of second and third installments and the non-completion of houses.

2.1.7.2 Unspent balances

The details of funds received by DDOs of eight test-checked DPs and released to 62 TPs during 2012-17 are shown in **Table 3**.

Table 3: Funds received and released by DDOs in test-checked DPs during 2012-17

(₹ in crore)

Name of DPs	Opening balance with DDOs	Funds received by DDOs	Total available funds	Funds released to TPs	Funds surrendered to State Government	Closing balance with DDOs
Ahmedabad	10.87	53.68	64.55	61.14	00.00	3.41
Anand	00.00	208.62	208.62	207.23	00.00	1.39
Banaskantha	00.00	183.61	183.61	183.61	00.00	00.00
Dahod	00.06	380.64	380.70	373.28	7.36	00.06
Navsari	00.00	104.29	104.29	102.58	00.00	1.71
Porbandar	00.00	8.25	8.25	4.02	00.00	4.23
Surendranagar	00.00	45.48	45.48	38.22	00.00	7.26
Tapi	00.00	163.74	163.74	163.74	00.00	00.00
Total	**10.93**	**1,148.31**	**1,159.24**	**1,133.82**	**7.36**	**18.06**

(Source: Information provided by the test-checked DPs)

The above table shows that the funds received by DDOs (on the basis of target fixed for the DPs) was more than that actually released to TPs (on the basis of actual number of houses approved in TPs), leading to accumulation of an unspent balance of ₹ 18.06 crore at the end of March 2017 in six of eight test-checked DPs, which was not surrendered to Government as of February 2018. Only Dahod DP had taken timely corrective action and surrendered the unspent amount of ₹ 7.36 crore during 2015-17.

12 4,29,900 approved beneficiaries x ₹ 21,000 = ₹ 902.79 crore

Further, 17 of 62 test-checked TPs spent ₹ 344.48 crore out of ₹ 422.04 crore made available by the DDOs during 2012-17, leaving an unspent balance of ₹ 76.90 crore[13] as of March 2017 (**Appendix-II**). The reasons for the non-utilisation of the funds provided, particularly when the number of beneficiaries was large, have not been adequately analysed by the State Government.

The State Government accepted the facts and stated (February 2018) that instructions would be issued to all the DDOs to refund the unspent balances which was provided in excess of the number of houses approved. Accumulation of funds with DDOs shows violation of financial provisions as they have to surrender the excess funds prior to closure of each financial year.

2.1.7.3 Non-recovery of financial assistance for non-construction/partial construction of houses

As per Scheme provision, the beneficiaries were to complete the construction of *pucca* houses within 15 weeks of issue of sanction letters by the concerned TDOs. Further, as per Government Resolution (GR) of May 2013, in cases where the beneficiaries had not commenced construction, houses sanctioned to them were to be cancelled and the first installment paid as advance was to be recovered.

Scrutiny of records of 17 test-checked TPs revealed that of 87,249 houses sanctioned under SPAY and SPAY II during 2012-16[14], TDOs released only first installment in 22,937 cases which did not require any certificate. Out of 22,937, sanctions for construction of only 1,471 houses were cancelled by five TPs but except TDO, Kutiyana who recovered the first installment from 21 beneficiaries, none of the four TDOs could recover first installment of ₹ 2.35 crore[15] from the remaining 1,450 beneficiaries as of February 2018. The remaining 21,466 cases where only first installment was paid (₹ 29.58 crore)[16], indicated that the beneficiaries had either not commenced construction or the houses were partially constructed. However, the TDOs did not take any action to cancel the sanctions and effect recoveries from the defaulting beneficiaries as of February 2018.

During exit conference, the Principal Secretary, PRH&RDD stated (February 2018) that necessary action would be taken to recover the first installment from the beneficiaries whose sanctions for construction of *pucca* houses stand cancelled. He further, stated that a proposal was under consideration to accommodate 21,466 beneficiaries under PMAY and the first installment paid to them under SPAY/ SPAY II would be adjusted in PMAY. Thus, many beneficiaries availing only first advance installment indicated failure of TDOs and other field functionaries in proper monitoring and supervision of construction work.

13 The difference of ₹ 0.66 crore in closing balance was due to surrender of the same to Government by TDO Dahod during 2012-13

14 No houses were approved under SPAY II during 2016-17 as a new Scheme namely, Pradhan Mantri Awas Yojana - Gramin was introduced in 2016-17.

15 820 beneficiaries of SPAY x ₹ 21,000 + 630 beneficiaries of SPAY II x ₹ 10,000 = ₹ 2,35,20,000

16 ₹ 15.49 crore paid under SPAY for 7,376 houses (at ₹ 21,000) and ₹ 14.09 crore paid under SPAY II for 14,090 houses (at ₹ 10,000)

2.1.7.4 Short payment / irregular deduction

In test-checked 17 TPs, audit observed instances of short payment/irregular deduction as discussed below:

- PRH&RDD had increased (August 2010) the financial assistance under SPAY from ₹ 43,000 to ₹ 45,000 effective from April 2010. However, TDO, Dhandhuka had approved houses during 2012-13 with pre-revised rate resulting short payment of ₹ 5.38 lakh to 329 beneficiaries of SPAY.

- As per provision under Scheme, the final instalment was to be paid on completion of construction of house with toilet. Audit scrutiny at four TPs revealed that the last installments were paid after deducting ₹ 46.63 lakh[17] due to non-construction of toilets by the 1,559 beneficiaries.

The TDOs of concerned test-checked TPs accepted (May-August 2017) the audit observation and stated that necessary corrective steps would be taken. The DC agreed (February 2018) that amount deducted for non-construction of toilet work would be released after verification of completion of toilet work.

2.1.7.5 Irregular/fraudulent/double payment

Audit obtained the physical and financial progress of 850 approved houses from the offices of 17 test-checked TPs and verified the actual status of these houses by conducting joint field visits in 85 test-checked GPs with TCMs and the representative of TPs. Audit observed that in 63 of 850 cases, there were instances of irregular/fraudulent/double payment to the beneficiaries totaling ₹ 13.25 lakh. The summarised position is given below.

- In 25 cases under SPAY and 10 cases under SPAY II, though the beneficiaries did not construct the houses up to lintel level, the TDOs paid the second installment to the beneficiaries in contravention of the extant provisions.

- In 14 cases under SPAY and 13 cases under SPAY II, the TDOs paid all the three installments to the beneficiaries though they did not commence or complete the construction work **(Picture 3 and 4).**

- In Rajpur village (Dholka taluka), one beneficiary had been sanctioned housing assistance twice under SPAY during 2012-13. Further, the beneficiary received first installment of ₹ 21,000 on both the occasions and had not even commenced the construction work till May 2017.

In all the 63 cases, the concerned TCMs/AAEs had issued fake certificates for different stages of construction, on the basis of which, the TDOs had released payments to the beneficiaries.

17 Limbdi: 44 case x ₹ 1,000, Amirgadh: 23 cases x ₹ 3,500, Dhrangadhra: 127 cases x ₹ 2,957 and Dahod: 1,365 cases x ₹ 3,050

Picture 3: *Kutcha* house of a beneficiary in Malgadh village, Deesa taluka under Banaskantha district on the date of joint visit (06 July 2017). The beneficiary had submitted fake photograph of the completed house (Picture 4) to claim third instalment.

Picture 4: Fake photograph of pucca house produced by the same beneficiary, as indicated in Picture 3, to TDO office to claim the third instalment.

During exit conference, the Principal Secretary, PRH&RDD viewed this as a serious omission. The State Government stated (February 2018) that instructions have been issued to all the eight DPs to look into the matter and appropriate action would be taken accordingly.

Recommendation 2: The State Government may ensure recovery of first installment in all the cases where houses have been cancelled on account of non-commencement of construction by the beneficiaries. The State Government may also review all such cases where partial or full payment had been released to the beneficiaries without verifying the physical progress of works.

2.1.8 Scheme Management

The State Government had provided free plots to 21,651 beneficiaries during 2012-17. Out of 7.62 lakh houses approved, 6.40 lakh houses were completed and an expenditure of ₹ 2,882.53 crore was incurred during 2012-17.

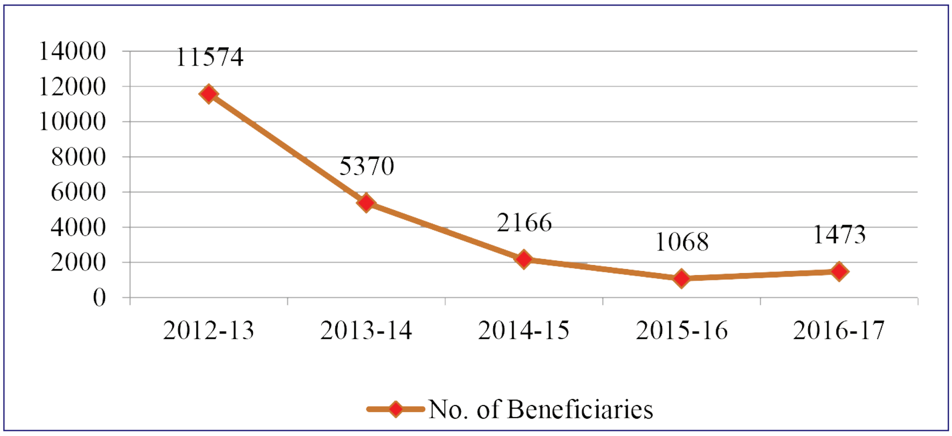
2.1.8.1 Inadequacies under the Scheme of allotment of free plots

The GoI Scheme of 1972 for allotment of free plots to landless agricultural labourers in rural areas (which was subsequently transferred to State Government in 1974) laid down a number of key provisions for its effective implementation. However, audit observed the following inadequacies under the Scheme of allotment of free plots:

- As per provisions, application for free plots were to be called for from the beneficiaries after making due publicity of the Scheme. Scrutiny of records in 85 test-checked GPs under 17 talukas revealed that none of the GPs had publicised the Scheme or made *suo moto* efforts to call for applications from beneficiaries requiring free plots. The GPs had also not maintained any register showing details of applications received, applications approved and free plots allotted. Thus, TDOs were not aware of the numbers of actual beneficiaries requiring free plots in the villages under them.

- There was a declining trend in allotment of free plots to the eligible beneficiaries in the State during 2012-17 (Chart 1), except 2016-17 where there was a marginal increase over the previous year.

Chart 1: Allotment of free plots to beneficiaries



(Source: Information provided by DC)

- In 17 test-checked talukas, of 3,070 applications received for allotment of free plots during 2012-17, only 1,566 applications (51 *per cent*) were approved by the taluka land committees[18]. The remaining 1,504 cases could not be approved due to non-availability of *Gamtal*[19] in concerned GPs. Further, *sanads*[20] were not issued in 457 of 1,566 approved cases, as a result, free plots could not be handed over to the beneficiaries for construction of houses. Of the remaining 1,109 cases where *sanads* were issued, sanction was accorded for construction in 574 cases (**Appendix-III**). These clearly indicated lapses on the part of the State Government/TDOs for not transferring Government waste land/*Gauchar*[21] land for providing free plots to remaining 1,504 beneficiaries, not preparing *sanads* for transferring the right of free plots to 457 beneficiaries and non-approval of houses for 535 beneficiaries.

- For effective implementation of free plots Scheme, a land committee was to be constituted at the district and the taluka levels and quarterly and monthly meetings respectively held to take decision on applications received for free plots, to ensure handing over of free plots to beneficiaries in time, analyse the work done for increasing *Gamtal* area and acquisition of private land, monitoring the construction of houses on free plots *etc.* Scrutiny of records in eight test-checked DPs revealed that the district land committees met only twice against 160 meetings to be held during 2012-17. Similarly, the taluka land committees in 17 test-checked TPs held only 44 meetings against 1,020 meetings to be held during the same

18 Headed by President of TP and Mamlatdar of TP, TDO of TP, local MLA and President of Social Justice Committee of TP being the members
19 Government land under the jurisdiction of GP.
20 It is a legal document for transferring the right of free plots (Government land) to beneficiaries.
21 Government land used for cattle grazing

period. Regular meetings by district and taluka land committees would have helped resolve the deficiencies mentioned above in implementation of the Scheme of allotment of free plots.

During the exit conference, Principal Secretary, PRH&RDD stated (February 2018) that for effective implementation of the Scheme, the provision had been revised (May 2017) and now the meetings of taluka land committees would be held under the Chairmanship of *Prant* Officer (Deputy Collector) who would also be empowered to transfer Government land to *Gamtal.* The Principal Secretary further stated that houses would be sanctioned to the remaining beneficiaries, to whom free plots have already been allotted, under PMAY.

2.1.8.2 Discrepancies in achievement of targets for completion of houses

Under the Scheme, the DC assigns annual targets to the DPs for construction of houses. The year-wise details of targets fixed by DC and achievement there-against by DPs in the State during 2012-17 are shown in **Table 4**.

Table 4: Achievement of targets under SPAY and SPAY II during 2012-17

SPAY				
Year	**Target fixed**	**Final target as per houses actually approved**	**Number of houses completed up to March 2017 (percentage)**	**Houses in progress/ cancelled**
2012-13	4,53,482	4,29,900	4,24,947 (99)	4,953
2013-14	16,252	5,279	3,142 (60)	2,137
Total	**4,69,734**	**4,35,179**	**4,28,089 (98)**	**7,090**
SPAY II				
2014-15	3,53,000	1,84,480	1,34,199 (73)	50,281
2015-16	2,00,000	1,42,773	77,336 (54)	65,437
2016-17[9]	60,000	00	00 (00)	00
Total	**6,13,000**	**3,27,253**	**2,11,535 (65)**	**1,15,718**
Grand Total	**10,82,734**	**7,62,432**	**6,39,624 (84)**	**1,22,808**

(Source: Information provided by Development Commissioner)

While the table above shows that the State Government had been able to achieve the target for construction of houses under the Scheme to the extent of 84 *per cent* (98 *per cent* under SPAY and 65 *per cent* under SPAY II), the situation on ground was totally different. Audit scrutiny of documents in 16 test-checked TPs[22], where data was available, revealed that against the target of 49,773 houses to be constructed under SPAY, the achievement during 2012-17 was only 23,891 (48 *per cent*) while under SPAY II, only 8,881 houses could be constructed during 2014-17 against the target of 37,476 houses (24 *per cent*). Thus, the overall achievement under the Scheme shown by the DC did not appear to be credible.

22 Information from Deesa TP was awaited.

The State Government stated (February 2018) that houses which were under construction or nearing completion were shown as physically completed by the field offices (TDOs/DDOs) in their reports furnished to DC office. This led to depiction of inflated achievement of targets. During exit conference, the Principal Secretary, PRH&RDD and the DC agreed (February 2018) that there was a discrepancy in reporting which would be reconciled. The State Government, therefore, needs to look into the cases of over-reporting of achievements against the Scheme.

2.1.8.3 Delay in completion of houses

As already stated, the beneficiaries were to complete the construction of pucca houses under SPAY and SPAY II within 15 weeks of issue of sanction letters by the concerned TDOs. Audit observed that State-level information regarding delays in completion of houses was not available in DC office and therefore, the State Government did not have the macro picture of the quantum of delays registered in completion of houses under SPAY and SPAY II.

However, year-wise details of number of houses sanctioned and quantum of delays in completion of houses under SPAY during 2012-17 in 16 of 17 test-checked TPs, as compiled by audit, are shown in **Table 5**.

Table 5: Year-wise details of houses sanctioned and quantum of delays in completion of houses under SPAY in test-checked TPs during 2012-17

Year of approval	Total number of houses approved	Number of houses completed during the year					Total number of houses completed
		2012-13	2013-14	2014-15	2015-16	2016-17	
2012-13	49,520	391	4,978	10,749	5,770	1,890	23,778
2013-14	253	00	9	36	68	00	113
Total	**49,773**	**391**	**4,987**	**10,785**	**5,838**	**1,890**	**23,891**

(Source: Compiled by audit on the basis of information furnished by test-checked TPs)

It is evident from the table above that of the total 49,773 houses approved for construction under SPAY during 2012-14, only 23,891 houses (48 *per cent*) were completed as of March 2017. Of the 23,891 completed houses, only 400 houses were completed within the year of approval while the remaining 23,491 houses were completed after a delay ranging from one to four years.

Similarly, of the total 37,476 houses approved for construction under SPAY II during 2014-17, only 8,881 houses (24 *per cent*) were completed as of March 2017. Of the 8,881 completed houses, only 495 houses were completed within the year of approval while the remaining 8,386 houses were completed after a delay ranging from one to two years, as evident from **Table 6**.

Table 6: Year-wise details of houses sanctioned and quantum of delays in completion of houses under SPAY II in test-checked TPs during 2014-17

Year of approval	Total number of houses approved	Number of houses completed during the year			Total number of houses completed
		2014-15	2015-16	2016-17	
2014-15	22,480	27	1,869	3,541	5,437
2015-16	14,996	--	468	2,976	3,444
2016-17[9]	--	--	--	--	--
Total	**37,476**	**27**	**2,337**	**6,517**	**8,881**

(Source: Compiled by audit on the basis of information furnished by test-checked TPs)

The TDOs of all the 17 test-checked TPs attributed (January 2018) the delays to poor financial condition of the beneficiaries as one of the reasons. The State Government also confirmed this fact in February 2018. Joint field visit of 850 selected beneficiaries in test-checked GPs revealed that 315 beneficiaries either could not continue construction work after availing first/second installments or commence the construction work under SPAY/SPAY II (**Picture 5 and 6**).

Picture 5: Beneficiary not able to continue construction under SPAY beyond plinth level in Borna village, Limbdi taluka under Surendranagar district.

Picture 6: Beneficiary not able to commence construction under SPAY II by demolishing her kutcha house in Bamanwada village, Chikhli taluka under Navsari district.

2.1.8.4 Non-adherence to prescribed specifications in construction of houses

As per specifications prescribed in the GR of May 2001, all houses constructed by the beneficiaries under the Scheme were to be earthquake resistant with reinforced cement concrete (RCC) slab, plastered walls, solid doors/windows and toilets. Further, every beneficiary was to fix a plate in the front wall of the completed house, indicating the name of the beneficiary and the year of approval of the house. During joint field visit of 850 beneficiaries in test-checked GPs, it was observed that 535 beneficiaries (63 *per cent*) had availed of final installment after completing the construction of houses. Audit observed that houses had not been constructed by the beneficiaries as per prescribed specifications, as discussed below.

- In 297 of 535 completed houses (56 *per cent*), the beneficiaries used cement sheets/*naliya* instead of RCC slab in roof tops.
- 172 houses (32 *per cent*) had no plastered walls.

- 108 houses (20 *per cent*) had no toilets.
- In 33 houses (six *per cent*), doors/windows were not fixed.
- Name plates showing beneficiaries' name and approval details were not found fixed in 484 houses (90 *per cent*).

Audit observed during test-check and joint field verification that one of the most important reasons for violation of the specifications was inadequate quantum of financial assistance provided for construction of houses to the BPL/APL families and its proportion of release[23].

Recommendation 3: The State Government may ensure timely completion of houses under construction through effective supervision and monitoring. The State Government may also ensure strict adherence to all specifications prescribed for construction of pucca houses.

2.1.9 Monitoring and Evaluation

2.1.9.1 Shortage of manpower in key posts

The TCMs at the village level and the AAEs at the taluka level were the key functionaries and primarily responsible for processing the applications received from beneficiaries, supervising the construction works and issuance of stage-wise completion certificates. However, considering the fact that the average annual target of 2.17 lakh houses set during 2012-17 under SPAY/SPAY II (Table 4) was more than five times the target of 0.38 lakh set during 2007-12 under SPAY, the State Government did not make a corresponding increase in the sanctioned posts of TCMs and AAEs to keep up with the additional work load. In 17 test-checked TPs, there were vacancies against the existing sanctioned posts of TCMs and AAEs to the extent of 21 to 32 *per cent* and 25 to 42 *per cent* respectively during 2012-17, as indicated in **Table 7.**

Table 7: Details of sanctioned posts of TCMs/AAEs and their actual availability in test-checked TPs during 2012-17

Year	Talati-cum-Mantri			Additional Assistant Engineer		
	Sanctioned posts	Posts filled up	Percentage of vacancy	Sanctioned posts	Posts filled up	Percentage of vacancy
2012-13	1,066	766	28	31	18	42
2013-14	1,066	751	30	31	18	42
2014-15	1,008	688	32	30	19	37
2015-16	1,003	763	24	31	19	39
2016-17	1,008	794	21	32	24	25

(Source: Information provided by test-checked TPs)

Shortage of TCMs and AAEs over the years had resulted in non-updation of socio-economic data of BPL and APL families, non-maintenance of vital records

23 SPAY: ₹ 21,000 (advance payment) + ₹ 15,000 + ₹ 9,000; SPAY II: ₹ 10,000 (advance payment) + ₹ 20,000 + ₹ 10,000

relating to implementation of the Scheme (such as, preferential waiting list of BPL beneficiaries, records showing allotment of free plots to beneficiaries *etc.*) and poor supervision and monitoring of construction works, as discussed in preceding paragraphs.

The State Government accepted the facts and stated (February 2018) that the process for recruitment against the vacant posts had been initiated.

2.1.9.2 Non-constitution of monitoring committees

The GR of September 2015 provided for constitution of a squad by PRH&RDD comprising three members[24] for conducting surprise checks and investigate cases of irregularities noticed under SPAY/SPAY II. However, PRH&RDD did not constitute the squad as of February 2018. Had this been constituted, instances of irregular/fraudulent/double payment could have been minimised.

The GR of September 2015 also provided for constitution of a committee[25] at the district and the taluka levels to ensure quality assurance of houses constructed under SPAY/SPAY II. However, none of the eight test-checked DPs and 17 TPs constituted the committee. Monitoring committee at the district and the taluka levels could have checked the non-adherence of prescribed specifications in construction of houses under SPAY/SPAY II.

The State Government accepted the facts and stated (February 2018) that necessary action would be taken to constitute the squad/committees.

2.1.9.3 Deficient grievances redressal mechanism

Effective grievance redressal mechanism is an essential tool to evaluate the effectiveness of any Scheme. It also assists in course correction. Audit observed that the State Government had not developed any online grievance redressal mechanism or a web-based complaint redressal system (CRS) to monitor receipt and redressal of grievances received from the beneficiaries of the Scheme. It was further observed that none of the eight test-checked DPs and 17 TPs had maintained a complaint register for registering the complaints received from beneficiaries. In absence of web-based CRS at the apex level or complaint registers at the taluka and district levels, audit could not vouchsafe the number of complaints received and disposed of with regard to irregularities in selection of beneficiaries, release of installments to beneficiaries, non-provision of support services to beneficiaries *etc.*

The State Government accepted (February 2018) that grievances redressal system had not been established for the Scheme. However, grievances of serious nature were being looked into and appropriate action taken accordingly.

The fact remained that a web-based CRS could have been effectively used by the Government to monitor the action taken on disposal of complaints at taluka and district levels, in a timely manner.

24 Deputy Secretary, PRH&RDD; Additional Development Commissioner; Housing Commissioner, Gujarat Rural Housing Board

25 President of DP as chairman of district committee and President of TP as chairman of taluka committee

2.1.9.4 Poor maintenance of records

The TPs were required to maintain detailed records of each beneficiary comprising the filled-in application form, all supporting documents relating to identification of beneficiary, certificates of stage-wise completion of house, photograph of completed house, *etc.* In addition, a register showing beneficiary name and installments paid to him/her was also required to be maintained at the taluka level.

In five[26] of 17 test-checked TPs, maintenance of records was poor. In three TPs, files of 56 of 150 beneficiaries (37 *per cent*) selected for scrutiny in audit were not traceable. In one TP, register of payments made to beneficiaries for the year 2012-13 was not traceable while in another TP, photographs of completed houses and stage-wise completion certificates issued by TCMs and AAEs were not found enclosed in the individual files of beneficiaries.

The State Government stated (February 2018) that necessary instructions would be issued to the concerned TDOs for proper maintenance of records.

2.1.9.5 Effective evaluation of the Scheme not carried out

Audit observed that the State Government did not establish any system of regular evaluation of the Scheme. Besides, no evaluation studies had been carried out by any agency at State or district levels during the period 2012-17. Thus, the State Government remained unaware about efficient implementation of Scheme and its impact on improvement in living of rural BPL/APL families in the State.

Recommendation 4: The State Government may ensure effective implementation of Scheme. The grievances redressal mechanism may be strengthened to monitor redressal of all complaints received under the Scheme.

2.1.10 Conclusion

- The implementation of *Sardar Patel Awas Yojana* (SPAY/SPAY II) for providing free plots and financial assistance to eligible BPL and APL families for construction of *pucca* houses was poorly planned and implemented. Due to inadequate planning in determining target group, allotment of housing targets, non-preparation of preferential waitlist and non-maintenance of beneficiaries' records, the State Government were not aware of the number of BPL families who remained deprived of *pucca* houses under SPAY.

- Under SPAY, only 56 *per cent* of funds released was utilised during 2012-13. Overall utilisation of funds under SPAY II was only 63 *per cent* during 2014-17.

- There were instances of irregular/fraudulent/double payment to beneficiaries due to failure of field-level functionaries to cross-check the sanctions and verify the actual status of construction works *vis-à-vis*

26 Deesa, Limbdi, Dhandhuka, Dholka and Navsari

payments released to beneficiaries. The Scheme for allotment of free plots under SPAY suffered due to non-availability of *Gamtal* and non-issue of *sanads* to beneficiaries. The targets shown as achieved under SPAY (98 *per cent*) and SPAY II (65 *per cent*) during 2012-17 were inflated, as houses which were under construction or nearing completion were reckoned as physically completed.

- There was delay in completion of houses under SPAY (one to four years) and SPAY II (one to two years) due to poor financial condition of the beneficiaries. The prescribed norms of construction of houses were not adhered to in many cases. There were vacancies in key posts and inadequacy in mechanism of complaint redressal system leading to poor supervision and monitoring of construction works.

COMPLIANCE AUDIT

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

2.2.1 Introduction

The foremost priority of any State Government is to improve the quality of life in villages to bring them at par with urban areas. To improve the standard of living of rural population, it is imperative that basic infrastructure facilities are available in the villages and all segments of the rural population have access to basic amenities/public services such as, safe drinking water, sanitation, primary health, education, public housing *etc.*

In Gujarat, the State Government renders basic facilities/public services to its citizens through various Departments. The responsibility for providing basic public services at the village level had been devolved to the Panchayati Raj Institutions[27] (PRIs) by the 73rd amendment to the Constitution. The Panchayats, Rural Housing and Rural Development Department (PRH&RDD) is responsible for framing policies pertaining to implementation of various developmental Schemes. The Development Commissioner (DC) and the Commissioner of Rural Development (CRD) at the State level are responsible for overseeing the implementation of the developmental Schemes. The DPs and the District Rural Development Agencies (DRDAs) at the district level, the TPs at the taluka level and the GPs at the village level are responsible for implementation of various public service Schemes.

In order to evaluate the extent of accessibility of public services to rural population, audit selected three basic public services *viz.* (i) Rural Healthcare, (ii) Nutrition, and (iii) Sanitation being provided by the PRIs to rural population. For this purpose, audit test-checked (February to August 2017) the records of eight[28] of 33 DPs, three TPs in each selected DP (24 TPs) and five GPs in each selected TP (120 GPs) covering the period 2014-17. Audit also conducted joint field visits in 30 of 120 GPs with the Departmental officials in order to check the quality of select public services being provided at the village level.

27 District Panchayats (DPs), Taluka Panchayats (TPs) and Gram Panchayats (GPs)
28 Banaskantha, Chhotaudepur, Dahod, Dang, Jamnagar, Junagadh, Patan and Valsad

The matter was reported to the State Government in October 2017; their reply was awaited as of February 2018.

Audit findings

In test-checked districts, Audit observed that the accessibility to the healthcare, sanitation and nutrition services at village level was better in Jamnagar district whereas it was worst in Dang district as compared to other test-checked districts. Audit findings on accessibility to the services at village level in test-checked districts are discussed in the succeeding paragraphs –

2.2.2 Rural Healthcare

Accessibility to sound healthcare facility is the basic necessity of every individual, but lack of quality infrastructure, a dearth of qualified doctors, and non-accessibility to essential medicines and medical facilities thwart its reach to the majority of the rural populace. In Gujarat, there were 10,913 Public Health Institution (PHIs) comprising 9,156 Sub-Centres (SCs), 1,393 Primary Health Centres (PHCs) and 364 Community Health Centres (CHCs) as of March 2017 which provides healthcare services to the rural population.

Sub-Centre (SC) acts primarily as Maternal and Child Health (MCH) centre with basic facilities for providing antenatal, intra-natal and post natal care to mothers, infants (up to one year) and child (one to five years). The PHC is the cornerstone of rural health services and a first port of call to a qualified Government doctor in rural areas for the sick and those who directly report or are referred from SCs for curative[29], preventive[30] and promotive[31] healthcare.

In the 12th Five Year Plan, the State Government set the target to bring down the Maternal Mortality Rate (MMR) and Infant Mortality Rate (IMR) to 90 and 26 per one lakh and per 1,000 live births respectively. However, the State could achieve the target of 112 MMR and 30 IMR as per the Socio Economic Review (2016-17) of Government of Gujarat. The State Government had provided grant of ₹ 1,015.25 crore for rural healthcare during 2014-17. Of this, the State could utilise only ₹ 883.08 crore (87 *per cent*). Audit findings on accessibility to PHIs, availability of doctors, para-medical staff and basic infrastructure are discussed in the succeeding paragraphs -

2.2.2.1 Non-availability of doctors and para-medical staff

To run any healthcare facility effectively, availability of adequate manpower is a pre-requisite. Shortfall or absence of manpower would have an adverse impact on quality and extent of essential health services.

As per high level expert group for universal health constituted by the planning commission, the ratio of doctors to population shall be 1:1000. As of March 2017, the ratio of doctors to population in Gujarat State was 1:2092 and was even below the national ratio of 1:1613. The details of sanctioned and posted

29 Primary management of wounds, fractures, poisoning, burns and minor surgeries, *etc.*
30 Early detection of diarrhoea and dehydration, pneumonia, nutritional anaemia, blindness, vitamin A deficiencies, immunisation, medical check-up, *etc.*
31 Promote institutional deliveries, guidance for nutrition programmes, *etc.*

strength of doctors (in PHCs) and para-medical staff (in SCs and PHCs) in eight test-checked districts and the State as of March 2017 are shown in **Table 1.**

Table 1: Availability of doctors and para-medical staff as *vis-a-vis* sanctioned strength

Name of districts	Doctors					Para-medical staff		
	Sanc-tioned	Posted strength	Shortfall (Percent-age)	Population (Census 2011)	Population catered by a doctor	Sanc-tioned	Posted strength	Shortfall (Percent-age)
Jamnagar	31	30	1(3)	6,60,013	22,000	540	318	222(41)
Junagadh	38	37	1(3)	9,52,287	25,737	604	477	127(21)
Dang	19	8	11(58)	2,03,604	25,451	222	163	59(27)
Valsad	95	53	42(44)	10,70,177	20,192	1,008	859	149(15)
Patan	45	35	10(22)	10,62,653	30,362	833	644	189(23)
Banaskantha	122	94	28(23)	27,05,591	28,783	1,971	1,505	466(24)
Dahod	170	43	127(75)	19,35,461	45,010	1,724	1,366	358(21)
Chhotaudepur	83	32	51(61)	9,99,416	31,231	972	755	217(22)
Test-checked districts	**603**	**332**	**271(45)**	**95,89,202**	**28,883**	**7,874**	**6,087**	**1,787(23)**
State	**1,762**	**1,194**	**568(32)**	**3,46,94,609**	**29,057**	**22,981**	**18,926**	**4,055(18)**

(Source: Information provided by the Commissioner of Health and test-checked districts)

The table above shows that there was a shortage of doctors to the extent of 32 *per cent* and 45 *per cent* in the State and eight test-checked districts respectively as of March 2017. The shortage of doctors in test-checked districts ranged from three *per cent* to 75 *per cent*. The shortage was mainly in tribal districts of Dahod (75 *per cent*), Chhotaudepur (61 *per cent*), Dang (58 *per cent*) and Valsad (44 *per cent*). Consequently, the population catered to by a doctor in a PHC was significantly high.

As a result, in Dahod and Chhotaudepur districts, the population catered to by a doctor was 45,010 and 31,231 respectively. The above table also shows an overall shortage of para-medical staff in SCs and PHCs in test-checked districts (23 *per cent*) and State (18 *per cent*).

The Commissioner of Health stated (October 2017) that open interviews had been conducted regularly for Medical Officers. However, due to unwillingness of doctors to serve in rural areas, some posts were lying vacant. As regards recruitment of para-medical staff, the Commissioner stated that proposals were sent (January 2014/February 2015/October 2016) to Panchayat Services Selection Board, Gujarat and the process was under consideration. However, Audit observed that the department failed to utilize the services of MBBS and Post Graduate medical students in PHCs as they had to render minimum service of two years in rural areas in partial fulfillment of the degree. As per information provided by the department, only 537 students out of 2,334 students required to render service in rural areas had joined in rural service. Further, as per CM Setu program, the department had the option of appointing doctors on contractual basis which was not attempted by the department. Thus, the department failed to avail the services of graduating medical students and also could not appoint the doctors on regular or contractual basis resulting in deprival of quality healthcare to rural population.

2.2.2.2 Accessibility to public health institutions

At the village level, SC is the most peripheral and first contact point between the primary health care system and the community. Each SC is manned by at least one auxiliary nurse midwife/female health worker and one male health worker. The PHC is first port of call to a qualified Government doctor and acts as a referral unit for SCs and refer out cases to CHC and higher order public hospitals located at sub-district and district level. The CHCs constitute the secondary level of health care and provide specialist health care as well as referral to the rural population.

The status of PHIs in 120 test-checked villages as of March 2017 is shown in **Table 2**.

Table 2: Status of PHIs in test-checked villages as of March 2017

Number of villages test-checked	Number of villag-es with SCs	Number of villag-es with PHCs	Number of villag-es with CHCs	Distance from village to next higher health facility (PHC/CHC)					Average radial distance (Km)		
				0-6 Km	7-10 Km	11- 15 Km	16- 20 Km	21-40 Km	National	State	Test-checked villages
120	44	11	5	61	32	16	8	3	6.26	6.98	7.27

(Source: Information provided by test-checked villages and Rural Health Statistics 2014-15 published by Ministry of Health and Family Welfare, GoI)

As per Indian Public Health Standards (IPHS) guidelines of 2012, PHCs should be centrally located and easily accessible to general public. However, the table above shows that of the 120 test-checked villages, only 61 villages were located within six km of PHC/CHC while 27 villages were located beyond 10 km (up to 40 km). This meant that patients from 27 villages had to travel at least 10 km to seek medical advice in PHCs. Also, the average radial distance of PHCs in the State and test-checked villages was 6.98 km and 7.27 km respectively which was more than the national average of 6.26 km. In Jamnagar, Patan and Valsad districts, the average radial distances were 9.33 km, 10.66 km, and 9.93 km respectively.

Further, as per IPHS guidelines of 2012, where a PHC is already located at a place, another health centre/SC should not be established to avoid wastage of human resources. However, in six of 120 test-checked villages, both PHCs and SCs were established in contravention of IPHS guidelines. These six SCs could have been established in other villages which did not have primary healthcare facilities.

The Additional Director (Public Health) stated (July 2017) that PHIs were established on the basis of the population norms mentioned in IPHS guidelines of 2012, and additions/alterations in the existing facilities were proposed keeping in view the workload of the facility. The Additional Director further stated (March 2018) that the State Government had already taken a decision not to build SCs where PHC or CHC buildings were available in the villages.

The reply is not convincing because, as per framework for implementation of national health mission (2012-17) and the State health policy, new constructions were to be planned not just on the basis of population norms set out in IPHS guidelines, but other factors such as, utilisation of existing facilities, existence of other facilities (public as well as private) and disease burden were also to be considered. Given the fact that there is shortage of doctors and para-medical staff, the State Government may plan construction of new infrastructure after having commensurate medical staff in place.

2.2.2.3 Non-availability of basic infrastructure facilities

In 120 test-checked villages, 11 PHCs were available of which, nine were functioning sub-optimally due to lack of basic infrastructure facilities. The status of availability of basic infrastructure in these nine PHCs as of February 2018 is given in **Table 3**.

Table 3: Status of basic infrastructure facilities available in nine PHCs

Facility	Requirement as per IPH Standards	Status as of February 2018	Reply furnished (March 2018) by Additional Director (Public Health)
Operation theatre	Operation theatre shall be established in the PHCs to facilitate the conduct of selected surgical procedures such as, vasectomy, tubectomy, hydrocelectomy *etc.*	None of the nine PHCs in test-checked villages had operation theatres.	No reply was furnished.
Separate Wards	Separate wards for male and female patients should be available in each PHC.	Separate wards were not available in Shil PHC, Junagadh district. All the patients were being accommodated in a common ward.	Male and female patients accommodated in the single ward were separated by curtains. A new building for Shil PHC had been sanctioned in 2017-18 where provision for separate male and female wards had been made. The reply is not tenable as the department could not produce any record to indicate the sanction of new building and provision made for separate wards in the new building.
Ambulance	The PHCs shall have an ambulance for timely transportation of patients for assured referral to first referral unit (FRU), in case of complications during pregnancy and childbirth.	Ambulance was not available in four PHCs (Sakarpatal and Kalibel PHCs in Dang district; Dolariya PHC in Chhotaudepur district; and Tokarva PHC in Dahod district).	The ambulance services were tied up with 108 (emergency services) and through hired vehicles. Further, there are seven 108 ambulances in 10 PHCs and 108 ambulances are available for emergency service for reaching the PHCs or higher healthcare institutes and not for post-treatment or referral services. Audit observed that two test-checked PHCs at Dang district had not hired any vehicle during the audit period.

Facility	Requirement as per IPH Standards	Status as of February 2018	Reply furnished (March 2018) by Additional Director (Public Health)
Residential facility for doctors /nursing staff/technicians	Residential facility for doctors/nursing staff/ technicians should be available in the vicinity of PHCs so that they are available 24×7 in case of emergencies.	Residential facilities were not available in two PHCs (Dolariya PHC in Chhotaudepur district and Pipaldahad PHC in Dang district).	Due to land issues, residential facility could not be provided in Dolariya PHC. Two residential quarters have been constructed in Pipaldahad PHC during 2017-18 through financial assistance from NABARD. The reply is not tenable as residential facility could have been provided by arranging quarters on rent which could have benefitted the rural population of timely quality healthcare services.

(Source: Information provided by test-checked GPs)

Lack of basic infrastructure resulted in over referral to CHCs/District Hospitals/ Civil Hospitals and movement of patients for availing further treatment to other PHCs/CHCs. Audit observed in Dolariya and Tokarva PHCs that all 964 pregnancy cases[32] registered in the PHCs during 2014-17 had been referred to CHCs. Thus, the rural population were deprived of timely treatment in case of serious complications and had to move to next higher PHIs for getting medical treatment. Further, four PHCs (Shil, Dolariya, Sakarpatal and Kalibel) were functioning for more than thirty years without basic facilities.

2.2.2.4 Supply of 'Not of Standard Quality' medicines

Ensuring the uninterrupted supply of Essential Drugs (EDs) to hospitals plays a vital role in the delivery of quality healthcare services in hospitals. Gujarat Medical Services Corporation Limited (GMSCL) is responsible for procurement, storage, distribution of medicines, surgical goods, medical equipment/ instruments and insecticides to healthcare institutions of the State. GMSCL has come up with a list of 580 Essential Drugs (EDs) for the State of Gujarat containing a list of drugs that are to be procured and supplied to all healthcare institutions. Medicines received from suppliers are stocked in GMSCL depots and subsequently distributed to various PHIs.

The Health branch of the district panchayat is responsible to procure EDs from GMSCL for further supply to PHCs and SCs as per their demand. Audit observed in four test-checked districts that 273 out of 580 EDs had not been supplied by GMSCL against the demand made during 2014-17. As a result, the PHCs and SCs of test-checked districts had to procure the same from local market.

Further, to ensure quality of medicines supplied to PHIs, the State Government issued (July 2010) instructions for pre-despatch testing of medicines by Food and Drugs Laboratory (FDL), Vadodara. The samples were to be drawn randomly from each batch of medicines and sent to FDL for testing the quality. If the medicines are found to be substandard or not conforming to the desired specifications, the related batches of medicines are not to be released to PHIs for

32 Dolariya PHC – 840 cases and Tokarva PHC – 124 cases

further distribution to patients. Medicines which fail during quality testing are termed as ‘Not of Standard Quality’ (NSQ) and the related batches are rejected.

Audit observed that 22 batches of medicines/consumables[33] were issued to 1,989 PHIs (1,745 SCs and 244 PHCs) in three[34] test-checked districts during 2014-17, before receipt of pre-despatch test reports from FDL. The test reports subsequently received from FDL (after two to 11 months) confirmed all the 22 batches of medicines/consumables to be NSQ. However, by that time, 15 of 22 batches of NSQ medicines had been fully issued to patients at the SCs/PHCs levels and the remaining seven batches were partially issued (20 to 98 *per cent*) to patients by the PHIs. Consumption of these medicines without quality checks posed grave health risks to patients.

District Panchayats stated (May to August 2017) that the testing reports were received after delivery of medicines/consumables. It was further stated that after receipt of testing reports, the distribution of the same was stopped. The fact remained that the PHCs and SCs of test-checked districts had distributed sub-standard medicines to the patients.

The Additional Director (Public Health) stated (October 2017) that detailed explanation would be provided by GMSCL. The GMSCL stated (November 2017) that recoveries had been made from the suppliers of substandard medicines and a decision had been taken not to procure these medicines from the defaulting suppliers any more. However, neither Additional Director (Public Health) nor GMSCL owned up the responsibility for supply of substandard medicines to PHIs, even before receipt of test reports.

2.2.3 Nutrition

Supplementary Nutrition Programme (SNP) is one of the important components of Integrated Child Development Services (ICDS) Scheme which aims at increasing the nutrition level of the targeted beneficiaries (children between six months and six years, pregnant and lactating mothers and adolescent girls). Under ICDS, the beneficiaries receive supplementary nutrition through Anganwadi Centres (AWCs) which are funded by Women and Child Development Department (WCD) of the State Government. In Gujarat State, there were 53,029 AWCs as of 31 March 2017. The department could utilise only ₹ 5,200.90 crore (77.72 *per cent*) against ₹ 6,691.90 crore grants received during 2014-17.

2.2.3.1 Nutritional status in the State

In 2012, Gujarat developed a State Nutrition Policy along with a plan of action to reduce malnutrition in the State. According to World Health Organisation child growth standards, moderate malnutrition may be due to low weight-for-height (wasting) or a low height-for-age (stunting) or to a combination of both. If some of these moderately malnourished children do not receive adequate support, they may progress towards severe acute malnutrition or severe stunting, which are both life-threatening conditions.

The State Government claimed (2015-16) that 4.85 *per cent* and 0.65 *per cent*

33 Disposable hypodermic needles, Betamethasone valerate cream, Omeprazole capsules, Reagent strips of estimation of albumin and glucose in urine *etc.*

34 Banaskantha, Dahod and Valsad

children in the State were moderately malnourished and severely malnourished respectively. However, as per National Family Health Survey (NFHS-4) of 2015-16 conducted by the Ministry of Health and Family Welfare, GoI, 38.50 *per cent* children were stunted and 26.40 *per cent* were wasted (moderately malnourished) and 39.30 *per cent* were underweight[35]. Thus, the claim made by the State Government was not consistent with the findings of NFHS-4. In fact, the percentage of wasted children (under five years) in the State increased from 18.7 *per cent* (as per NFHS-3, 2005-06) to 26.40 *per cent* (NFHS-4, 2015-16).

The main reason behind the variation was the methodologies adopted for calculating the same. The State Government considers low weight for age (underweight) to calculate malnutrition whereas NFHS (as per the WHO norms) considers low weight-for-height (wasting) and/or low height-for-age (stunting). Thus a short child gaining weight for medical reasons would also be considered as healthy though being malnutritional as per WHO/NFHS norms.

The details of malnourished children enrolled in AWCs in the State and eight test-checked DPs during 2014-17 are shown in **Table 4.**

Table 4: Details of malnourished children in the State and test-checked DPs

(In numbers)

Name of test-checked DPs	Children between six months and three years				Children between three years and six years			
	Total number of children	Malnourished children			Total number of children	Malnourished children		
		Moder-ately	Severely	Total (percentage)		Moder-ately	Severely	Total (percentage)
Jamnagar	1,40,741	8,703	1,456	10,159 (7)	99,476	8,339	1,418	9,757(10)
Junagadh	1,63,243	3,189	692	3,881 (2)	1,21,572	3,640	618	4,258 (4)
Dang	42,789	8,757	832	9,589(22)	34,455	7,775	762	8,537(25)
Valsad	1,99,413	6,621	1,066	7,687 (4)	1,46,213	6,536	848	7,384 (5)
Patan	1,74,192	13,894	1,442	15,336 (9)	1,00,959	11,046	1,045	12,091(12)
Banaskantha	4,98,855	20,119	2,215	22,334 (4)	3,37,173	14,357	1,116	15,473 (5)
Dahod	4,21,752	20,807	2,593	23,400 (6)	3,41,746	17,398	964	18,362 (5)
Chhotaudepur	1,66,042	16,009	1,734	17,743(11)	1,09,537	12,420	1,103	13,523(12)
Test-checked DPs	**18,07,027**	**98,099**	**12,030**	**1,10,129(6)**	**12,91,131**	**81,511**	**7,874**	**89,385 (7)**
State	**66,86,553**	**3,39,127**	**44,077**	**3,83,204(6)**	**47,30,054**	**2,98,796**	**34,387**	**3,33,183 (7)**

(Source: Information provided by WCD)

The above table shows that during 2014-17, six *per cent* children (06 months to 03 years) and seven *per cent* children (03 years to 06 years) were malnourished in eight test-checked DPs as well as the State. However, in tribal district of Dang, the percentage of malnourished children was significantly higher at 22 *per cent* (06 months to 03 years) and 25 *per cent* (03 years to 06 years). Further scrutiny of records in 120 test-checked GPs revealed that 5,531 of 66,028 children (eight *per cent*) registered in the AWCs were malnourished, either moderately or severely.

35 Low weight-for-age

Under Supplementary Nutrition Programme (SNP), standard type of food supplement was to be provided to all children throughout the State. However, Audit observed that the department had not done any analysis of area specific deficiency or case-wise/area-wise food supplements required to assess the cause of malnourishment.

The Programme Officer, District Panchayat, Dang accepted the facts and stated (December 2017) that due to low per capita income of the district, people were not able to afford nutritious food. Further, due to difficult geographical conditions, less number of children turn up to AWCs due to which, the problem of malnourishment had remained largely unaddressed. The reply is not tenable as the very purpose of SNP was to provide the food supplements to compensate the deficiency of nutrition in the regular diet which was not addressed by the district authorities.

2.2.3.2 Non-establishment of Anganwadi Centres and shortfall in coverage of beneficiaries under Supplementary Nutrition Programme

An AWC is the first out post at the habitation level for nutrition, health and early childhood development and learning. The ICDS envisage setting up of AWCs as per population norms[36] to cover all the identified habitations under the Scheme. Considering a population of 6.04 crore of the State (2011 census), 75,480 AWCs were required in the State against which, only 53,029 AWCs (70 *per cent*) had been established in the rural and urban areas of the State as of August 2017. Further, the State Government could provide supplementary nutrition to 1.49 crore[37] (81 *per cent*) of the 1.83 crore beneficiaries enrolled in AWCs during 2014-17. As a result, 34 lakh (19 *per cent*) beneficiaries remained uncovered in the State under the supplementary nutrition programme.

The WCD attributed (January 2018) the shortfall in coverage to beneficiaries getting enrolled under various private sector initiatives (day-care centres, nurseries, play schools *etc.*) and migration of people from rural areas to other parts of the State to seek employment. However, WCD admitted that the AWCs did not maintain any data of such children switching-over to private care or migrating to other parts of the State. The reply is not tenable as private sector initiatives are mainly available in the urban areas. Further, the department should have identified the migrated beneficiaries and got them enrolled in the AWCs at the migrated places.

2.2.3.3 Non-availability of basic amenities in Anganwadi Centres

Information furnished by the DPs and WCD revealed that 13,696 AWCs in eight test-checked DPs and 48,557 AWCs (out of total 53,029 AWCs) in rural areas of the State were operational as of March 2017. Audit observed that basic amenities as envisaged in ICDS guidelines were not available in some of these AWCs as shown in **Table 5**.

36 The population norms prescribe for setting-up of one AWC for 400 to 800 populations (300 to 800 populations in tribal area) and additional AWC for every additional 800 population. It also prescribed for a mini AWC for areas with 150 to 400 populations.

37 Children 06 months to 03 years (2014-17): 50,47,210; Children 03 years to 06 years (2014-17): 44,63,061; Adolescent girls (2014-17): 32,01,749; Pregnant and lactating mothers (2014-17): 22,25,112

Table 5: Availability of basic amenities in AWCs-rural areas of State and test-checked districts

District	Total AWCs	Without own building	Without toilets	Without drinking water	Without tap water connection	Without electricity
Jamnagar	900	108	0	0	63	14
Junagadh	1,426	428	2	0	0	37
Dang	441	35	164	69	435	15
Valsad	1,899	0	91	0	0	12
Patan	1,427	171	13	0	0	14
Banaskantha	3,365	315	119	0	757	133
Dahod	3,056	516	0	169	169	48
Chhotaudepur	1,182	85	18	79	79	14
Test-checked districts	**13,696**	**1,658 (12)**	**407 (3)**	**317 (2)**	**1,503 (11)**	**287 (2)**
State (rural areas)	**48,557**	**8,555 (18)**	**5,758(12)**	**5,515 (11)**	**Not available**	**1,232 (3)**

(Source: Information provided by WCD Department and DPs of test-checked districts)

Note: Figures in parenthesis indicate the percentage

The table above also shows that in tribal district of Dang, 37 *per cent* AWCs had no toilets, 16 *per cent* AWCs had no drinking water facility and 99 *per cent* AWCs had no tap water connection and three *per cent* AWCs had no electricity connection. In 120 test-checked villages, 38 of 312 AWCs were functioning from rented buildings, 16 had no toilet facilities, 24 had no drinking water facilities and six had no electricity. Further, where toilets were available, these remained unused, due to non-provision of soak pits.

The Deputy Director (Works), WCD stated (January 2018) that the Department was coordinating with other implementing agencies to address the problem of inadequate facilities in AWCs. Audit observed that GoI had issued instructions (March 2011) to all State Governments to ensure availability of basic facilities in AWCs *viz.* safe drinking water and child friendly toilets. However, even after the passage of over six years, the same has not been ensured by the State Government and the children enrolled in the AWCs are being deprived of these basic facilities. Audit further observed that -

- 2,379 of 11,521 electronic baby weighing machines (to identify malnourished children) procured by WCD at a total cost of ₹ 1.10 crore and supplied (between 2013-14 and 2015-16) to AWCs under eight test-checked DPs remained unused as of December 2017, due to technical defects.

- 3,759 of 7,777 water purifiers (to provide potable water to children) procured by WCD at a total cost of ₹ 2.25 crore and supplied (between 2014-15 and 2016-17) to the AWCs under eight test-checked DPs remained unused due to non-availability of overhead water tanks, non-availability of electricity, non-availability of tapped water connection *etc.*

- Similarly, the DP, Dahod procured[38] (2013-14) 8,880 steel storage bins (100 kg and 50 kg), without clear tender specifications, for supply to 2,780 AWCs and 180 mini AWCs at a total cost of ₹ 1.90 crore which were unfit for storage of food grains. Joint field visits by audit with ICDS officials in 96 AWCs of eight talukas under DP, Dahod revealed that 288 of 8,880 storage bins supplied by the agency at a cost of ₹ 6.17 lakh had not been used for storage of food grains due to corrosion. Audit randomly picked one storage bin from one of the AWCs under Limkheda, taluka and sent (April 2017) the same for laboratory testing from a Government approved testing house[39] which confirmed that the storage bin supplied by the agency was made up of 25 gauge mild steel[40].

2.2.3.4 Delay in lifting of food grains

The Commissioner, WCD is responsible for supply of take home ration (THR[41]) and food grains to AWCs. In Gujarat, the Gujarat State Civil Supply Corporation (GSCSC) is responsible for supply of food grains (rice and wheat) to AWCs through the concerned DPs. Audit observed that during 2015-17, DP, Dang failed to lift two batches of rice (22,250 kg) and two batches of wheat (34,550 kg) within the validity period indicated in the demand authorisation (DA[42]) issued by WCD. The food grains (56,800 kg) were finally lifted by DP Dang after two to four months of expiry[43] of the original validity period indicated in the DA thus, affecting the uninterrupted supply of food grains to the beneficiaries through AWCs.

The DP, Dang attributed (March 2017) the delay in lifting of food grains to non-availability of staff. The reason attributed is not convincing as the district panchayat was required to ensure timely lifting of food grains and its supply to AWCs. As a result, the beneficiaries of AWCs of Dang district were deprived of food with essential nutrients due to shortage of food grains.

2.2.3.5 Issue of substandard THR to beneficiaries

The WCD lifts approximately 20-25 *per cent* of THR (as sample) from DPs on random basis for quality testing at FDL, Vadodara. The concerned batches of THR from where samples have been drawn are then shared by WCD with DPs, with the instructions to stop distribution of a particular batch, if found substandard on testing. Thereafter, WCD initiates action for replacement of the defective batch/batches of THR by fresh batch/batches with the supplier.

Audit observed that samples drawn from four batches of THR supplied to three[44] of eight test-checked DPs during 2016-17 were either not found conforming to the specifications or of substandard quality in laboratory testing. However, while the entire substandard batch of THR in DP, Patan was replaced, the substandard

38 M/s. Maa Ambika Marketing, Vadodara
39 Test well Laboratories, Ahmedabad
40 Lighter in comparison to the only tender specification of 22 gauge
41 Balbhog, Sukhdi, Sheera and Upma
42 DA is an authority letter issued by WCD to DPs indicating the time period within which the demanded quantities were to be lifted by DPs from GSCSC godowns.
43 The validity period of original DA was extended by WCD by two to four months.
44 Banaskantha, Patan and Valsad

batches of THR in DPs, Valsad and Banaskantha were fully distributed and consumed by the beneficiaries in September 2016 and November 2016 respectively, even before receipt of test reports in November 2016 (for Valsad) and December 2016 (for Banaskantha).

The Programme Officer of DP, Valsad stated (May 2017) that no health issues had been reported subsequent to distribution of substandard THR to beneficiaries. The Programme Officer of DP, Banaskantha stated (June 2017) that though the batch in question (UP 441) was distributed to the beneficiaries in November 2016, the batch was declared as passed by WCD in December 2016.

The reply of Programme Officer of DP, Banaskantha is not factually correct as the batch was passed without a testing report by WCD. Therefore, the action of DP, Banaskantha to distribute THR without receipt of test reports was highly irregular.

2.2.4 Sanitation

Realising the importance of sanitation, GoI launched (1999) a programme named "Total Sanitation Campaign (TSC)" renamed as "Nirmal Bharat Abhiyan" for sustainable reforms in the rural sector through a time-bound campaign mode. The approach to TSC was to be demand driven with an increased emphasis on awareness creation and demand generation for sanitary facilities in houses, schools and for a clearer environment.

To accelerate the efforts to achieve universal sanitation coverage and to put focus on sanitation, the GoI launched (October 2014) Swachh Bharat Mission (SBM). The main objectives of SBM (Gramin) were to improve the levels of cleanliness in rural areas through solid and liquid waste management activities and making GPs Open Defecation Free (ODF), clean and sanitised. In Gujarat, SBM (Gramin) is being implemented by the District Rural Development Agencies (DRDAs).

The SBM guidelines (December 2014) envisage financial assistance up to ₹ 12,000 for construction of one unit of Individual Household Latrine (IHHL) to Below Poverty Line (BPL) HHs and identified Above Poverty Line (APL) HHs (restricted to SCs/STs, small and marginal farmers, landless labourers with homestead, physically handicapped and women-headed households). During 2014-17, PRH&RDD received grants of ₹ 2,249.53 crore under SBM and could utilise ₹ 2,223.56 crore (99 *per cent*).

2.2.4.1 Open Defecation Free Districts

The Ministry of Drinking Water and Sanitation, GoI has defined ODF as the termination of faecal-oral transmission *i.e.* no visible faeces found in environment/ village and every household (HH) as well as public/community institutions using safe technology option for disposal of faeces.

According to the Baseline survey (BLS-2012) conducted in 2012-13, 33,21,047 HHs were without toilets. Of this, 23,86,495 HHs have been covered as of March 2017, leaving 9,34,552 HHs without toilets.

Audit observed that the State Government declared all the districts of Gujarat as ODF by 02 October 2017. However, information provided by 120 test-checked GPs under eight selected DPs for the period 2014-17 revealed that 29 *per cent* HHs still did not have any access to toilets (either individual or public), as shown in **Table 6**. Therefore, the claim of State Government that all the districts of Gujarat were ODF did not appear to be correct.

Table 6: Details of HHs without access to toilet facilities

Districts declared as ODF	Status in 120 test-checked villages			
	Number of HHs	Number of HHs without toilet	Number of HHs without access to toilet	Percentage of HHs without access to toilet
Banaskantha	8,434	4,755	4,755	56.37
Chhotaudepur	7,798	2,534	2,471	31.68
Dahod	5,804	2,370	2,370	40.83
Dang	7,975	1,515	907	11.37
Patan	3,918	574	574	14.65
Valsad	5,292	1,746	1,608	30.38
Jamnagar	8,411	1,066	1,066	12.67
Junagadh	6,376	1,977	1,977	31.00
Total	**54,008**	**16,537**	**15,728**	**29.12**

(Source: Information provided by test-checked GPs)

Audit observed that the district administration had declared all the districts as ODF on achieving the targets set out in the baseline survey conducted by PRH&RDD as early as 2012. However, this list was not updated after 2012 and therefore, a number of HHs did not have any access to toilets and they remained uncovered.

The Assistant Commissioner, SBM (*Gramin*), Gandhinagar accepted (March 2018) that the State has achieved the target of toilet construction set out in baseline survey of 2012, and toilets not covered under baseline survey have been constructed through CSR initiatives. In this regard, inter-district verification and third party verification by Quality Council of India had been completed and all the villages were now ODF.

Information provided by 120 test-checked villages and joint field visits to 30 of 120 test-checked villages revealed the following:

- In 41 of 120 villages, household water connections were not available and therefore, toilets constructed under SBM could not be used. In 15 of 30 villages, toilets were not being used either due to non-availability of water and soak pits or they were incomplete **(Picture 1).**

Picture 1: Toilets not being used due to non-availability of water in Lavchali village (Subir taluka), Dang district

- In Kaprada taluka (Valsad district), only 223 (1.26 *per cent*) of 17,646 toilets constructed with financial assistance (₹ 1,200) under the erstwhile Total Sanitation Campaign/*Nirmal Bharat Abhiyan* were newly constructed under SBM while the remaining 17,423 toilets were in defunct. The Assistant Commissioner, SBM (*Gramin*), Gandhinagar stated (March 2018) that 2,529 of 17,423 defunct toilets had been newly constructed and put to use as of March 2018 while the process of construction of remaining defunct toilets was under progress. Reply is not tenable as a significant number of HHs were either without toilets or not able to use it due to non-availability of water or incomplete structure.

2.2.4.2 Community Sanitary Complexes

According to the SBM guidelines (December 2014), community sanitary complexes (CSCs) comprising an appropriate number of toilet seats, bathing cubicles, washing platforms, wash basins *etc.* can be set up in a place in the village acceptable and accessible to all. Ordinarily, such complexes shall be constructed only when there is lack of space in the village for construction of household toilets.

Audit observed that only 46 of 120 test-checked villages had the facility of CSCs as of March 2017. In the remaining 74 villages (61.67 *per cent*), 8,699 HHs did not have any access to toilets (individual or public), meaning that establishment of more CSCs could have resolved the problem of open defecation in these 74 villages to a large extent.

The Assistant Commissioner, SBM (Gramin), Gandhinagar stated (March 2018) that the State Government had mainly focused on construction of individual household toilets (as per targets set out in baseline survey of 2012) and therefore, a few works were taken up under other components of SBM, including CSCs. Had the State Government constructed more CSCs, cleanliness at public places could have been achieved and rural people without toilet or defunct toilet could have utilised this facility.

2.2.4.3 Solid and Liquid Waste Management

One of the objectives of SBM (*Gramin*) is to bring about improvement in the cleanliness, hygiene and the general quality of life in rural areas. Solid and Liquid Waste Management (SLWM) is one of the key components of SBM that envisage scientific methods of disposal of solid and liquid wastes in such a way that it has a tangible impact on the population.

The status of implementation of SLWM in 120 test-checked villages as of March 2017 was as shown in **Table 7**.

Table 7: Status of SLWM in test-checked villages

Number of villages test-checked	Number of HHs	Segregation of wastes	Waste treatment plant	Door-to-door collection of garbage	Underground drainage		HHs connected by drainage line
					Full	Partial	
120	54,008	00	00	15	00	22	4,328

(Source: Information provided by test-checked GPs)

The above table shows that none of the 120 villages had any facility for waste segregation or treatment plants for scientific disposal of solid wastes. Door-to-door collection of garbage was being done only by 15 of 120 villages (12 *per cent*). Designated dumping sites were available in only six of 120 villages (five *per cent*). Underground drainage facility was partially available in 22 of 120 villages (18 *per cent*). Out of 54,008 HHs in 120 villages, only 4,328 HHs (eight *per cent*) were connected with drainage line. Waste Water Treatment Plant was established in only one[45] of 120 villages. In the remaining 119 villages, waste-water flows into open areas. This indicated that SLWM in villages was grossly inadequate.

The Assistant Commissioner, SBM (*Gramin*), Gandhinagar stated (March 2018) that the State Government had mainly focused on construction of individual household toilets (as per targets set out in baseline survey of 2012) and therefore, a few works were taken up under SLWM component. The reply is not tenable as cleanliness of the villages is more important for improving the quality of the life of rural poor. As such, neglecting the component of SLWM deprived the rural population of hygiene and quality life.

2.2.5 Conclusion and Recommendations

The State Government envisaged accessibility to medical facilities, reduce malnutrition in the State and to achieve universal sanitation coverage. However, audit observed that the Public Health Institutions (PHIs) were not easily accessible to general public. In 120 test-checked villages under eight selected District Panchayats (DPs), only 61 villages were located within six km of Primary Health Centre (PHC)/Community Health Centre (CHC) while 27 villages were located beyond 10 km (up to 40 km). There was acute shortage of doctors in the

45 Lalpur village in Jamnagar district

tribal districts of Dahod (75 *per cent*), Chhotaudepur (61 *per cent*), Dang (58 *per cent*) and Valsad (44 *per cent*). Nine of 11 PHCs in test-checked villages were functioning sub-optimally due to lack of basic infrastructure facilities. Twenty two batches of medicines/consumables were issued to 1,989 PHIs in three test-checked districts during 2014-17, even before receipt of pre-despatch test reports from Food and Drugs Laboratory, Vadodara.

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

Of the 54,008 households in test-checked villages, only 38,280 households (71 *per cent*) had access to toilets. Community Sanitary Complexes were available in only 46 of 120 test-checked villages while 8,699 households in the remaining 74 villages did not have any access to toilets (individual or public). Management of solid and liquid waste in 120 test-checked villages was inadequate.

The State Government may take necessary steps to fill up the vacant posts of doctors and para-medical staff in Public Health Institutions. Necessary arrangements may also be made to provide basic infrastructure facilities at Primary Health Centres. The State Government may also prescribe a definitive time frame for testing of medicines/consumables by Food and Drugs Laboratory, Vadodara.

The State Government may devote more attention to tribal and remote areas of the State by conducting regular awareness campaign regarding the need for healthy and nutritious diet, to reduce malnourishment in children, pregnant women, lactating mothers and adolescent girls. A mechanism may also be devised to ensure that Take Home Ration are not distributed to the targeted beneficiaries before receipt of test reports.

The State Government may cover all the individual households left out from the baseline survey of 2012 to ensure that everyone have access to toilets. The State Government need to focus on creation of infrastructure facilities for effective management of solid and liquid wastes in rural areas so as to ensure cleanliness, hygiene and improving the general quality of life of rural population.

CHAPTER-III

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

CHAPTER-III

AN OVERVIEW OF THE FUNCTIONING, ACCOUNTABILITY MECHANISM AND FINANCIAL REPORTING ISSUES OF URBAN LOCAL BODIES

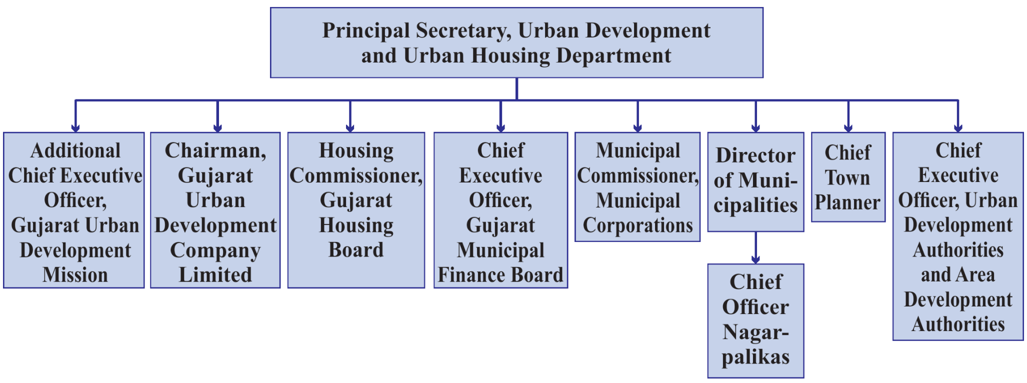
3.1 Introduction

Consequent upon the 74th Constitutional Amendment in 1993, Articles 243 P to 243 ZG were inserted in the Constitution. These Articles provided constitution and composition of municipalities and ward committees, reservation of seats for SCs/STs, powers, authority and responsibilities of municipalities, power to impose taxes, audit of accounts, elections to the municipalities, constitution of district planning committee, *etc.* This provided that the legislatures could endow certain powers and duties to the Urban Local Bodies (ULBs) in order to enable them to function as Local Self Government Institutions (LSGIs). It would also enable the ULBs to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution.

As per Census 2011, Gujarat ranks sixth after Maharashtra, Uttar Pradesh, Tamil Nadu, West Bengal and Andhra Pradesh in the tally of most urbanised States. The urban population of Gujarat State was 2.57 crore, which constituted 42.55 *per cent* of the total population (6.04 crore) of the State and 2.12 *per cent* of the total population (121.06 crore) of India. In Gujarat, there were 200 ULBs *i.e.* eight Municipal Corporations (MCs), 162 Nagarpalikas (NPs) and 30 Notified Areas[1] (NAs) as of October 2016. Each MC/NP is divided into a number of wards. Wards are determined and notified by the State Government considering the population, dwelling pattern, geographical condition and economic status of the respective area.

3.2 Organisational set-up

3.2.1 The administrative department dealing with affairs of the ULBs is the Urban Development and Urban Housing Department (UD&UHD). An organizational chart indicating administrative set-up of the ULBs in Gujarat is as shown below:

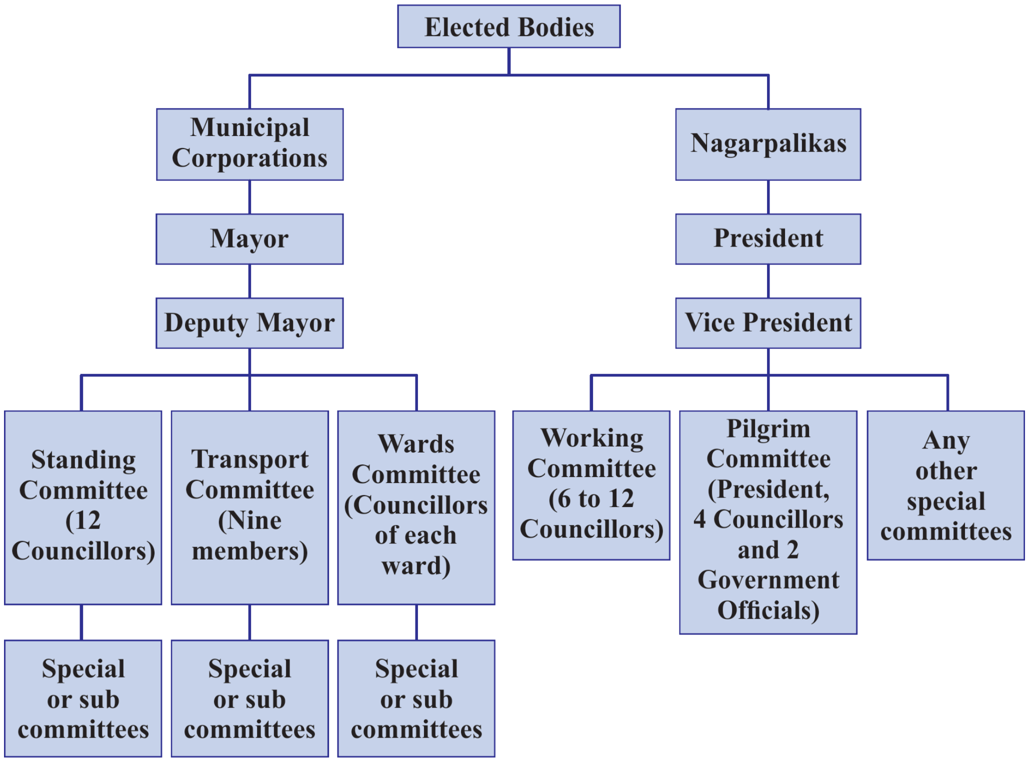


1 Notified areas are declared by Industries and Mines department. Every notified area shall have a committee called the Board of Management appointed by the Government and shall perform its function and duties as per Gujarat Municipalities Act, 1963.

3.2.2 The State Government constituted various Boards and Authorities assigning specific functions to them. They were constituted to ensure comprehensive development and to improve service delivery systems in the thickly populated and urbanised areas of the State.

3.2.3 Composition of ULBs

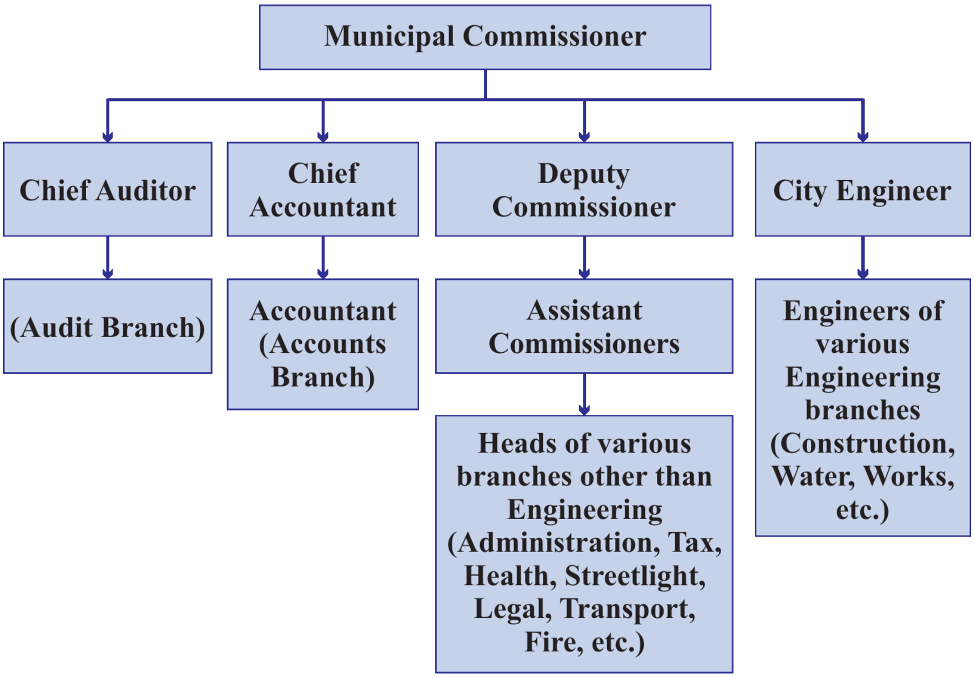
All the ULBs have a body comprising of Corporators/Councillors elected by the people under their jurisdiction. The Mayor/President who is elected by majority of the Corporators/Councillors presides over the meetings of the Corporation/Council and is responsible for governance of the body. The following **chart** shows the set-up of elected bodies in ULBs:



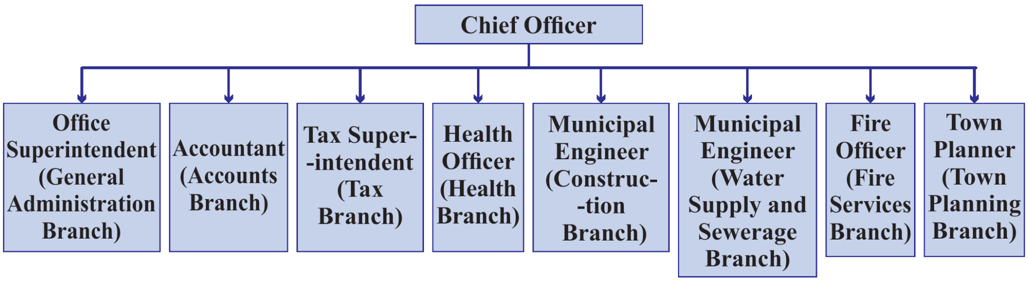
The Mayor, Deputy Mayor, President and Vice President are elected from amongst the elected councillors. The members of committees/sub-committees are elected from the elected councillors and the Chairperson of the committee is appointed from the members of the committee. The members of Transport Committee are persons with experience of Administration/transport engineering/ industrial/commercial/financial/labour matters. They may or may not be councillors.

The Municipal Commissioner is the executive head of MC and Chief Officer is the executive head of NP. The officers of ULBs exercise such powers and perform such functions as notified by the State Government from time to time. The executive set-up of MCs and NPs is shown as follows –

Executive set-up of Municipal Corporations



Executive set-up of Nagarpalikas



3.3 Functioning of ULBs

3.3.1 Powers and functions

ULBs exercise their powers and functions in accordance with provision of Section 87 of the Gujarat Municipalities Act, 1963. Section 87 of the Gujarat Municipalities Act, 1963 provides for various functions to be exercised in the sphere of Public Works, Education, Public Health and Sanitation, Development, Town planning and Administration. Under Section 63 to 72 of the Bombay Provincial Municipal Corporation Act, 1949, the State Government had devolved various functions and powers to Municipal Corporations.

- ***Devolution of Funds, Functions and Functionaries to Urban Local Bodies***

Twelfth Schedule (Article-243 W) of the Constitution of India envisaged that the State Government may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to function as LSGIs. The State Government devolved all the 18 functions envisaged in the Twelfth Schedule to the NPs and MCs to enable them to function as LSGIs.

3.4 Formation of various Committees

3.4.1 District Planning Committee

Article 243 ZD of the Constitution of India envisaged constitution of District Planning Committee (DPC) at district level in every State. The tenure of DPC is five years and it is required to meet at least once in three months. DPCs are constitutionally responsible to consolidate the plans prepared by LSGIs in the District. Thereafter, prepare a Draft Development Plan (DDP) for the District as a whole for onward transmission to the Government. The DPC is to monitor the quantitative and qualitative progress, especially its physical and financial achievements in the implementation of the approved DDP. The State Government, while preparing the State plan, considers the proposal and priority included in the DDPs prepared for each District by the DPC.

DPCs were constituted in only 11 out of 33 districts; meetings of DPC were not held in these 11 districts[2] during 2016-17. This could have factored the aspirations and felt needs of the populace.

3.4.2 Formation of committees in Urban Local Bodies

Bombay Provincial Municipal Corporation (BPMC) Act, 1949, provided that there shall be two mandatory committees in each MC *i.e.*Standing committee and Transport committee. It also provided that the MC may, from time to time, appoint out of its own body, special committees which shall conform to any instructions that the MC may from time to time give them. As per the information provided to Audit, the above mandatory committees have been formed in all MCs and additional committees have been formed based on their requirements.

Gujarat Municipalities Act, 1963 provided that there shall be two mandatory committees in each NP *i.e.* Executive committee and Pilgrim committee. It also provided that the NPs may from time to time constitute other committees to exercise the powers and perform the duties of the NP. As per the information provided to Audit, the above mandatory committees have been formed in all NPs and other committees have been formed based on their requirements.

3.5 Audit arrangement

3.5.1 Primary Auditor

Examiner Local Fund Accounts (ELFA) is the primary auditor of the accounts of ULBs under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. The GLFA Act provided that ELFA shall prepare a report on the accounts audited and examined after the completion of the Audit. Thereafter, not later than three months, the report shall be sent to the local authority and copies thereof to such officers and bodies as the State Government may direct.The ELFA under

2 Amreli, Aravalli, Banaskantha, Dahod, Dang-Ahwa, Junagadh, Mehsana, Panchmahals, Patan, Porbandar and Tapi

the State Finance Department is headed by the Examiner and has district level offices headed by Assistant Examiners.

The status of Audit conducted by ELFA as of January 2018 is shown in **Table 1** below -

Table 1: Status of Audit by ELFA

ULBs	Number of Auditable entities[3]	Entities audited and period of accounts covered	Entities yet to be audited and period of accounts to be covered	Audit Report placed before the State legislature
MCs	08	2012-13 to 2015-16	02 (2012-13) 04 (2013-14) 06 (2014-15) 07 (2015-16)	2010-11
NPs	162	2012-13 to 2015-16	02 (2013-14) 01 (2014-15) 02 (2015-16)	2012-13

(Source: Information furnished by ELFA)

The above table shows that the Audits of MCs and NPs were in arrears from 2012-13 and onwards. The Audit Report of ELFA on MCs for the year 2011-12 was yet to be placed before the State legislature.

3.5.2 Audit by Comptroller and Auditor General of India

State Government by a resolution (May 2005) entrusted the Technical Guidance and Supervision (TGS) over the audit of local bodies to CAG. As per the resolution, the CAG would conduct test-check of some of the PRI and ULB units audited by the ELFA in order to provide technical guidance. The report of the test-check conducted by the CAG would be sent to the ELFA for pursuance of action taken by the PRIs and ULBs. Subsequently, the State Government entrusted (April 2011) audit of ULBs to CAG under Section 20(1) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971. It also provided that the CAG shall have the right to access the accounts and records of the ULBs under other sections of the CAG's DPC Act, 1971 and under other due statutory process. The CAG may also provide suitable TGS to primary external auditors of ULBs *viz.* ELFA for the purpose of strengthening Public Finance Management and Accountability in ULBs. The provision of laying the Report of CAG on TGS with the Audit Report of ELFA before the State Legislature was made by amending (May 2011) the Gujarat Provincial Municipal Corporations Act, 1949 and Gujarat Municipalities Act, 1963. Accordingly, the Audit Reports for the year ended March 2012 to March 2016 had been placed before the State Legislature. The discussions of the Audit Reports have been assigned to the Public Accounts Committee (PAC) of the State Legislature. The PAC has completed the discussion of Audit Report for the year ended March 2013.

3 159 NPs were audit entities for the year 2013-14

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

3.6 Ombudsman

Thirteenth Finance Commission (ThFC) guidelines provided that the State Government must appoint "Ombudsman[4]" at the State level for LSGIs[5]. The Ombudsman shall conduct investigations and enquiries in respect of any complaints of corruption and mal-administration. Thereafter, it may recommend suitable action against the functionaries of both elected members and officials concerned in accordance with the provisions of the Act.

The State Government decided to bring the functionaries of local bodies under the jurisdiction of Lokayukta. Accordingly, a bill seeking to amend the Gujarat Lokayukta Act, 1986 had been passed by the State Legislature on 30 March 2011 and the Gujarat Lokayukta Ayog Act, 2013 was enacted in September 2014. The appointment of Lokayukta is under consideration in General Administrative Department of the State.

3.7 Social Audit

The system of Social Audit (SA) was introduced to curb corruption and to promote integrity and quality of decision-making in delivery of public services. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in LSGIs. Social Audit had been set-up in the State only for works carried out in PRIs whereas no SA had been carried out for works carried out in NPs and MCs.

3.8 Property Tax Board

The ThFC recommended setting-up of a State Level Property Tax Board to assist the ULBs to put in place an independent and transparent procedure for assessing property tax. The commission also recommended that the Board shall enumerate all properties in the ULBs in the State and develop a data base. The Board shall review the property tax system and suggest suitable basis for valuation of properties, design and formulate transparent procedure for valuation of properties, inspection for verification in ULBs in the State. The State Level Property Tax Board was constituted in March 2011. Audit observed that the Board was non-functional as the assigned functions[6] were not carried out by the Board.

3.9 Service Level Benchmark

The Thirteenth/Fourteenth Finance Commission recommended that the ULBs should put in place a system of benchmarking four basic services *i.e.* water

4 An independent quasi judicial authority
5 PRIs and Urban Local Bodies
6 Provide guidance, technical support to ULBs in State for valuation of the properties, cause to enumerate the new properties in ULB area on request of concerned ULBs, ensure quality in valuation of properties, recommend modalities for periodic revision if necessary and undertake directly or through any institution, training of officers and employees of ULBs as the State Government may direct or as the Board may consider necessary for carrying out the recommendations made by the ThFC.

supply, sewerage, solid waste management and storm water drainage. The State Government notifies every year the targets with respect to the benchmarks for above services to be achieved by the end of next fiscal year.

3.10 Fire Hazard Response

ThFC guidelines for release and utilisation of grants provided that all MCs with population of more than 10 lakh (Census 2001) must put in place a fire hazard response and mitigation plan. Publication of these plans in the respective State Government Gazette will demonstrate compliance with this condition. Audit observed that all four MCs[7] with more than 10 lakh population had prepared and published fire hazard response and mitigation plan.

3.11 Submission of Utilisation Certificate

The Gujarat Financial Rules provided that Utilisation Certificates (UCs) for the grants should be submitted within 12 months of the closure of the financial year. The UCs shall be submitted by the institution or organisation concerned to the Head of Department concerned and after verification; these should be forwarded to the Accountant General. Audit observed that 87 UCs aggregating to ₹ 870.23 crore due in respect of grants paid upto March 2016 were outstanding.

3.12 Internal Audit and Internal Control Systems of ULBs

Internal Audit and Internal Control System is an integral component of ULBs' management process. It is established in order to provide reasonable assurance that the ULBs' operations are carried out effectively, economically and efficiently. Financial report and operational data are reliable and applicable laws and regulations are complied with to achieve objective of providing better civic facilities with its own revenue income. Audit observed that the State Government had established an independent internal audit wing in the MCs and NPs. The bills were being passed after pre-audit by the internal auditor.

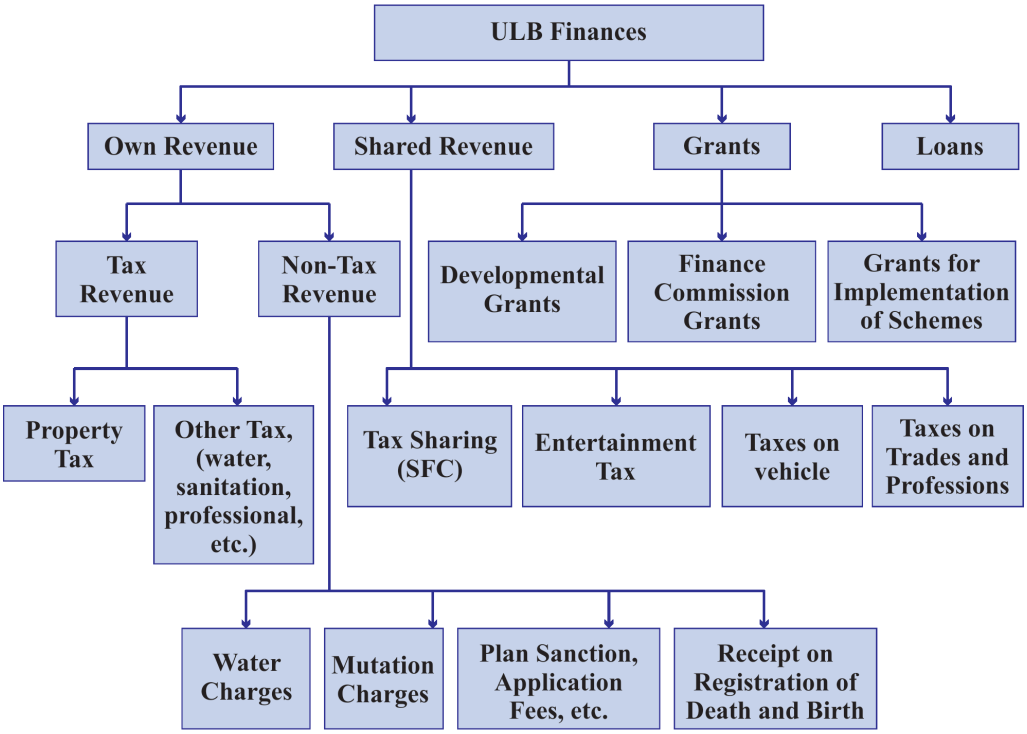
3.13 Financial Reporting Issues

3.13.1 Source of Funds

The finances of ULBs comprise of receipts from own sources, grants and assistance from Government of India (GoI)/State Government and loans raised from financial institution/nationalised banks. The ULBs do not have a large independent tax domain. Compared to PRIs, who do not have any worthwhile own source of revenue, ULBs do have an identifiable and visible source of revenue like the property tax. The property tax on land and buildings is the mainstay of ULB's own revenue. The property tax in the State is collected by the ULBs on Area Based System. The own non-tax revenue of ULBs comprises of fee for sanction of plans/mutations, water charges, *etc.*

Grants and assistance released by the State Government/GoI as well as loans raised from financial institutions are utilised for developmental activities and execution of various schemes. Flow chart of finances of ULBs is shown below:

7 Ahmedabad, Rajkot, Surat and Vadodara



3.13.2 Revenue and Expenditure of ULBs

The details of receipts and expenditure of ULBs are shown in **Table 2** as follows–

Table 2: Receipts and expenditure of ULBs

(₹ in crore)

	2012-13	2013-14	2014-15	2015-16	2016-17
Opening Balance[8]	**10,631.16**	**13,451.79**	**13,262.17**	**11,447.18**	**11,411.11**
Receipts					
Grants-in-aid	5,287.16	6,110.70	5,851.59	8,026.63	9,028.19
Own Revenue	5,124.98	4,767.16	5,311.23	5,796.45	6,400.19
Finance Commission grants	191.40	219.12	203.04	614.91	1,102.14
Total Receipts	**10,603.54**	**11,096.98**	**11,365.86**	**14,437.99**	**16,530.52**
Total Funds available	**21,234.70**	**24,548.77**	**24,628.03**	**25,885.17**	**27,941.63**
Expenditure					
Roads, Drains, Culverts	2,317.00	2,893.60	2,538.45	2,672.65	4,729.65
Public Health and sanitation	430.52	503.60	502.16	582.38	2,257.95
Water Supply	1,285.90	1,132.20	1,061.64	1322.88	1,038.85
Pay and Allowances	2,332.55	2,440.30	2,773.06	3002.27	2,888.29
Loan repayment	214.53	121.40	171.68	173.58	69.80
Others	1,202.41	4,195.50	6,133.86	6720.30	3,019.07
Total Expenditure	**7,782.91 (37)**	**11,286.60 (46)**	**13,180.85 (54)**	**14,474.06 (56)**	**14,003.61 (50)**
Closing Balance	**13,451.79**	**13.262.17**	**11,447.18**	**11,411.11**	**13,938.02**

(Source: Information providedby the Gujarat Municipal Finance Board)

8 Opening Balance and Closing Balance has been arrived at by audit.

The above position indicates that -

- the total expenditure against the total available funds during 2016-17 was only 50 *per cent*;
- the recurring expenditure on Public Health and sanitation was only 16 *per cent* and on water supply was only seven *per cent* of the total expenditure during 2016-17; and
- the pay and allowances of municipal staff constituted 21 *per cent* during 2016-17.

3.13.3 Recommendations of the State Finance Commissions

Article 243 I of the Constitution made it mandatory for the State Government to constitute a State Finance Commission (SFC). The SFC was to be constituted within one year from the enactment of 73rd Constitutional Amendment and thereafter on expiry of every five years. The SFC was responsible to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds. GoI guidelines (June 2005) stipulated that the State Government was to act within six months of SFC's recommendations. Audit findings on implementation of recommendations of the State Finance Commissions (SFCs) are discussed in **Paragraph 4.1** of this Report.

3.13.4 Unspent Grants of Thirteenth Finance Commission

On the recommendation of ThFC, GoI released ₹ 925.76 crore to the State Government during the period 2010-15 which was released to the ULBs. Out of this, the State Government could utilise only ₹ 894.64 crore, leaving unspent balance of ₹ 31.12 crore as on February 2018.

3.13.5 Fourteenth Finance Commission

The Basic Grant (BG) and Performance Grant (PG) can be assessed by all States as per criteria laid down by the Commission. The State Government is required to release the grants to ULBs within 15 days from the date of receipt of grants from GoI. The details of funds allocated and released to the State by GoI and funds released to ULBs and its utilisation by them during the period 2015-17 are shown in **Table 3** below –

Table 3: Details of funds utilised by the ULBs during 2015-17

(₹ in crore)

Year	Grants received		Grants released to ULBs		Expenditure
	BG	PG	BG	PG	
2015-16	614.91	0.00	604.06	0.00	370.64
2016-17	851.45	251.29	851.45	251.29	447.63
Total	**1,466.36**	**251.29**	**1,455.51**	**251.29**	**818.27**

(Source: Information provided by UD&UHD)

The above table shows that the State Government had not released ₹ 10.85 crore to the ULBs though it was envisaged by the GoI for release of grant to ULBs within 15 days from the date of receipt of grant from GoI. The table also shows that the ULBs could utilise only ₹ 818.27 crore (48 *per cent*) against ₹ 1,706.80 crore received during 2015-17.

3.13.6 Maintenance of Records

As per provisions contained in Municipal Account code, each NP shall maintain basic records in prescribed format. Basic records included work register, stock register, loan register, grant register, bill register, cheque register, deposit register, assets register, *etc.* For exercising control and supervision over proper maintenance of accounts, work transactions and to prove its authenticity, the maintenance of basic records properly is essential.

Scrutiny of records of 18 NPs test-checked during 2016-17, it was observed that important basic records such as grant register (eight NPs), work register (12 NPs), dead stock register (one NP) and advance register (four NPs) were not being maintained or improperly maintained. In absence of such records, Audit could not ascertain the correctness and accuracy of the transactions. Non-maintenance of basic records also indicated weakness in the internal control mechanism and monitoring.

3.13.7 Maintenance of Accounts by ULBs

As per ThFC recommendations, an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounts Manual (NMAM) was to be adopted by 2011-12. All ULBs were to thus introduce accrual based double entry accounting system as per the NMAM.

The MCs and NPs have adopted the accrual based double entry accounting system since 2006-07. NMAM envisages all States to develop State specific Municipal Accounts Manual. The draft Municipal Accounts Manual has been approved by the Government. The vetting by the Legislative and Parliamentary Affairs Department and publishing in the Government Gazette is however pending. The annual accounts for the year 2016-17 in respect of 30 NPs are yet to be finalised.

3.14 Conclusion

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

CHAPTER-IV

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

AUDIT FINDINGS

CHAPTER IV

This Chapter contains Audit findings of two Compliance Audit paragraphs on the themes "Implementation of recommendations of State Finance Commissions in Urban Local Bodies" and "Working of Gujarat Municipal Finance Board", and three individual paragraphs.

COMPLIANCE AUDITS

URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT

4.1 Implementation of recommendations of State Finance Commissions in Urban Local Bodies

4.1.1 Introduction

Articles 243 I and 243 Y of the Constitution made it mandatory for a State Government to constitute State Finance Commission (SFC) by the Governor of the State within one year from the commencement of the Constitution (Seventy-third Amendment) Act, 1992 and thereafter, on expiry of every five years. As per these Articles, the SFC shall recommend principles governing the distribution of finances between the State and Local Bodies (LBs) comprising the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and measures needed to improve the financial position of the LBs. Further, every recommendation made by the SFC together with Action Taken Reports (ATRs) of the State Government thereon shall be laid before the State Legislature.

In Gujarat, the Panchayats, Rural Housing and Rural Development Department (PRH&RDD) is the nodal Department for constitution of SFCs and placement of ATRs in the State Legislature. The Urban Development and Urban Housing Department (UD&UHD) in coordination with other Administrative Departments is responsible for implementation of the recommendations made by the SFCs in respect of ULBs. Three SFCs had been constituted in Gujarat till February 2018. The award period of first, second and third SFCs were 1996-2001, 2005-10 and 2010-15 respectively. ATRs on the recommendations of the first and second SFCs have been laid before the State Legislature in December 1998 and March 2011 respectively while the ATR on the recommendations of third SFC was yet to be laid (February 2018).

The ULBs in Gujarat comprise eight Municipal Corporations (MCs) and 162 Nagarpalikas (NPs). The NPs are classified into four categories[1] on the basis of population. The MCs and NPs are constituted and governed as per the Gujarat Provincial Municipal Corporation (GPMC) Act, 1960 (May 2011) and the Gujarat Municipalities Act, 1963 respectively.

1 'A' category: population more than one lakh; 'B' category: population between 50,000 and one lakh; 'C' category: population between 25,000 and 50,000; and 'D' category: population between 15,000 and 25,000. Out of 162 NPs, 22 NPs are 'A' category, 34 are 'B' category, 62 are 'C' category and 44 are 'D' category

In order to seek an assurance whether the recommendations of the first and second SFCs have been implemented effectively and efficiently by the State Government in the ULBs, audit test-checked (April to September 2017) the records of PRH&RDD, UD&UHD, Gujarat Municipal Finance Board (GMFB)[2], Directorate of Municipalities (DoM)[3], two of the eight MCs[4] and 16 of the 162 NPs[5] (total 18 ULBs) covering a period of five years from 2012-13 to 2016-17. Four NPs from each of the four categories and two MCs were selected by adopting simple random sampling without replacement method.

The findings of Audit were forwarded to the Principal Secretary, UD&UHD and the Principal Secretary, PRH&RDD in October 2017 for appropriate response. However, replies from both the Departments were awaited as of February 2018.

Audit findings

The State Government accepted 53 of the 64 recommendations of the first SFC and 20 of the 42 recommendations of the second SFC. Of the accepted recommendations, 19 recommendations (36 *per cent*) of first SFC and six recommendations (30 *per cent*) of second SFC had not been implemented (February 2018) by the State Government, despite lapse of over 19 years and seven years since tabling of ATRs on recommendations of first and second SFCs in the State Legislature in December 1998 and March 2011.

The audit findings were confined to test-check of the quality of implementation of the accepted recommendations of SFCs, as well as those recommendations on which an assurance was given to the Legislature that efforts would be made to remedy the areas of concern highlighted by the SFCs.

4.1.2 Delay in constitution of State Finance Commissions

The first, second and third SFCs were to be constituted by the State Government in April 1994, April 1999 and April 2004 respectively. However, the SFCs were constituted[6] after a delay of five, 55 and 81 months with award period 1996-2001, 2005-10 and 2010-15 respectively. SFCs were not constituted for the period 2001-05 and after 2015. As a result, the State Government remained deprived of valuable suggestions/recommendations of SFCs on the measures required to improve the financial position of the ULBs and rationalization of overall State-local fiscal relations for a period 2001-05 and from 2015-16 onwards. The fourth and fifth SFCs have not been constituted (February 2018) though they were due to be constituted in April 2009 and April 2014 respectively.

The Principal Secretary PRH&RDD accepted the audit observations and attributed (July 2017) the reasons for delay in constitution of SFCs to delayed appointment of members of SFCs and delay in placement of ATRs of preceding SFCs before

2 GMFB is the nodal agency responsible for distribution of major portion of Government grants (both Central and State) to the ULBs.

3 DoM exercises administrative control over NPs and is headed by a Director. He is assisted by two Deputy Directors, five Class II officers and 18 other officials.

4 Bhavnagar and Gandhinagar

5 Anand, Palanpur, Porbandar and Valsad (Category 'A'); Bardoli, Borsad, Himatnagar and Keshod (Category 'B'); Dehgam, Dhrol, Idar and Tarsadi (Category 'C'); Dharampur, Pethapur, Talod and Vanthali (Category 'D')

6 First SFC was constituted on 15 September 1994; Second SFC on 19 November 2003; and third SFC on 02 February 2011

the State Legislature. The reasons attributed to delay in constitution of SFCs cannot be treated as dependent reasons as the appointment of SFC members was required to be done by the State Government alongwith constitution of SFC. Further, the State Government failed in its Constitutional duties to constitute the SFC for the award periods 2001-05 and 2015-20.

4.1.3 Delay in placing of Action Taken Reports in State Legislature

The PRH&RDD is the nodal Department for placing the ATRs before the Legislative Assembly. The ATRs on the SFC reports received from various Administrative Departments are forwarded to an Empowered Committee[7] for preparation of consolidated ATR, which in turn, is placed before the Legislature after obtaining approval from the Cabinet Committee[8] and the Governor. The entire process from scrutiny of ATR to its placement in the Legislature was required to be completed within six months[9] from date of submission of report by the SFC.

Audit observed that ATR on first SFC report (October 1998) was placed before the Legislature in time (December 1998). However, ATR on second SFC report (June 2006) was placed in March 2011 after a delay of 51 months and expiry of award period (2005-10). The ATR on third SFC report (December 2013) had not been placed before the Legislature till February 2018 though the award period of SFC had expired in March 2015. Further, there was delay of three years[10] in constitution of Empowered Committee for the second SFC. Similarly, the Empowered Committee for third SFC was constituted in January 2016 *i.e.* two years after receipt of SFC report and completion of award period (2010-15).

As regards delay in placing ATRs, the Principal Secretary attributed (July 2017) the reasons of time taken by the concerned Departments in furnishing their responses to PRH&RDD on the recommendations of the SFCs. Reply is not tenable since the timely constitution of Empowered Committee was the responsibility of the State Government. Had the State Government constituted the Committee in time, the ATRs on the SFC recommendations could have been acted upon well in time.

Thus, due to non-constitution of SFC periodically, inadequacies in implementation of recommendations of SFCs with regard to LBs, the object of constitution of SFC to strengthen the functioning of LBs as envisaged in the Constitution could not be achieved to a desired level. The overview of the functioning of PRIs and ULBs is depicted in Chapter I and Chapter III of this Report. Audit observation on efficient implementation of SFCs' recommendations related to ULBs are discussed as mentioned below-

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7 Constituted by the State Government for each SFC with the Chief Secretary as the Chairman and Secretaries of PRH&RDD, UD&UHD, Finance Department, Revenue Department, Legal Department, General Administration Department *etc.* as members.

8 Cabinet Committee consisting of Ministers in-charge of various Departments

9 As per Sixth Report of the Second Administrative Reforms Commission on local governance issued by GoI in October 2007

10 The second SFC submitted its report in June 2006 while the Empowered Committee was constituted in May 2009.

4.1.4 Financial Resources

4.1.4.1 Distribution of State finances

As per Article 270 of the Constitution, as amended from 01 April 1996 by the Constitution (80th Amendment) Act, 2000, a prescribed percentage of net proceeds of all Central taxes was to be assigned to the States on the basis of recommendations of Central Finance Commission (CFC). Considering the recommendations of 12th CFC regarding transfer of 38.79 *per cent* of gross revenue receipts of the Union to the States, the second SFC recommended (2006) that at least 31.15 *per cent* of the gross revenue receipts of the State should be shared with LBs. Further, funds allocated to LBs annually were to be shared among PRIs and ULBs on the basis of their population. However, the State Government did not accept this recommendation and stated in the ATR that financial allocations to LBs were being increased on regular basis.

Audit, however, observed that the percentage of funds allocated by the State Government to the LBs during 2012-17 ranged between 21 and 29 *per cent* only, which were significantly lower than 31.15 *per cent* recommended by the second SFC. Further, the urban population of Gujarat as per census 2011 was 43 *per cent* of the State's total population. Thus, the ULBs were eligible for 43 *per cent* of the gross funds allocated annually to LBs. However, against 43 *per cent*, the ULBs received only 14 to 29 *per cent* from the State Government during 2012-17.

4.1.4.2 Finances of Urban Local Bodies

The resource base of ULBs mainly consists of own revenue comprising tax and non-tax revenue, grants-in-aid (GIA) from the State and Central Governments and loans from financial institutions. GIA (revenue and capital) are provided to ULBs for implementation of various developmental Schemes formulated by the State Government.

Audit analysis of annual accounts (2012-16)[11] of 16 test-checked NPs and two MCs revealed that average contribution of Government grant to gross income of ULBs was 77 *per cent* and 68 *per cent* respectively. In all the 16 test-checked NPs, except Himatnagar NP, revenue expenditure was higher than the revenue income for the period 2012-16. The percentage of revenue deficit ranged between 0.84 *per cent* (Dharampur NP) and 62.18 *per cent* (Tarsadi NP). Himatnagar NP had revenue surplus of 7.78 *per cent*. The percentage of revenue deficit in Bhavnagar MC was 6.48 *per cent* while Gandhinagar MC had a revenue surplus of 43.57 *per cent* during 2012-16.

It was further observed that average percentage of expenditure incurred on pay and allowances by NPs and MCs were 100 *per cent* and 44 *per cent* of their own revenue respectively. The own revenue of seven of these 16 NPs were not sufficient even to meet the expenditure of pay and allowances. To overcome this situation, the State Government had been providing pay and allowances grant to the NPs upto 50 *per cent* of expenditure incurred for pay and allowances by the NPs. However, Analysis indicated that after incurring expenditure of pay

11 The accounts of test-checked ULBs for the year 2016-17 were not finalised till January 2018

and allowances and other committed expenditures, these ULBs were not having sufficient own revenue to carry out the developmental works. Thus, these ULBs were mainly dependent on the Government grants for executing developmental works to provide basic civic services/amenities to the public. While, on the one hand the State Government did not allocate the entitled share to ULBs, on the other hand adequate efforts were not made by the State Government or by ULBs to increase the own revenue of ULBs as discussed in **Paragraph 4.1.5.**

4.1.5 Non-setup of uniform structure for municipal taxation

Tax revenue forms the most important source of income for the ULBs and contributes the highest share in own revenue of ULBs. The first SFC recommended (October 1998) that the State Government should constitute a tax/tariff Commission to set-up a structure of minimum and maximum rates for each and every type of municipal tax being levied by MCs and NPs, after factoring in direct and indirect expenditure incurred for providing civic services. This Commission was to be appointed every five years for revision of the rates.

The State Government neither constituted the tax/tariff Commission (February 2018) nor did it fix the minimum and maximum rates for each tax, except for property tax (April 2008) and special water charges (April 2010). In 18 test-checked ULBs, the rates of various taxes, fees and user-charges had been fixed by the ULBs themselves, without considering the direct and indirect expenditure incurred for providing the related civic services. In 13 of 16 test-checked NPs, the rates of various taxes and other charges have not been revised since seven to 15 years of initial fixation. In remaining three test-checked NPs[12], the rates have been revised recently during 2015-17.

The above facts indicate that neither the State Government nor the test-checked ULBs had explored the possibilities of increasing their income by revision of various taxes periodically. The rates of various taxes were also not fixed considering the direct and indirect expenditure being incurred for providing municipal services as audit analysis revealed that average revenue expenditure incurred on street lights by 16 test-checked NPs during 2012-16 was five times of revenue income earned from light tax. Similarly, the average revenue expenditure on water supply was four times the revenue income earned from water tax during 2012-16.

The Principal Secretary, UD&UHD stated (October 2017) that efforts would be made to constitute tax/tariff Commission. The reply is not convincing as despite acceptance (December 1998) of SFC recommendation, the State Government had not taken any action to constitute the Commission till February 2018. Had the State Government taken timely action, the financial resources of the ULBs could have been improved.

4.1.6 Inadequacies in implementation of accepted recommendations

4.1.6.1 Short-release of grants-in-aid

In 18 test-checked ULBs, Audit observed that against the eligible GIA of ₹ 96.34 crore during 2012-17, the ULBs received only ₹ 62.04 crore

12 Palanpur, Talod and Valsad

(64 *per cent*) due to inadequate/non-implementation of recommendations, which resulted in short-receipt of ₹ 34.30 crore (36 *per cent*) to these ULBs as discussed in the succeeding paragraphs -

- ***Professional tax grant***

As professional tax was of the nature of local tax, the first SFC recommended (October 1998) that the ULBs should be paid 50 *per cent* of the amount of tax so recovered from the jurisdictional areas of the respective ULBs. In this connection, Gujarat Municipal Finance Board was responsible for obtaining information from the Commissioner of Commercial Tax (CCT) regarding professional tax credited into Government account from the jurisdictional area of each ULB (MC and NP) in a financial year. Based on the information so collected by GMFB, UD&UHD was to make adequate budgetary provisions for professional tax grant to be distributed among ULBs.

As per information furnished by the CCT to GMFB, all the ULBs in the State were eligible for professional tax grant of ₹ 401.40 crore during 2012-17. Audit observed that UD&UHD had made a lump sum provision for professional tax grant in its budget estimates during 2012-17, based on the information available for previous year. However, UD&UHD did not submit revised estimates to the Finance Department even after the exact quantum of professional tax to be distributed to the ULBs were made available by CCT. Consequently, against the entitlement of ₹ 401.40 crore of professional tax grant payable to the ULBs during 2012-17, the ULBs actually received only ₹ 333.65 crore (83 *per cent*), leading to short-release of ₹ 67.75 crore (16.9 *per cent)*. In 18 test-checked ULBs, against the eligible grant of ₹ 44.91 crore during 2012-17, the ULBs received only ₹ 37.73 crore (84 *per cent*) resulting in short-release of professional tax grant of ₹ 7.18 crore (16 *per cent*).

The Principal Secretary, UD&UHD accepted (October 2017) that the revised estimates had not been submitted to the Finance Department in time and hence, the eligible share could not be released to the ULBs. The Principal Secretary, however, assured that efforts would be made to streamline the process of distribution of funds to ULBs.

The reply is not convincing as the required information of quantum of professional tax to be distributed among the ULBs was made available to GMFB by CCT during May to October of each year during 2012-17 and as per Budget Manual, the revised budget estimates were required to be submitted to the Finance Department by December. Thus, the UD&UHD could have submitted the revised budget estimates in time.

- ***Education cess grant***

The Gujarat Education Cess Act, 1962, as amended in 2006 and 2007, provides for levy of education cess on property tax by the ULBs at the rate varying from five to 30 *per cent* in case of MCs and three to 20 *per cent* in case of NPs. The cess so collected by the ULBs is credited into Government account.

The first SFC recommended (October 1998) that ULBs which undertake the work of primary education would be entitled to receive 100 *per cent* education cess recovered by them. Further, ULBs not managing primary education and which recovered more than 50 *per cent* of the total demand of education cess in a particular year would be eligible for 10 *per cent* education cess actually recovered by them. The recommendation was accepted by the State Government in December 1998.

Audit observed that during 2012-17 seven of eight MCs and 13 of 162 NPs managing primary education received only 75 to 85 *per cent* and 90 to 100 *per cent* respectively against the entitlement of 100 *per cent* of education cess recovered and credited by them into Government account. Audit further observed that the ULBs not managing primary education received only five *per cent* of the cess actually recovered by them during 2012-17, instead of 10 *per cent* recommended by the first SFC. In 16 test-checked NPs, only Anand NP was managing primary education and collected ₹ 4.76 crore of education cess during 2012-17. However, it received only ₹ 4.28 crore (90 *per cent*). Similarly, Bhavnagar MC received ₹ 17.57 crore (75 *per cent*) against the admissible grant of ₹ 23.43 crore during 2012-17 for managing primary education. The remaining 15 NPs and Gandhinagar MC not managing primary education received only ₹ 0.59 crore (50 *per cent*) during 2012-17 against the admissible grant of ₹ 1.18 crore. Thus, the 18 test-checked ULBs had been deprived of additional grant of ₹ 6.93 crore due to non-implementation of the accepted recommendation of SFC by the State Government.

The Principal Secretary, UD&UHD stated (October 2017) that efforts would be made to allocate the requisite percentage of education cess grant to ULBs managing primary education and those not managing primary education.

The reply is not reasonable as the State Government had not made adequate efforts to provide the entitled share to the ULBs though the recommendations of SFC had been accepted in December 1998. Not taking any action for such a long time indicated the laxity of the State Government in implementing the recommendation of SFC.

- ***Non-agricultural assessment grant***

The Bombay Land Revenue Code, 1879 and the Rules made thereunder provide for levy of non-agricultural assessment (NAA) on the lands used for non-agricultural purpose at the rates prescribed in the notifications issued by the State Government from time to time. The district collectors are the designated authority for levy and collection of NAA.

The first SFC recommended (October 1998) that the State Government should pay to the ULBs grant-in-aid (GIA) at an enhanced rate of 85 *per cent* of NAA (from the existing 75 *per cent*). The State Government accepted (December 1998) the recommendation and decided (July 2000) to disburse 100 *per cent* of NAA, instead of 85 *per cent.*

Audit observed that during 2012-17, NAA amounting to ₹ 279.03 crore was collected in the State. However, the State Government made a budgetary provision of only ₹ 5.00 crore every year during 2012-17 under NAA and

GMFB disbursed the same to the ULBs on the basis of their population and area. In essence, the 170 ULBs in the State got only ₹ 25 crore (nine *per cent*) against ₹ 279.03 crore during the last five years (2012-17). Similarly, in 18 test-checked ULBs, ₹ 22.06 crore was collected of which, only ₹ 1.87 crore (eight *per cent*) was disbursed to them during 2012-17.

The Principal Secretary, UD&UHD stated (October 2017) that the reasons for under-budgeting and short-allotment of GIA to ULBs would be analysed. It was further stated that efforts would be made in coordination with the Revenue and the Finance Departments to develop a mechanism for streamlining the process of disbursement of NAA to ULBs.

The reply is not tenable as Audit observed that the State Government had issued (July 2000) instructions to distribute 100 *per cent* of NAA collected to the respective ULBs in one instalment through the District Collectors. However, the adherence of the same was not ensured by UD&UHD till February 2018.

4.1.6.2 Non-revision of per capita rate of pay and allowances grant to NPs

For meeting the establishment expenses, the State Government provides pay and allowances grant to the NPs. The first SFC recommended (October 1998) a rate of ₹ 30 per capita for arriving at the quantum of grants payable to NPs (on the basis of their population) towards expenditure incurred by them on pay and allowances in a year. The rate per capita was to be increased gradually with the increase in consumer price index (CPI). The State Government revised the rate to ₹ 35 in March 2002 and to ₹ 60 in June 2012 after lapse of 10 years and no revision was made thereafter.

While revising the rate to ₹ 60 in June 2012, the State Government devised a new formula to arrive at the quantum of grants to be allocated to the NPs towards expenditure incurred by them on pay and allowances. The new formula was based on the recovery of the property tax by the concerned NPs. Accordingly, the NPs having recovered more than 80 *per cent*, 60-80 *per cent* and less than 60 *per cent* of demand of property tax was eligible for 50, 40 and 30 *per cent* of the total expenditure incurred on pay and allowances of sanctioned staff respectively. The NPs were to be allocated pay and allowances grants by GMFB either at the rate of ₹ 60 per capita or as per the new formula, whichever was higher.

During 2016-17, GMFB released pay and allowances grant of ₹ 143.25 crore to 107 of 162 NPs. The recovery against the demand of property tax was less than 60 *per cent* in 50 of these 107 NPs during 2015-16. The GMFB paid (2016-17) this grant at 30 *per cent* of actual pay and allowances expenditure to 48 of 50 NPs, as the quantum of grant was higher compared to quantum if paid at ₹ 60 per capita. Remaining two NPs were paid at ₹ 60 per capita as the quantum was higher as compared to 30 *per cent* of actual pay and allowances expenditure incurred by these two NPs

The CPI increased from 94 in March 2012 to 127 in April 2016 and therefore, the per capita rate was to be revised from ₹ 60 in June 2012 to ₹ 81 in April 2016 (on *pro rata* basis).

Comparison of grants paid to 48 NPs at the rate of 30 *per cent* of actual pay and allowances expenditure incurred to rate per capita grant revealed that the grant received by seven[13] of 48 NPs ranged[14] between ₹ 63 and ₹ 78 per capita. Had the State Government revised per capita rate from ₹ 60 to ₹ 81 in April 2016, these seven NPs could have received pay and allowances grant at ₹ 81 per capita instead of between ₹ 63 and ₹ 78 during 2016-17. Similarly, the remaining two NPs[15] could also have received pay and allowances grant at ₹ 81 instead of ₹ 60 during 2016-17. Due to non-revision of per capita rate, the seven NPs and the remaining two NPs short-received ₹ 0.42 crore and ₹ 0.15 crore respectively during 2016-17. Thus, the State Government did not implement the recommendations of the first SFC effectively.

Test-check of records in 12 of 16 NPs confirmed that the NPs did not have sufficient own resources (tax and non-tax revenue) to meet their committed expenditure on pay and allowances and other administrative expenses, without State Government's financial assistance. Therefore, non-release of full complement of pay and allowances by the State Government to the NPs would hamper the capabilities of the NPs to meet their committed expenditure toward pay and allowances and also other developmental expenditure.

The Principal Secretary, UD&UHD accepted the audit observation and stated (October 2017) that efforts would be made to increase the per capita rate of basic capital and pay allowances grant. The reply is not tenable as Audit is of the view that the State Government may fix a timeframe for revision of per capita rate on regular basis as well as make efforts to strengthen the efficiency in collection of property tax by the ULBs. Thus, the purpose of compensating the ULBs towards pay and allowances expenditure as recommended by the SFC has not been fully implemented.

4.1.6.3 Municipal services not outsourced

The GPMC Act, 1960 and the Gujarat Municipalities Act, 1963 envisages mandatory core services[16] to be provided by the ULBs. The second SFC advocated (June 2006) outsourcing of municipal services to achieve cost efficiency. The State Government stated (March 2011) in the ATR that most of the ULBs had outsourced the municipal services such as door-to-door garbage collection, sanitation services, operation and maintenance of streetlights, water works *etc.* and therefore, no action was required to be taken on the recommendation of SFC.

Audit, however, observed in 10 of 16 test-checked NPs that basic municipal services such as door-to-door garbage collection, sanitation services, operation and maintenance of streetlights and water works, as claimed by the State Government in the ATR had not been outsourced. In the remaining six test-checked NPs, only one or two services mentioned above had been outsourced. The Gandhinagar MC did not outsource any service while Bhavnagar MC had adopted outsourcing of various services such as, drainage, water supply and maintenance of street lights in selected wards.

13 Anklav, Ballabhipur, Bareja, Chhaya, Kalol, Mehsana and Sutrapada

14 Grant paid at 30% of the total expenditure incurred on pay and allowances by the NP during the year ÷ population of the NP

15 Bopal-ghuma and Sehra

16 Drinking water, sewerage, solid waste management, street lighting, public health, primary education, registration of births, marriages and deaths, *etc.*

Audit further observed that above six test-checked NPs which outsourced their limited municipal services had not assessed the cost efficiency likely to be accrued by its outsourcing. The Bhavnagar MC assessed a savings of 73 *per cent* on operation and maintenance of drainage system on account of outsourcing in one of 13 wards. Thus, while the claim of the State Government that most of the ULBs had outsourced the municipal services was incorrect, high revenue expenditure being incurred on essential municipal services underscored the need for considering outsourcing of such services for financial sustainability of the ULBs.

The Principal Secretary, UD&UHD stated (October 2017) that efforts would be made to develop a uniform policy/guidelines for outsourcing of various municipal services. This indicated that the State Government had not monitored the implementation of recommendation. Audit observed that UD&UHD had neither obtained any feed back in this regard from the ULBs nor assessed the cost efficiency by outsourcing of services.

4.1.6.4 Non-augmentation of source of own revenue

The source of own revenue of ULBs includes tax and non-tax revenue. Tax revenue consists of income from various taxes *viz.* property tax, water tax, sanitation tax *etc.* while non-tax revenue comprises rents from municipal properties, service charges/fees *etc.* Tax revenue forms the most important source of income for the ULBs and also contributes a larger share towards own revenue. The average contribution of tax revenue in own revenue was 66 *per cent* and 59 *per cent* in 16 test-checked NPs and two MCs respectively during 2012-16. Idar NP had the least contribution of 44 *per cent* while Valsad NP had the highest contribution of 88 *per cent* of tax revenue to own revenue during the same period. The contribution of tax revenue to own revenue was 55 and 63 *per cent* in Bhavnagar and Gandhinagar MCs respectively.

Audit scrutiny revealed the following:

- According to Section 127 of the GPMC Act, 1960, it is obligatory for MCs to levy two types of taxes namely, property tax and tax on vehicles, boats and animals whereas levying of other taxes is voluntary for them. On the other hand, as per the provision of Section 99 of the Gujarat Municipalities Act, 1963, the taxes to be levied by the NPs are voluntary that is to say, under the law, the NPs are not bound to levy any obligatory tax.

  The first SFC recommended (October 1998) that statutory provisions should be made in both the Acts mentioned above to make it obligatory for the MCs and NPs to levy property tax, water tax and scavenging tax, in addition to levy of special water tax and special sanitation tax or drainage tax where the facilities of water supply and drainage are provided to the citizens.

  However, the State Government had not amended the GPMC Act, 1960 and the Gujarat Municipalities Acts, 1963, as recommended by the SFC, to enforce levy of obligatory taxes by ULBs. As a result, taxes were being levied inconsistently by the ULBs.

- The first SFC recommended (October 1998) recovery of license fee by ULBs for drawing water from underground water resources through an amendment to the GPMC Act, 1960 and the Gujarat Municipalities Act, 1963. However, the State Government neither amended these Acts nor did the ULBs make any efforts to introduce the said fee as of February 2018.

- Fire service is an essential service being provided by ULBs. Since no tax or fee was being recovered by the ULBs for providing the fire services, the first SFC recommended (October 1998) introduction of a fire service tax and a schedule for recovery of fire service tax, keeping in view the type of building *i.e.* residential or commercial. However, the State Government or ULBs did not make any efforts to introduce the fire service tax.

  In Gandhinagar MC, procurement of fire-fighting equipment[17] valuing ₹ 14.30 crore initiated as early as December 2012 did not materialise (February 2018), due to limited financial resources. Similarly, Anand NP could not procure (February 2018) hydraulic platform valuing ₹ 3.40 crore proposed in April 2017 due to paucity of funds. A fire service tax could have augmented the resource base of these two ULBs to some extent thus, facilitating procurement of vital fire-fighting equipment.

  The Principal Secretary, UD&UHD stated (October 2017) that the NPs are not empowered to levy fire service tax, as no such provision existed in the Gujarat Municipalities Act, 1963. However, fire service tax would be introduced by making necessary amendment in the Act. This indicated that despite accepting the recommendations of SFC way back in 1998, the State Government had not made any efforts to amend the Act for implementing the recommendation.

4.1.6.5 Administrative reforms not implemented

The second SFC recommended (June 2006) a number of administrative reforms at the apex level (DoM) and at NP level for supervision, monitoring and internal control to strengthen the functioning of NPs. Test-check of some of the reforms recommended by the second SFC and the status of their implementation by the State Government revealed the following inadequacies:

- The second SFC recommended creation of two regional offices, one each in South and Central Gujarat, for regular inspection and monitoring of development works. The State Government gave an assurance (March 2011) in the ATR to establish one regional Office and sanctioned (March 2012) nine administrative posts. However, the regional Office had not been established as none of the sanctioned posts had been filled by the State Government till February 2018.

- The second SFC recommended a time bound inspection of NPs to be conducted by the DoM and the regional offices by providing them adequate number of efficient staff. The State Government did not accept the recommendation stating that a separate uniform policy for providing

17 Advance rescue tanker, turntable ladder, rapid intervention vehicle *etc.*

adequate staff would be formulated. However, while no regional offices had been established as mentioned above, the State Government also did not take any action to provide adequate number of staff at DoM level till February 2018. Resultantly, all the 162 NPs in the State remained uninspected during 2012-17 and therefore, audit could not seek a reasonable assurance on the adequacy of internal control mechanism at the apex level.

- The second SFC recommended creation of a technical cell at DoM to deal with complaint cases and vigilance inquiries connected with poor quality of works being executed by the NPs, and also help NPs in legal disputes arising in the municipal areas. The State Vigilance Commissioner also recommended (February 2011) creation of a independent technical vigilance cell to enquire into the complaints regarding irregularities in execution of works, and also check the quality of work-in-progress on a random basis under different NPs. The State Government accorded its in-principle approval to the recommendation of SFC and stated that technical cell would be created by engaging personnel on contract basis. However, no technical cell had been created at DoM level on outsourcing basis as of February 2018, and the complaint cases/vigilance inquiries received by DoM were being forwarded to the district collectors in a routine manner. The complaint cases/vigilance inquiries received by the district collectors were then redirected to the concerned NPs or the concerned Departments, as the case may be, for further follow-up. The process being highly time consuming, there was significant time lag of five to six months between receipt of complaints/vigilance inquiries and the first follow-up report received by DoM from the district collectors.

  The Principal Secretary, UD&UHD stated (October 2017) that a proposal (November 2016) for establishment of technical cell together with sanction of posts of executive engineer (one) and deputy engineers (two) was turned down by the Finance Department in January 2017 on the ground that UD&UHD may utilize the services of technical personnel from other State level nodal agencies *viz.* Gujarat Urban Development Mission, Gujarat Urban Development Corporation.

  Submission of proposal after more than five years indicates the delayed approach of UD&UHD in implementation of the SFC recommendation. Moreover, after refusal of proposal for sanctioning of posts by the Finance Department in January 2017, the UD&UHD did not take any decision to utilise the services of technical personnel from its own State level nodal agencies.

- The State Government has created a common cadre for Chief Officers for NPs. The second SFC impressed on the need for creation of common cadres also for Municipal Engineers, Accounts Officers, Accountants, Sanitary Inspectors *etc.* for better administration and work efficiency. Audit observed that the State Government created common cadres for Municipal Accounts Officer (Class II and III) and Municipal Engineers (Class II and III) in September 2007 and for Sanitary Inspectors in October 2013. However, as of October 2017, there remained a significant gap between the sanctioned strength and the manpower actually available in these cadres as indicated in **Table 1**.

Table 1: Cadre-wise details of availability of manpower *vis-a-vis* sanctioned strength

Cadre	Sanctioned strength	Available manpower	Vacancy (percentage)
Municipal Engineers (Class II and III)	161	17	144 (89)
Municipal Accounts Officers (Class II and III)	161	67	94 (58)
Municipal Sanitary Inspectors	63	Nil	63 (100)

(Source: Information provided by DoM and UD&UHD)

In view of huge vacancies, the very objective of creating common cadres for the NPs had been defeated. In 16 test-checked NPs, the common cadre posts of Municipal Engineers/ Accounts Officers/ Sanitary Inspectors were either filled-up on contractual basis or the work was being entrusted to junior ranked personnel of the NPs.

The Principal Secretary, UD&UHD stated (October 2017) that the vacancies were due to delay in finalisation of recruitment rules for common cadres. However, efforts were being made to fill-up the vacancies.

The reply is not acceptable because, there was delay[18] in finalisation of recruitment rules only in respect of Municipal Sanitary Inspectors while the rules for recruitment of Municipal Engineers (Class III) and Municipal Accounts Officers (Class II and Class III) had been finalised in September 2011 and July 2012 respectively.

4.1.7 Monitoring of implementation of recommendations of SFCs

Audit observed that the State Government has not carried out effective monitoring of the implementation of recommendations made by SFCs. As a result, there were significant shortfalls in implementation of the recommendations of first and second SFCs, as discussed in the preceding paragraphs.

The Principal Secretary PRH&RDD accepted the audit observation and stated (July 2017) that efforts would be made for developing a mechanism to monitor and review the implementation of the recommendations of the SFCs. The reply itself indicates that despite GoI suggestions, the State Government took no action for monitoring proper implementation of SFC recommendations which resulted in shortfalls as discussed in the preceding paragraphs.

4.1.8 Conclusion and recommendations

The State Finance Commissions (SFCs) were constituted in the State to review the financial position of the LBs and to make recommendations as to principles which should govern (i) the distribution of finances between the State and LBs, (ii) determination of the taxes, duties, tolls and fees which may be assigned to,

18 The rules for Municipal Sanitary Inspectors were finalised in April 2016.

or appropriated by, the LBs, (iii) grants-in-aid to the LBs from the Consolidated Fund of the State, and the measures needed to improve the financial position of the LBs. SFC was not constituted for the period 2001-05 and after 2015. There were significant delays in constitution of first, second and third SFCs and implementation of the accepted recommendations by the State Government.

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

The State Government had not constituted the tax/tariff Commission nor did it fix the minimum and maximum rates of municipal taxes to be collected by the ULBs for strengthening their resource base. In absence of any guiding principles, the test-checked NPs collected the taxes at different rates, without considering the cost of collection being incurred by them for providing various civic services. The State Government did not implement the recommendations of SFCs effectively leading to short-release of funds by 36 *per cent* to 18 test-checked ULBs for various types of grants-in-aid such as professional tax grant, education cess grant and non-agricultural assessment grant. Essential municipal services were not outsourced to achieve cost efficiency.

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

The State Government may ensure that there are no delays in constitution of State Finance Commissions and the Constitutional provisions in this regard are followed scrupulously.

The State Government may also ensure that Action Taken Reports on the recommendations of State Finance Commissions are placed in the State Legislature within a reasonable time period so that the recommendations do not lose their relevance with passage of time.

The State Government may set-up a robust monitoring mechanism for timely and effective implementation of the recommendations of State Finance Commissions.

4.2 Working of Gujarat Municipal Finance Board

4.2.1 Introduction

The Gujarat Municipal Finance Board (GMFB) was established under Urban Development and Urban Housing Department (UD&UHD) by enacting the Gujarat Municipal Finance Board Act, 1979. The Board comprises a Chairman, a Chief Executive Officer (CEO), a Secretary and six members. The CEO and the members are all appointed by the State Government from the organised civil services. The CEO is the administrative and functional head of GMFB and is assisted by the Secretary, three Deputy Directors and other staff to manage the day-to-day functions of the Board. The GMFB has the powers to appoint officers and staff to discharge its duties and functions effectively and efficiently.

As per GMFB Act, 1979, the main duties, functions and powers of GMFB were to (i) grant loans and disburse grants-in-aid (GIA) on behalf of the State Government to Urban Local Bodies (ULBs), (ii) assess the income and expenditure incurred by ULBs during a financial year in carrying out the obligatory and discretionary duties or functions, and also tender advice to ULBs for increasing their income and for preparation of budget estimates, (iii) recommend to the ULBs measures to be taken for improving collection of taxes and fees, (iv) make recommendations to the State Government or any ULB in the interest of sound municipal finance and the principles which should govern the GIA of the revenue of ULBs out of the Consolidated Fund of the State, and (v) inspect developmental works executed by the ULBs from GIA.

GMFB managed funds in respect of 41 Schemes being implemented by ULBs and Urban Development Authorities. Of these, GMFB disbursed 87 *per cent* grants for implementation of eight major schemes[19] during 2012-17.

In order to seek an assurance whether GMFB discharged its duties and functions effectively and efficiently, audit test-checked the records of GMFB for the period 2012-17. Audit selected[20] seven major schemes out of 41 schemes being implemented by the ULBs from the grants released by GMFB to ascertain the impact over the ULBs. For this purpose, audit also test-checked (between March and September 2017) records of two[21] of eight Municipal Corporations (MCs) and 12[22] of 162 Nagarpalikas (NPs) for the period 2012-17.

The audit findings have been issued to UD&UHD in November 2017; their reply was awaited as of February 2018.

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19 (i) Professional Tax Grant to MCs, (ii) Professional Tax Grant to NPs, (iii) Entertainment Tax Grant to MCs and NPs, (iv) Assistance to local bodies for primary education from Education Cess grant, (v) GIA to NPs in lieu of abolition of Octroi, (vi) GIA to MCs in lieu of abolition of Octroi, (vii) Thirteenth Finance Commission Grant and (viii) Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana (SJMMSVY)

20 As the audit findings in respect of SJMMSVY have been reported in the Audit Report of the CAG (Local bodies) for the year ended March 2015, audit findings of remaining seven schemes have been covered in the present audit.

21 Surat and Vadodara

22 Bharuch, Dahod, Dhrangadhra, Dholka, Himatnagar, Kadi, Nadiad, Navsari, Patan, Surendranagar, Vapi and Veraval-Patan

Audit Findings

4.2.2 Financial Management of GMFB

4.2.2.1 Disbursement of Grants to ULBs

GMFB received grants from UD&UHD for implementation of 41 Schemes during 2012-17 being implemented between 1992-93 and 2016-17. The grants received are in turn released to the ULBs for implementation of these Schemes. The establishment expenses of GMFB are to be met from the interest earned on seed money provided by the State Government.

The details of grants received and disbursements to ULBs by GMFB[23] for all 41 Schemes during the period 2012-17 are shown in **Table 1** below.

Table 1: Receipts and disbursements of GMFB during 2012-17

(₹ in crore)

Year	Opening Balance	Grants received from UD&UHD	Interest earned on grants	Total receipts	Grant disbursed to ULBs	Closing Balance
1	2	3	4	5	6	7
2012-13	385.16	5,164.94	52.26	5,602.36	5,055.77	546.59
2013-14	546.59	5,753.26	41.25	6,341.10	5,542.25	798.85
2014-15	857.57	6,630.60	69.93	7,558.10	6,599.32	958.78
2015-16	841.96	6,200.32	69.26	7,111.54	6,793.66	317.88
2016-17	790.47	7,031.41	68.87	7,890.75	7,450.69	440.06
Total		**30,780.53**	**301.57**		**31,441.69**	

(Source: Information provided by GMFB)

The above table shows that against the total available grants of ₹ 31,467.26 crore[24] received during 2012-17, GMFB disbursed ₹ 31,441.69 crore to ULBs. Of ₹ 31,441.69 crore disbursed to ULBs, ₹ 13,907.74 crore (44 *per cent*) had been disbursed for implementation of seven Schemes selected in audit and ₹ 13,551.15 crore (43 *per cent*) had been disbursed for implementation of *Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana* (SJMMSVY). The remaining ₹ 3,982.80 crore was disbursed for implementation of 33 Schemes. On scrutiny of records, Audit observed that:

- Instead of releasing the grants to ULBs, GMFB irregularly parked all the grants temporarily in Gujarat State Financial Services Limited[25] (GSFS) in the form of interest bearing liquid deposits and earned interest of ₹ 301.57 crore during 2012-17.
- Out of ₹ 13,907.74 crore grants received in seven test-checked Schemes during 2012-17, GMFB had temporarily parked ₹ 2,221.00 crore[26] (16 *per*

23 The overall funds of GMFB and its own fund are shown separately in **Appendix-IVA and IVB**

24 ₹ 385.16 crore (OB) + ₹ 30,780.53 crore (grants received) + ₹ 301.57 crore (interest received)

25 GSFS is a wholly subsidiary of Government of Gujarat in which it has 100 *per cent* holding and is registered with RBI as non-banking finance company

26 (1) ₹ 1,164.70 crore parked for 10 days to 138 days (Octroi grants to NPs), (2 &3) ₹ 95.09 crore parked for 51 days to 494 days (PT grants to NPs and PT grants to MCs), (4) ₹ 62.82 crore parked for 102 days to 994 days (ET grants), (5) ₹ 230.99 crore parked for 12 days to 640 days (EC grants) and (6) ₹ 667.40 crore parked for 17 days to 879 days (13th FC grants)

cent) in respect of six Schemes in GSFS for a period ranging from 10 days to 994 days during 2012-17 and earned interest of ₹ 71.97 crore. The table above shows that the interest income had increased over the period in 2012-17 though GSFS reduced the rate of interest by two *per cent* and the receipt of grants from UD&UHD had increased. Thus, it indicates that the grants were being parked by GMFB for earning interest.

- This action of GMFB to hold the funds and invest them in GSFS was not in order as it violated the directives (July 1995) of Finance Department (FD) which stipulated parking of only surplus funds in GSFS.

- The disbursement of grants to ULBs had been delayed during 2012-17 by GMFB in respect of two Schemes selected in audit *i.e.* Entertainment tax (ET) and Professional tax (PT) grants meant for developmental works by 36 to 348 days and 47 to 348 days respectively from the date of receipt of grants from UD&UHD. Similarly, Octroi grants to NPs meant for payment of pay and allowances were delayed by 15 to 97 days from the date of receipt of grants from UD&UHD.

- Instances of disbursement of grants on the last day of the financial year were noticed in respect of ET and PT grants. ET grant of ₹ 6.66 crore received in April 2014, ₹ 24.91 crore received in July 2015 and ₹ 50.35 crore received between June 2016 and October 2016 had been disbursed by GMFB to the ULBs on 31 March 2015, 31 March 2016 and 31 March 2017 respectively. Similarly, PT grant of ₹ 5.83 crore received in April 2014 and ₹ 28 crore received during May 2015 to October 2015 had been disbursed by GMFB to the ULBs on 31 March 2015 and 31 March 2016 respectively. As a result, ULBs did not get the time to plan for a meaningful utilisation of the grants.

- GMFB had short-released ET and PT grants of ₹ 20.07 crore and ₹ 67.75 crore respectively to the ULBs during 2012-17 due to non-submission of revised budget estimates to UD&UHD.

- GMFB had irregularly diverted (December 2016) interest income of ₹ 25 crore earned on grants to its own fund (seed money capital fund) to meet its establishment expenditure **(Appendix-IVB)**. Audit observed that the average establishment and contingent expenditure of GMFB was ₹ 4.46 crore whereas the average interest income was ₹ 4.52 crore during 2012-17.

GMFB stated (May 2017) that the grant short-budgeted would be claimed from the State Government and would be allocated to the ULBs. GMFB further attributed (May 2017) the reason of delay in disbursement of grants to late receipt of grants from UD&UHD. The reply is not tenable as the delay pointed out above was the delay in disbursement on the part of GMFB after receipt of grant from UD&UHD. Audit observed that three test-checked NPs had diverted ₹ 3.65 crore[27] from other Schemes between July 2016 and February 2017 for payment of salary and wages to its staff due to delay in release of Octroi grants

27 Navsari NP diverted ₹ two crore from PT/ET/Nirmal Gujarat/14th FC grants; Nadiad NP diverted ₹ 1.50 crore from 14th FC grants; Dholka NP diverted ₹ 0.15 crore from Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana grants

to NPs by GMFB. In Patan NP, pay and allowances of NP staff including *Safai Karamcharis* totalling ₹ 1.31 crore for the months of March 2016 and March 2017 could be paid only in June 2016 and May 2017 respectively due to delay in disbursement of Octroi grants by GMFB. As regards diversion of funds, GMFB accepted (March 2018) that ₹ 25 crore had been transferred for administrative and other necessary expenses as per the decision taken in the Board meeting (22 November 2016). Audit is of the view that had the GMFB released the grants to ULBs immediately instead of investing in GSFS, the grants could have been utilised by the resource starved ULBs.

4.2.3 Assessment of income and expenditure of ULBs

The GMFB Act, 1979 enables the GMFB to assess the income and expenditure incurred by ULBs during a financial year in carrying out the obligatory and discretionary duties or functions, and also tender advice to ULBs for increasing their income and/or reducing their expenditure.

Audit observed that all the ULBs in the State had furnished annually the requisite information of income and expenditure to GMFB for the period 2012-17. However, the information so furnished by the ULBs during 2012-17 on income and expenditure had not been assessed/analysed by GMFB nor did it tender any advice to ULBs for increasing the income and/or reducing the expenditure.

Audit analysis revealed that revenue income of five[28] of 12 test-checked NPs had reduced during 2016-17 as compared to revenue income registered in 2012-13. In three[29] of 12 test-checked NPs, the establishment expenditure was 80 *per cent* to 100 *per cent* of the total revenue income during 2012-17. Thus, 18 works estimated at ₹ 1.13 crore approved by the General Body of Navsari NP (between January 2014 and January 2017) remained unexecuted as of February 2018, due to shortage of surplus funds. The situation could have been avoided had GMFB analysed the income and expenditure of the ULBs regularly.

The GMFB accepted the audit observation and stated (June 2017) that with the constitution of State Finance Commissions (SFCs), the responsibility for assessment of income and expenditure of ULBs was that of the SFCs. The reply is not tenable as the SFC as per its terms of reference is supposed to make recommendations to the Government *after assessing the financial requirements of the ULBs as well as the ways and means to augment their resources to make them minimum dependent on additional financial support from the State Government in order to achieve swift and impartial fiscal escalation with rather sustainable financial base as to improve the Civic services*. SFC was further required to find whether the ULBs were sustainable units as envisaged in the 74th Constitutional Amendment. The SFC had not made any ULB-wise specific recommendation on augmenting the financial base of the ULBs. Whereas GMFB Act, 1979 envisages that GMFB shall assess the income and expenditure incurred by individual ULB during a financial year in carrying out

28 Bharuch (14%), Himatnagar (33%), Nadiad (39%), Surendranagar (7%) and Veraval-Patan (38%)
29 Dahod, Navsari and Veraval-Patan

the obligatory and discretionary duties or functions, and also tender advice to specific ULB for increasing their income. The GMFB Act, 1979 also envisages that GMFB shall make recommendations to the State Government or any ULB in the interest of sound municipal finance and the principles which should govern the grants-in-aid of the revenue of ULBs out of the Consolidated Fund of the State. The GMFB Act, 1979 has not been amended in the light of the 74th Constitutional Amendment of the third tier of local self-governance. Thus, the function of assessment of income and expenditure of ULBs and to tender advice to ULBs for increasing their income lied with the GMFB. In the process, GMFB acted only as Governments disbursing agent without assessing the capacity of the individual MCs/NPs to carry out their basic obligatory and discretionary functions.

4.2.4 Disbursement of loans to ULBs

The GMFB Act, 1979 provides for disbursement of loans to ULBs by GMFB as per the terms and conditions fixed by the State Government. To achieve the targets of urban development and to avoid additional financial burden over the ULBs by availing of loans under different Schemes, the State Government introduced (October 2006) *Nagar Vikas Shreenidhi Yojana* (NVSY) to provide loans to ULBs at five *per cent* simple interest. The loans availed of under NVSY were to be utilised for improvement of public amenities, creation of assets for revenue generation, enabling ULBs to contribute their share under any Scheme and for bridge loans[30].

GMFB sanctioned loans of ₹ 13.87 crore to 11 NPs under NVSY during 2012-17 and disbursed ₹ 12.75 crore as of March 2017. Scrutiny of records at GMFB and five[31] of the 11 NPs revealed the following:

- The NVSY guidelines provide for disbursement of loans to only those ULBs whose total tax collection[32] was more than 60 *per cent* of its demand in the preceding year. However, three of five NPs (Boriyavi, Kalol and Vijapur) had been sanctioned loans aggregating ₹ 6.14 crore though their tax collection was 53.81 *per cent* (Boriyavi), 29.43 *per cent* (Kalol) and 17.99 *per cent* (Vijapur) of the total demand.

- The NVSY guidelines provide for recovery of loan in 10 equal annual instalments after one year of the release of last instalment. Further, the recovery of loan instalment along with interest was not to exceed 25 *per cent* of the total revenue income of the ULB during the year. Thus, GMFB was required to consider the repaying capacity of the ULBs while sanctioning the loan. However, in case of Boriyavi NP, though the annual revenue income of the NP was only ₹ 0.30 crore during 2012-13, GMFB sanctioned (2013-14) and disbursed loan of ₹ 4.14 crore for completion of a housing project under Integrated Housing and Slum Development Programme and fixed an annual instalment of ₹ 0.41 crore (principal) plus interest. Thus, the loan instalment (₹ 0.41 crore

30 A short-term loan against delay in release of grant or loan
31 Valsad, Padra, Kalol, Boriyavi and Vijapur
32 Property tax, drainage tax, water tax, street light tax, sanitation tax, education cess *etc.*

excluding interest) was more than five times of ₹ 7.50 lakh (25 *per cent* of total revenue income of the NP). This indicated that GMFB sanctioned the loan without assessing the repayment capacity of the NP. Consequently, the NP failed to repay the last four loan instalments (2014-15 to 2017-18) and the liability in the form of interest and penal interest as of December 2017 was pegged at ₹ 0.97 crore.

- Boriyavi NP diverted (August 2016) the loan funds of ₹ 0.64 crore to SJMMSVY though the loan (₹ 4.14 crore) was sanctioned for completion of a housing project under Integrated Housing and Slum Development Programme.

- As per NVSY guidelines of October 2006, the ULBs were to utilise the loan within two years from the date of release of first instalment. However, none of the three NPs (Boriyavi, Padra and Vijapur) completed the projects within the stipulated period of two years. The housing project and the pond beautification project taken up by Boriyavi and Padra NPs respectively were still in progress and they have already registered a delay of 48 and 62 months as of November 2017. Whereas, the shopping complex project taken up by Vijapur NP had been delayed by 12 months.

The GMFB stated (June 2017) that these NPs were not financially sound and the loans had been sanctioned and disbursed to these NPs so that they could generate more revenue income. It was further stated that the instalments due would be recovered from the grants payable and instructions would be issued to all NPs to complete the projects so that the purpose of availing loan could be achieved. However, Audit observed that GMFB had sanctioned the loan without proper assessment of repaying capacity of the NPs though was envisaged in the NSVY guidelines and failure of GMFB to monitor the execution of works by NPs resulted in diversion of loan funds and works remaining incomplete as of February 2018.

4.2.5 Monitoring and internal control mechanism

As of February 2018, against the sanctioned posts of 25 Class I, II and III officials, the available manpower was 20[33]. The average establishment and contingent expenditure incurred by GMFB during 2012-17 was ₹ 4.46 crore.

4.2.5.1 Monitoring of developmental works

As per the GMFB Act, 1979, GMFB shall have the power to enter on and inspect or cause to be entered on and inspected any work carried on by a ULB. Further, UD&UHD empowered (December 2009) GMFB to monitor the physical and financial progress of developmental works executed by ULBs from GIA received by them under various Schemes. Grants released under PT, ET, Education Cess and Octroi to Municipal Corporations are required to be utilised for developmental works. Audit observed that:

- GMFB neither maintained any database nor reviewed the physical and financial progress of works being executed by ULBs from these grants.

33 Includes two Class II and 12 Class III officials appointed through outsourcing

- Developmental works under PT and ET grants were required to be completed within one year from the date of disbursement of grants. In two MCs (Surat and Vadodara) and five NPs[34], 73 works (estimated cost ₹ 38.72 crore) had been delayed by 12 to 1,393 days beyond one year from the date of disbursement of grants.

- In two test-checked MCs (Surat and Vadodara), the entire Octroi grants of ₹ 4,473.91 crore[35] received during 2012-17 had been irregularly utilised for payment of salaries, pension and contingent expenses.

- Education Cess grants was to be utilised by the ULBs only for capital expenditure on school buildings. Only five[36] out of 14 test-checked ULBs had been managing primary education. During 2012-17, these five ULBs received EC grant of ₹ 201.01 crore of which, ₹ 139.77 crore (70 *per cent*) was utilised. Of the ₹ 139.77 crore, only ₹ 85.32 crore (61 *per cent*) was utilised for capital works while ₹ 54.45 crore (39 *per cent*) was utilised for meeting pay and allowances expenses by four[37] of these five ULBs instead of augmenting the school building infrastructure and providing other basic facilities such as, safe drinking water, classrooms, clean toilets separately for boys and girls *etc*.

The above deficiencies indicated that GMFB neither monitored the proper utilisation of grants nor inspected the work done as mandated in GMFB Act, 1979.

The GMFB stated (February 2018) that necessary instructions would be issued to all ULBs to follow the rules and regulations issued by the State Government for utilisation of each grant and would also develop a mechanism for reviewing the expenditures on monthly basis. The reply is not tenable as GMFB could not produce any record to audit to indicate that GMFB monitored the developmental works[38] executed by the ULBs which resulted in delay in completion of works and irregular utilisation of grants by the ULBs.

4.2.5.2 Preparation of Budget estimates

The GMFB Act, 1979 enables the GMFB to tender advice to ULBs for preparation of budget estimates. Audit observed that GMFB had not submitted revised budget estimates to the UD&UHD as discussed in **Paragraph 4.2.2.1** and also did not render any advice to NPs for preparation of budget estimates in a realistic manner. As a result, all the 12 test-checked NPs had prepared budget estimates in an ad-hoc manner, increasing the estimates of previous year by certain percentage, instead of reckoning the actual income and expenditure incurred during the previous year. Consequently, the percentage variations in income and expenditure between the budget estimates[39] and the actuals in these test-checked NPs ranged from (-) 60 to 89 and (-) 144 to 91 respectively during 2012-17.

34 Dhrangadhra, Navsari, Patan, Surendranagar and Vapi
35 Vadodara MC: ₹ 1,361.17 crore and Surat MC: ₹ 3,112.74 crore
36 Surat MC, Vadodara MC, Bharuch NP, Nadiad NP and Navsari NP
37 Vadodara MC: ₹ 48.63 crore; Bharuch NP: ₹ 3.45 crore; Nadiad NP: ₹ 0.87 crore; and Navsari NP: ₹ 1.50 crore
38 Works related to water supply, drainage, public health, roads, street lights, school infrastructures, *etc.*
39 The NPs did not prepare any revised estimates during the period 2012-17.

The GMFB attributed (February 2018) the reason of not tendering advice to ULBs to not submitting the budget estimates by the ULBs and stated that instructions would be issued to all ULBs to prepare their budget estimates as per the Budget Manual and submit their budget estimates for guidance so that the budget can be prepared in realistic manner. Non-submission of revised budget estimates by GMFB shows poor planning and management at GMFB. Thus, GMFB failed in preparation of its own budget estimates and also failed to tender advice to ULBs in this respect though envisaged in the GMFB Act.

4.2.5.3 Receipt of utilisation certificates

As per UD&UHD directives of December 2009, ULBs were entitled for PT and ET grants in the subsequent year only after submission of utilisation certificates (UCs) to GMFB for the grants received during the previous year. However, GMFB neither maintained any records to monitor the receipt of UCs from ULBs nor was there any mechanism with GMFB to ensure that the ULBs had utilised the grants within the given timeframe (as indicated in grant release orders). In 14 test-checked ULBs, except for three NPs (Kadi, Patan and Vapi), none of the 11 ULBs had furnished UCs to GMFB during 2012-17. High pendency of UCs was fraught with the risk of misappropriation and fraud.

4.2.5.4 Submission of Annual Accounts

The GMFB Act, 1979 provides that the Board shall cause its accounts to be audited annually and send the accounts with a copy of the auditor's report to the State Government. The audited accounts shall be laid before the State legislature as soon as possible. The details of submission of accounts for auditing and submission of audited accounts to State legislature during 2012-17 are shown in **Table 2** below.

Table 2: Details of submission of annual accounts

Year	Due date of submission of accounts	Date of submission of accounts for audit (delay in days)	Date of issue of audited accounts	Date of submission of audited accounts to UD&UHD	Date of placement in State legislature (delay in days)
2012-13	30-06-2013	06-12-2013 (159)	04-06-2014	13-11-2014	02-03-2015 (271)
2013-14	30-06-2014	04-07-2014 (04)	27-03-2015	27-08-2015	04-03-2016 (343)
2014-15	30-06-2015	22-09-2015 (84)	23-03-2016	21-10-2016	01-03-2017 (343)
2015-16	30-06-2016	05-12-2016 (158)	22-05-2017	17-07-2017	01-03-2018 (283)
2016-17	30-06-2017	25-07-2017 (25)	18-12-2017	12-03-2018	Yet to be placed

(Source: Information provided by GMFB)

The above table shows delay on the part of GMFB in finalisation of accounts which resulted in further delay in auditing of accounts and its placement in the State legislature. The delay in submission of accounts for auditing ranged from four days to 159 days. Though the audited accounts were received, GMFB further delayed in submission of audited accounts to UD&UHD for its placement in the State Legislature. The delays in placement in the State legislature from date of receipt of audited accounts ranged from 271 days to 343 days.

4.2.5.5 Meetings held by GMFB

The GMFB Regulations, 1983 provide that the Board shall meet at least once in every two months on such date and time as may be fixed by the Chairman to discuss matters of receipts and expenditures, progress reports, budget, passing of resolutions, *etc.* Audit observed that the Board had held only nine meetings as against 30 meetings to be held during 2012-17. GMFB attributed (March 2017) the reason for not holding regular meeting to not having regular Chairman and CEO.

4.2.6 Conclusion and recommendations

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

The State Government may amend the GMFB Act in light of the 74th Constitutional Amendment to assist in implementation of the recommendations of the State Finance Commissions.

The GMFB may assess the income and expenditure of ULBs on a regular basis and render timely advice to them for strengthening their own sources of income.

The State Government may fix a definitive timeframe for disbursement of grants to ULBs in order to enable them plan and execute the developmental works in a timely manner.

The GMFB may also strengthen its internal control mechanism to minimise the risk of errors and irregularities associated with disbursement and utilisation of grants.

4.3 Unfruitful expenditure

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

Kalol Nagarpalika (NP) received (July 2013) ₹ 1.50 crore from Gujarat Municipal Finance Board (GMFB) under the "*Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana*" (SJMMSVY) that envisages creation of infrastructure facilities such as urban mobility, basic civic amenities, affordable housing, social infrastructure facilities, e-Governance and skill development. The NP decided to establish a Mini Science Centre at Kalol, Panchmahal district at an estimated cost of ₹ 1.36 crore from the funds made available to it by GMFB.

The District Urban Development Agency (DUDA), Godhra accorded administrative approval in November 2014 and accordingly the NP awarded (December 2014) the work to an agency[40] at a negotiated cost of ₹ 96.74 lakh. The agency was required to complete the work within nine months (September 2015).

Audit observed that the agency was paid ₹ 51.68 lakh up to May 2015 and thereafter, the work was stopped by the NP, based on the complaints received from local residents regarding the ownership of the site. Joint investigation conducted by the Chief Officer of NP and the Revenue Officer (Mamlatdar) at the behest of the Collector, Panchmahal subsequently revealed (June 2016) that the land in question was of alluvial nature situated on the banks of river Goma and therefore, could not be transferred to the NP. The NP requested (October 2016) the Collector to allot the said land, as a special case, for establishment of Science Centre, which was pending (February 2018) in the Revenue Department. The Science Centre was still incomplete as of February 2018.

DUDA failed to ascertain legal ownership of the land before according administrative approval to the project. Therefore, NP Kalol, which is starved of funds, further got embroiled in a non-performing developmental work that resulted in unfruitful expenditure of ₹ 51.68 lakh.

Picture of incomplete Science Centre at NP, Kalol

The Chief Officer verified the facts (May 2017) of the case. There was no response from DUDA, Godhra.

The matter was reported to the Government in September 2017; their reply was awaited as of February 2018.

40 Royal Infra Engineering Private Limited, Surat

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

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

The Central Sanctioning Committee of Ministry of Housing and Urban Poverty Alleviation, Government of India (GoI) sanctioned (August 2007) a project for construction of 611 dwelling units (DUs) for slum dwellers under Integrated Housing and Slum Development Programme (IHSDP[41]) for Boriyavi Nagarpalika (NP), Anand district. Under the project, GoI provided 80 *per cent* of the cost of DU, subject to ceiling cost of ₹ 80,000 per DU and 80 *per cent* of basic infrastructure cost. State Government was to bear 20 *per cent* of the remaining infrastructure cost and 10 *per cent* of DU. Beneficiary was only supposed to meet 10 *per cent* of the DU. However, any escalation in the unit cost over the sanctioned cost was to be borne by the beneficiary according to the GoI sanction.

The project with estimated cost of ₹ 8.33 crore (cost of DUs - ₹ 7.71 crore and cost of infrastructure - ₹ 0.62 crore) was sanctioned by GoI. For this housing project, the NP received total grants of ₹ 7.60 crore[42] from the Gujarat Urban Development Mission. The NP awarded (February 2009) the work of construction of 611 DUs along with provision of basic infrastructure to a contractor[43] at a cost of ₹ 13.56 crore (76 *per cent* above the estimated cost of DU within a period of one year of sanction) for completion on or before February 2010. As a result the sanctioned unit cost of DU shot up from ₹ 1.26 lakh to ₹ 2.22 lakh. Accordingly, NP decided to construct only 416 DUs and abandoned the construction of the remaining 195. The work of 416 DUs was completed at a cost of ₹ 9.99 crore after a delay of 60 months from stipulated date of completion and the work of infrastructure was yet to be taken up. Thus, the cost per DU further increased to ₹ 2.40 lakh making the project unviable for the slum dwellers. This resulted in overall cost escalation of ₹ 4.74 crore[44] against the sanctioned unit cost. It is evident that the NP was negligent of the fact that the entire escalated cost would have to be borne by the poor slum dwellers beneficiaries and therefore it went ahead with awarding the contract at 76 *per cent* higher than the estimated DU cost.

The Chief Officer while accepting the audit observation informed (February 2018) that a notice inviting applications from the beneficiaries for allotment of 611 DUs was published in the notice board of NP during 2011-12, which did not evince any interest. Due to unwillingness of the beneficiaries, the NP subsequently advertised (March 2013) the availability of 416 vacant DUs in the local newspaper. All the 416 DUs were allotted (between July 2015 and June 2017) to the beneficiaries from Boriyavi NP as well as those from the adjoining areas.

41 IHSDP was launched by GoI on 03 December 2005 with the basic objective to provide adequate shelter and basic infrastructure facilities to the slum dwellers of the identified urban areas.
42 GoI: ₹ 4.40 crore and State Government: ₹ 3.20 crore including additional grant of ₹ 2.65 crore
43 Sintex Industries Limited, Kalol
44 ₹ 9.99 crore - ₹ 5.25 crore (₹ 1.26 lakh sanction cost per DU x 416 DUs)

Audit is of the view that the project was made unviable for the poor slum dwellers at the time of awarding the contract at 76 *per cent* higher than the sanctioned cost. Further, cost escalation of 14 *per cent* and time escalation of 60 months made the DU cost 90 *per cent* higher than the sanctioned cost. The project was not monitored by Gujarat Urban Development Mission, Director of Municipalities and NP Boriyavi at any level.

The matter was reported to the Government in September 2017; their reply was awaited as of February 2018.

4.5 Wasteful expenditure

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

Water Supply Project at Kathlal Nagarpalika

The distribution network of the old water supply Scheme in Kathlal Nagarpalika (NP) under Kheda district was 30 years old and the source of water was tubewells which contained high content of fluorides and total dissolved solids. With the objective of augmenting the water supply system and to provide 100 lpcd of safe and healthy drinking water to the people of Kathlal town, the NP proposed "Kathlal Water Supply Augmentation Project" under UIDSSMT[45].

The GoI approved (October 2007) the project at an estimated cost of ₹ 3.92 crore. The cost of the project was to be shared by GoI, State Government and NP in the ratio of 80:10:10. The NP divided the scope of work into four parts of which, three parts were completed between December 2010 and September 2011 at a cost of ₹ 3.39 crore as detailed in **Table 1** as follows.

Table 1: Detail of works awarded and completed

(₹ in lakh)

Name of component	Date of award	Tendered cost	Actual date of completion	Expenditure incurred
(Part - I)				
Construction of 4 MLD capacity non-conventional Water Treatment Plant	January 2009	59.35	December 2010	58.85
(Part - II)				
Construction of RCC elevated service reservoir, underground sump and pump house	December 2008	78.00	September 2011	76.29

45 Urban Infrastructure Development Scheme for Small and Medium Towns, one of the components of JNNURM.

(Part - III)				
Construction of transmission and gravity mains, intake arrangement, pump house, pumping machineries and post-completion trial run for one month	February 2009	462.78	September 2011	204.34
(Part - IV)				
Construction of head regulator[46] structure in Shedhi branch canal (source)	October 2015	12.43	Not yet started as of February 2018	Not applicable
Total				**339.48**

(Source: Information compiled from the documents furnished by NP)

As could be seen from **Table 1**, Part - I and II were completed in December 2010 and September 2011 respectively at a cost of ₹ 1.35 crore. However, under Part – III, the scope of work was reduced by using the transmission lines of other Schemes in this project and therefore, the expenditure was restricted to ₹ 2.04 crore against the tendered cost of ₹ 4.63 crore.

Audit observed that water for the project was to be drawn from Shedhi branch canal of Narmada canal situated in Kheda district through head regulator (Part – IV). However, an agreement for reservation of water to be used for the project (3.60 MLD) was signed by the NP with the Shedhi Irrigation Division, Nadiad only in August 2014 (after 68 months from the date of award of Part – I and II) and the work under Part - IV[47] was awarded in October 2015. Even after award in October 2015, no works could be commenced, as the Shedhi Irrigation Branch refused to block/stop the flow of water to facilitate the commencement of head regulator (HR) works in the submergence area, in order to ensure uninterrupted supply of water to Ahmedabad Municipal Corporation.

The Shedhi Irrigation Branch closed the canal (after 16 months) from 19 March 2017 to 23 June 2017 and intimated the NP (03 March 2017 and 17 March 2017) to commence the HR works. But, the NP did not commence any works. As a result, works already completed under Part – I to III at a cost of ₹ 3.39 crore could not be operationalised as of February 2018.

The Chief Officer, NP, Kathlal accepted the facts and stated (March 2018) that whenever the flow of water in Shedhi branch canal is stopped, the work of HR structure would be completed. It is apparent that the NP does not have a firm plan to commence the work of head regulator and operationalise the project at the earliest. Even after successful completion of head regulator works, doubts would remain whether components completed under Part – I to III more than six to seven years back would function efficiently and effectively.

46 A structure at the head of canal to regulate the water supply from the canal.
47 Part IV was to be completed within 45 days of award of work *i.e.* by November 2015

Water Supply Project at Thasra Nagarpalika

The existing water supply infrastructure in Thasra Nagarpalika (NP), Kheda district was very old and facing acute shortage of water from the source in summer season alongwith low storage capacity. The NP decided to establish a new water supply project under "*Amrut Dhara Scheme*" of the State Government that envisaged development of water supply infrastructure in Nagarpalikas for supply of potable water to the people. The technical sanction to the project was accorded (April 2007) by Gujarat Water Supply and Sewerage Board specifying clearly that the NP must ensure supply of sufficient potable water from the source and therefore, all works pertaining to the source be taken up first before executing other components of the project. The Gujarat Municipal Finance Board accorded (October 2007) administrative approval to the project at a cost of ₹ 1.30 crore. The NP divided the scope of work into three parts and invited separate tenders for each part. **Table 2** below shows the dates of award of each part, their tendered costs, actual date of completion and expenditure incurred.

Table 2: Details of works awarded and completed

(₹ in lakh)

Name of component	Date of award	Tendered cost	Actual date of completion	Expenditure incurred
(Part-I)				
Providing, lowering, laying and joining HDPE pipe for pumping and gravity distribution network	October 2008	123.00	Partially completed in February 2013	95.93
(Part-II)				
Drilling tubewell, construction of bore room and supplying, erecting and commissioning of pumping machinery at tubewell and sump	October 2008	16.15	July 2009	15.83
(Part-III)				
Planning, designing and construction of RCC elevated service reservoir (ESR) of five lakh litre capacity and pump house	Not yet awarded as of February 2018	58.25	Not Applicable	Not Applicable
Total				**111.76**

(Source: Information compiled from the documents furnished by NP)

Audit observed that contrary to the condition specified in the technical sanction, the NP awarded the work of source (Part - II) as well as laying of pipelines (Part - I) simultaneously in October 2008. While no source could be established through borewells (water was found to be dirty and not potable) after incurring an expenditure of ₹ 15.83 lakh (Part – II), the contractor after executing 95 *per cent* works valuing ₹ 95.93 lakh (Part-I) stopped the work in 2012-13, due to non-establishment of source. Consequently, the contract for construction of ESR (Part – III) was not awarded (February 2018). In the meanwhile, the NP took up various projects for construction of RCC roads, paving blocks and laying of drainage lines, due to which, pipelines already laid under Part - I at a cost of ₹ 95.93 lakh got damaged at many places. These pipelines, as admitted by the Chief Officer, NP in September 2017, were non-retrievable and non-usable in future for any water supply project.

Thus, Nagarpalikas, Kathlal and Thasra could not operationalise the critical drinking water services due to negligence and inefficient handling of two important water supply projects in the last nine years, leading to wasteful expenditure of ₹ 4.51 crore. The projects were also not monitored by the Director of Municipalities and Gujarat Municipal Finance Board.

Both the cases were reported to the Government in June 2017; their reply was awaited as of February 2018.

(K. R. SRIRAM)
Principal Accountant General
Rajkot **(General and Social Sector Audit),**
The **Gujarat**

Countersigned

(RAJIV MEHRISHI)
New Delhi **Comptroller and Auditor General of India**
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APPENDICES

APPENDIX - I

Statement showing BPL families and poor eligible families of 17 villages not provided benefits under any housing Scheme(s)

(Reference: Paragraph 2.1.6.3; Page 18)

Sr. No.	Name of districts	Name of talukas	Name of villages	BPL families as per socio-economic data	Number of BPL families left out from housing benefits
1	Ahmedabad	Dhandhuka	Ganf	258	85
2		Dholka	Simej	404	71
3	Anand	Borsad	Dabhasi	374	8
4		Petlad	Virol	311	18
5	Banaskantha	Amirgadh	Aval	458	5
6		Deesa	Malgadh	1,212	2
7		Palanpur	Vasan (Dha)	282	00
8	Dahod	Dahod	Chosala	715	7
9		Devgadhbaria	Piplod	940	182
10	Navsari	Chikhli	Amadhra	437	13
11		Navsari	Sarai	127	8
12	Porbandar	Kutiyana	Ishvariya	120	18
13	Surendranagar	Dhrangadhra	Malvan	399	80
14		Limbdi	Shiyani	728	127
15		Patdi	Adariyana	602	186
16	Tapi	Songadh	Borpada	64	00
17		Vyara	Kapura	371	168
Total				**7,802**	**978**

(Source: Information provided by the concerned TCMs)

APPENDIX - II

Statement showing funds received and expenditure incurred by test-checked talukas under SPAY and SPAY II during 2012-17

(Reference: Paragraph 2.1.7.2; Page 21)

(₹ in crore)

Sr. No.	Name of district	Name of taluka	Opening balance	Funds received	Total funds available	Expenditure incurred	Closing balance
1	Ahmedabad	Dhandhuka	2.14	2.91	5.05	2.40	2.65
2		Dholka	1.51	11.12	12.63	6.24	6.39
3	Anand	Borsad	3.37	55.35	58.72	49.64	9.08
4		Petlad	2.80	30.45	33.25	30.66	2.59
5	Banaskantha	Amirgadh	2.11	17.79	19.90	14.75	5.15
6		Deesa	00	27.47	27.47	17.54	9.93
7		Palanpur	00	9.89	9.89	7.39	2.50
8	Dahod	Dahod	00.89	50.99	51.88	42.23	8.99
9		Devgadhbaria	3.82	56.48	60.30	49.05	11.25
10	Navsari	Chikhli	00	31.93	31.93	30.86	1.07
11		Navsari	00	5.84	5.84	6.50	(-)00.66
12	Porbandar	Kutiyana	1.17	00.71	1.88	00.49	1.39
13	Surendranagar	Dhrangadhra	00.30	2.05	2.35	1.39	00.96
14		Limbdi	00.37	9.12	9.49	8.54	00.95
15		Patdi	00.80	4.45	5.25	3.81	1.44
16	Tapi	Songadh	00	37.60	37.60	31.40	6.20
17		Vyara	(-)00.12	48.73	48.61	41.59	7.02
	Total		**19.16**	**402.88**	**422.04**	**344.48**	**76.90**[1]

(Source: Information provided by test-checked TDOs)

1 The difference of ₹ 0.66 crore in closing balance was due to surrender of the same to Government by TDO Dahod during 2012-13

APPENDIX - III

Statement showing details of allotment of free plots in test-checked talukas

(Reference: Paragraph 2.1.8.1; Page 24)

Sr. No.	Name of district	Name of taluka	Number of applications received	Applications approved	Number of *sanads* issued	Number of houses approved
1	Ahmedabad	Dhandhuka	391	138	138	62
2		Dholka	40	29	14	12
3	Anand	Borsad	202	141	70	58
4		Petlad	255	153	54	47
5	Banaskantha	Amirgadh	110	6	6	6
6		Deesa	18	18	13	8
7		Palanpur	670	558	456	160
8	Dahod	Dahod	00	00	00	00
9		Devgadhbaria	00	00	00	00
10	Navsari	Chikhli	00	00	00	00
11		Navsari	00	00	00	00
12	Porbandar	Kutiyana	219	203	164	151
13	Surendranagar	Dhrangadhra	594	185	120	25
14		Limbdi	45	14	6	5
15		Patdi	450	93	43	20
16	Tapi	Songadh	70	22	19	14
17		Vyara	6	6	6	6
	Total		**3070**	**1566**	**1109**	**574**

(Source: Information provided by concerned TPs)

APPENDIX-IV (A)

Statement showing the overall receipts and disbursement of grants by Gujarat Municipal Finance Board during 2012-17

(Reference: Paragraph 4.2.2.1; Page 76)

(₹ in crore)

Year	OB	Receipts				Total Receipts	Disbursements			Grants surrendered to the Government	Total expenditure	Closing Balance
		Grants from UD&UHD	Other grants from other agencies	Loan	interest		Grants disbursed to ULBs	Grants disbursed to other agencies	loan			
1	2	3	4	5	6	7	8	9	10	11	12	13
2012-13	476.96	5164.94	21.43	68.01	56.14	5787.48	5055.77	55.49	10.20	41.57	5163.03	624.45
2013-14	624.45	5753.26	58.82	60.60	46.26	6543.39	5542.25	187.09	6.00	46.72	5782.06	761.33
2014-15	761.33	6630.60	455.52	82.49	73.41	8003.35	6599.32	25.32	2.03	40.18	6666.85	1336.50
2015-16	1336.50	6200.32	310.96	68.96	72.98	7989.72	6793.66	70.09	2.13	40.77	6906.65	1083.07
2016-17	1083.07	7031.41	182.60	87.48	75.38	8459.94	7450.69	95.97	3.75	535.97	8086.38	373.56
Total		**30780.53**	**1029.33**	**367.54**	**324.17**		**31441.69**	**433.96**	**24.11**	**705.21**	**32604.97**	

(Source: Information provided by GMFB)

APPENDIX-IV (B)

Statement showing the income and expenditure of Gujarat Municipal Finance Board from its own funds during 2012-17

(Reference: Paragraph 4.2.2.1; Page 76 and 77)

(₹ in crore)

Year	Opening Balance	Income					Total available funds	Expenditure		Total Expenditure	Closing Balance
		Diverted Funds	Loans and advances	Interest	Other	Total		Establishment and contingent	Loans and advances		
1	2	3	4	5	6	7	8	9	10	11	12
2012-13	18.07	0	0.02	3.88	0.17	4.07	22.14	2.98	0.02	3.00	19.14
2013-14	19.14	0	0.05	5.01	0.05	5.11	24.25	3.62	0.04	3.66	20.59
2014-15	20.59	0	0.16	3.48	4.07	7.71	28.30	6.11	0.23	6.34	21.96
2015-16	21.96	0	0.03	3.72	1.34	5.09	27.05	7.01	0.02	7.03	20.02
2016-17	20.02	25.00	0.03	6.51	4.73	36.27	56.29	2.56	0.05	2.61	53.68
Total		**25.00**	**0.29**	**22.60**	**10.36**	**58.25**		**22.28**	**0.36**	**22.64**	

(Source: Information provided by GMFB)