

**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL OF INDIA
ON
LOCAL BODIES
FOR THE YEAR ENDED MARCH 2014**

**GOVERNMENT OF GUJARAT
REPORT NO. 3 OF 2015**

TABLE OF CONTENTS

Particulars	Paragraph number	Page number
Preface		v
Overview		vii
CHAPTER-I		
PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT		
An overview of Finances and Accounts of Panchayati Raj Institutions	1.1	1
CHAPTER-II		
PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT		
Implementation of Integrated Watershed Management Programme	2.1	13
Implementation of Setting-up of <i>haats</i> for promotion of rural products at village, district and State levels under Swarnjayanti Gram Swarozgar Yojana	2.2	43
Suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh for Vermi Compost Beds created under Backward Region Grant Fund	2.3	52
Excess payment towards price variations due to adoption of incorrect star rate	2.4	54
CHAPTER-III		
URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT		
An Overview of Finances and Accounts of Urban Local Bodies	3.1	57
CHAPTER-IV		
URBAN DEVELOPMENT AND URBAN HOUSING DEPARTMENT		
Construction and Utilisation of shopping complexes by Nagarpalikas under Integrated Development of Small and Medium Towns (IDSMT) Scheme	4.1	67
Loss of revenue to Vadodara Municipal Corporation of ₹ 1.97 crore due to failure of the agency to deliver guaranteed power generation	4.2	79
Loss of Non-Tax Revenue to the tune of ₹ 64.54 lakh to Vadodara Municipal Corporation	4.3	81
Excess payment of ₹ 43.37 lakh towards price variation due to adoption of incorrect star rate	4.4	82
Avoidable expenditure due to excess contracted demand	4.5	84

APPENDICES

Appendix	Subject	Paragraph reference	Page number
I	Statement showing status of devolution of functions to Panchayati Raj Institutions	1.4	89
II	Details of watershed projects sanctioned during 2009-10 (Batch-I and Batch-II) and projects selected for Audit	2.1.5	90
III	Statement showing improper maintenance of measurement books at test-checked districts	2.1.13	91
IV	Statement showing the details of village <i>haats</i> sanctioned in test-checked districts and those jointly visited	2.2.1	93
V	Details of non-release of second instalment of grant to village <i>haats</i> in test-checked districts as on March 2014	2.2.3.3	94
VI	Statement showing physical progress of village <i>haats</i> as on September 2014	2.2.4.1	95
VII	Details of non-operational/partially operational village <i>haats</i> of test-checked districts	2.2.4.2	98
VIII	Statement showing the details of basic infrastructural facilities not provided in the village <i>haats</i>	2.2.4.3	99
IX	Statement showing excess payment of price variations due to incorrect adoption of star rate of asphalt	2.4	100
X	Boards and Authorities under the Department	3.2.2	102
XI	Statement showing the excess payment made for price variation for asphalt (60/70 grade)	4.4	103

PREFACE

1. This Report for the year ended March 2014 has been prepared for submission to the Governor of the State of Gujarat.
2. The Report contains significant results of the performance audit and compliance audit of Local Bodies of the Government of Gujarat including Panchayats, Rural Housing & Rural Development Department and Urban Development & Urban Housing Department.
3. The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2013-14 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 2013-14 have also been included, where ever necessary.
4. 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 chapter contain a summary of finances and accounts of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second chapter contains one Performance Audit, one Compliance Audit paragraph and two individual paragraphs based on the Audit of financial transactions of PRIs. The fourth chapter contains one Compliance Audit paragraph and four individual paragraphs on the Audit of financial transactions of ULBs. A synopsis of the findings contained in the Performance Audit and Compliance Audits are presented in this overview.

1 An overview of Finances and Accounts of Panchayati Raj Institutions

A review of finances of PRIs revealed that the spirit of the Constitutional Amendment for the PRIs to function as Local Self Government Institutions was not fulfilled substantially as the State Government had not yet devolved 10 functions out of 29 functions to the PRIs as envisaged in the 11th Schedule of the Constitution. Though, the District Planning Committees (DPCs) were constituted in 23 districts, meetings of DPC were held in only five districts. Prescribed periodicity for constitution of State Finance Commissions (SFCs) was not maintained and the report of the 3rd SFC submitted in December 2013 was yet to be placed before the legislature due to pending Action Taken Reports on the report from the State Government Departments. Amounts of ₹ 1.61 crore of Twelfth Finance Commission (TwFC) and ₹ 302.54 crore of Thirteenth Finance Commission (ThFC) were lying unspent. Formats of Model Accounting System (MAS) prescribed by the Comptroller and Auditor General of India (CAG) have not been operationalised as yet. The huge number of Audit paragraphs of the CAG and Examiner Local Fund Audit (ELFA) indicated weak internal control systems in PRIs.

(Paragraph 1.1 to 1.13)

2 Implementation of Integrated Watershed Management Programme

The Performance Audit of “Implementation of Integrated Watershed Management Programme (IWMP)” revealed that :

- In five test-checked districts, areas already treated in pre-watershed programmes (7,933.45 hectares) and canal irrigation areas (1,456.30 hectares) were included in the project in contravention to the provisions of the programme guidelines.*
- In four test-checked districts, 51,734.20 hectares (₹ 68.83 crore) of land were selected in 11 projects without considering geo-contiguity and in*

five test-checked districts, 35,445.87 hectares (₹ 44.10 crore) of land were selected in eight projects without considering hydrological contiguity contrary to the 'cluster approach' envisaged in the programme guidelines.

- *Seven projects of Navsari district and one project of Bhavnagar district were taken up first though they were required to be taken up later as per priority fixed by Gujarat State Watershed Management Agency (GSWMA).*
- *The expenditure against available funds during 2009-14 ranged between one and 58 per cent.*
- *Contour trenches costing ₹ 87.80 lakh in nine projects of five test-checked districts were not constructed in areas with adequate slopes as envisaged in the technical manual.*
- *Proper sites were not selected for construction of watershed structures such as: 26 check dams were constructed (₹ 90.71 lakh) at sites where there was no stream, gabion structures (₹ 45.48 lakh) constructed under the programme was not as per the design, check wall was constructed on a farm boundary where there was no flow of water or stream, the level of 164 field outlets constructed (₹ 29.96 lakh) was below the field level, farm ponds constructed were found empty in July 2014, etc.*
- *Infrastructure created under the programme were not put to use viz. water storage structures were not utilised for want of water connection from Gujarat Water Supply and Sewerage Board and Reverse Osmosis plants were lying uninstalled due to non-creation of required infrastructure by the village panchayats.*
- *Funds for creation of Revolving Funds were not provided to Self Help Groups (SHGs)/Self Help Federations (SHFs) under the livelihood component of the programme.*
- *Desired outcome of income generation was not achieved under the activity of vermi composting in test-checked districts.*
- *Payment of ₹ 8.23 crore pertaining to supply of materials and wages to labourers were made in cash under 25 projects, in eight test-checked districts in contravention to provision in guidelines.*
- *In six test-checked districts, 368 labourers were shown to have worked at two different places during same period and a payment of ₹ 13.12 lakh was made to them. In three test-checked districts, 152 labourers were paid ₹ 4.03 lakh on blank muster rolls.*
- *Instances of suspected misappropriation of ₹ 9.04 lakh in IWMP-3 of Dahod district, ₹ 1.81 lakh in IWMP-5 and ₹ 0.12 lakh in IWMP-10 of Narmada district and ₹ 0.69 lakh in IWMP-9 of Vadodara district were noticed in Audit.*

- *Convergence of IWMP with other schemes was not taken up in any test-checked district though it was emphasised in the guidelines and Detailed Project Report.*
- *Monitoring and Evaluation system was not effective.*

(Paragraph 2.1.1 to 2.1.17)

3 Implementation of Setting-up of haats for promotion of rural products at village, district and State levels under Swarnjayanti Gram Swarozgar Yojana

The Audit of “Implementation of Setting-up of haats for promotion of rural products at village, district and State levels under Swarnjayanti Gram Swarozgar Yojana” revealed that as against total funds of ₹ 6.07 crore received during 2009-14, only ₹ 3.10 crore was utilised for construction of haats. Proposals for construction of haats at district and State levels were not submitted to Government of India by the State Government and construction of only 32¹ out of 75 sanctioned village haats had been taken up in the State. During joint field visit of 15 completed village haats in eight test-checked districts, it was observed that 10 haats were not operational and four were partially operational due to non-availability of targeted beneficiaries and non-construction of haats in existing place of marketing. At Zadeshwar village haat, district Bharuch, expenditure of ₹ 3.88 lakh incurred proved wasteful due to faulty design of roof, as fibre-reinforced plastic sheets were used instead of reinforced cement concrete slabs, which also got damaged during the monsoon. Monitoring of the implementation of the scheme by Commissioner of Rural Development was found to be deficient. Rural Haat Management Committees for completed village haats were found to have been constituted only in three out of 15 village haats, which were jointly visited.

(Paragraph 2.2.1 to 2.2.6)

4 Suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh for Vermi Compost Beds created under Backward Region Grant Fund

Failure of District Rural Development Agency, Dahod in monitoring and of Gujarat State Rural Development Corporation, Vadodara in ensuring satisfactory execution of work resulted in suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh on creation of Vermi Compost Beds under Backward Region Grant Fund.

(Paragraph 2.3)

5 Excess payment towards price variations due to adoption of incorrect star rate

Non-adherence to tender stipulations and Government directions resulted in excess payment of ₹ 3.30 crore towards price variation for asphalt used in the construction of roads.

(Paragraph 2.4)

6 An Overview of Finances and Accounts of Urban Local Bodies

A review of finances of Urban Local Bodies (ULBs) revealed that their total expenditure increased against total receipt during the year 2013-14; however, the collection of own revenue of ULBs decreased by seven per cent in 2013-14 as compared to the own revenue collected by them in 2012-13. As of March 2014, an unspent grant amount of ₹ 246.14 crore of ThFC was lying with the Nagapalikas and Municipal Corporations. Non-compliance of conditions stipulated by the ThFC resulted in loss of central assistance (General Performance Grant) of ₹ 241.85 crore as against the allocated grant for the period 2010-14. State's Municipal Accounts Manual has also not been finalised. The Audit by ELFA was found to be in arrears. The Department failed to ensure prompt and timely action by executives of ULBs to the Audit objections raised by ELFA and the CAG.

(Paragraph 3.1. to 3.8)

7 Construction and Utilisation of shopping complexes by Nagarpalikas under Integrated Development of Small and Medium Towns (IDSMT) Scheme

The Audit of "Construction and Utilisation of shopping complexes by Nagarpalikas under Integrated Development of Small and Medium Towns (IDSMT) Scheme" revealed that the objective of internal resource generation for NPs as envisaged under the scheme was not achieved due to deficient planning and execution. While construction in a number of shopping complexes was not taken up, in others, shops/stalls remained unutilised due to a combination of factors like non-finalisation of upset price, auction process not initiated and permission for auction not received from authorities, etc. Lack of monitoring by the nodal agencies also contributed to the scheme not meeting its desired outcomes.

(Paragraph 4.1.1 to 4.1.7)

8 Loss of revenue to Vadodara Municipal Corporation of ₹ 1.97 crore due to failure of the agency to deliver guaranteed power generation

Failure to deliver guaranteed power generation by the agency during the Operation and Maintenance period resulted in loss of revenue to Vadodara Municipal Corporation of ₹ 1.97 crore.

(Paragraph 4.2)

9 Loss of Non-Tax Revenue to the tune of ₹ 64.54 lakh to Vadodara Municipal Corporation

Imprudent action on the part of Vadodara Municipal Corporation for awarding the contract for display of advertisement on kiosk boards fixed on electric poles in the city resulted in loss of non-tax revenue to the tune of ₹ 64.54 lakh.

(Paragraph 4.3)

10 Excess payment of ₹ 43.37 lakh towards price variation due to adoption of incorrect star rate

Non-adherence to Government directions resulted in excess payment of ₹ 43.37 lakh towards price variation for asphalt used in the construction of a road work executed by Vadodara Municipal Corporation.

(Paragraph 4.4)

11 Avoidable expenditure due to excess contracted demand

Improper assessment of High Tension Power contract demand and non-revision of contract demand based on actual requirement of load resulted in avoidable expenditure of ₹ 36.45 lakh.

(Paragraph 4.5)

CHAPTER-I

**AN OVERVIEW OF FINANCES AND
ACCOUNTS OF
PANCHAYATI RAJ INSTITUTIONS**

CHAPTER – I

AN OVERVIEW OF FINANCES AND ACCOUNTS OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The 73rd Constitutional amendment gave constitutional status to Panchayati Raj Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through 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 including those enumerated in the Eleventh Schedule of the Constitution.

A three-tier¹ system of Panchayats was envisaged in the Gujarat Panchayat (GP) Act, 1961. This Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment.

1.2 State Profile

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	12,10,570
Population density	<i>per Sq. Km.</i>	308	382
Rural Population	1,000s	34,695	8,33,463
Urban Population	1,000s	25,745	3,77,106
Gender Ratio	Females <i>per</i> 1,000 males	919	943
Population below poverty line	<i>Per cent</i>	23.00	29.80
Literacy	<i>Per cent</i>	78.00	73.00
Birth rate	<i>per</i> 1,000 Population	21.10	21.60
Infant Mortality Rate	<i>per</i> 1,000 live births	36	40
Maternal Mortality Rate	<i>per</i> 1,00,000 live births	122	178
Gross State Domestic Product ²	₹ in crore	6,70,016	93,88,876
Panchayati Raj Institutions (PRIs)	Numbers	14,245	2,44,453
District Panchayats (DPs)	Numbers	26	589
Taluka Panchayats (TPs)	Numbers	223	6,325
Gram Panchayats (GPs)	Numbers	13,883	2,37,539

(Source : Socio-Economic Review 2013-14 of Gujarat and data available on the website of Planning Commission, Ministry of Health & Family Welfare and Ministry of Panchayati Raj, Government of India)

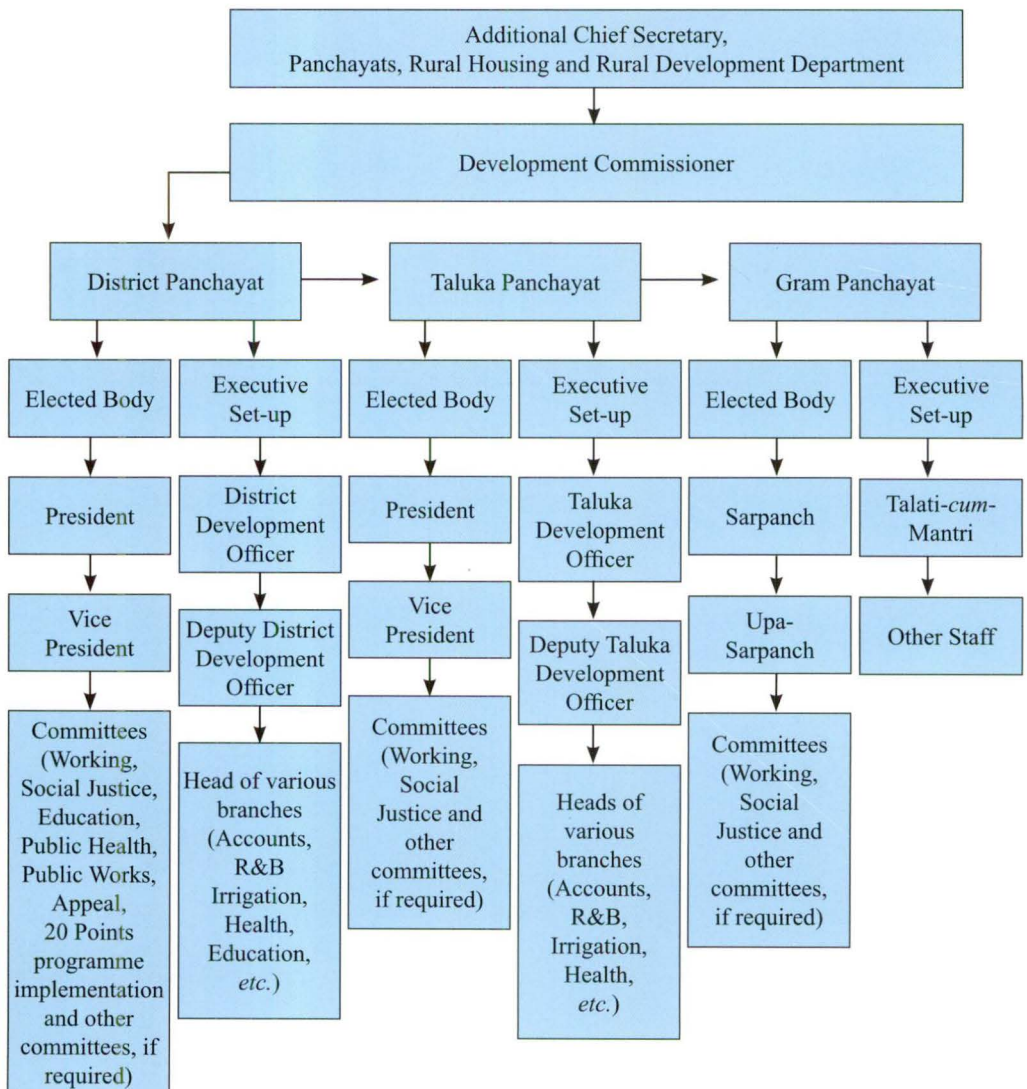
¹ District Panchayat (DP) at district level, Taluka Panchayat (TP) at intermediate level and Gram Panchayat (GP) at village level

² During the year 2012-13 (Q) at Current Prices

1.3 Organisational set-up of the PRIs

Additional Chief Secretary, Panchayats, Rural Housing and Rural Development Department (PRHRDD) exercises administrative control over the PRIs. The PRHRDD is responsible for framing policies pertaining to formulation and implementation of developmental schemes and administration. The PRHRDD 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 by the villages and the Upa-Sarpanch is elected from amongst the elected representatives. The GP Act envisages the functioning of the DPs, TPs and GPs through Standing Committees having elected representatives as members and chairperson. The number of Committees prescribed under the GP Act is seven, two and two for DPs, TPs and GPs respectively. In addition, the Panchayats may, with the prior approval of the State Government, constitute Committee(s) for specific purposes. The President in respect of DPs and TPs and Sarpanch of GPs are *ex-officio* Chairpersons of the Standing Committees.

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



1.4 Powers and functions

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 GP Act, the State Government may entrust 29 functions to the PRIs to prepare and implement schemes relating to economic development and social justice. State Government has, however, devolved (April 1993) 14 functions fully and five functions partially to PRIs (**Appendix-I**). Ten functions have not yet been devolved (November 2014). Thus, the spirit of the Constitutional Amendment for the PRIs to function as grassroots level LSGIs has not been fulfilled in substantial measure.

1.5 District Planning Committees

Article 243 ZD of the Constitution of India envisages that a District Planning Committee (DPC) shall be constituted at the 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 LSGIs in the District and to 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.

The State Government had constituted (between January 2007 and November 2013) DPCs in 23 districts; in the three remaining districts of Anand, Porbandar and Rajkot, DPCs are yet to be constituted as of February 2015. Out of the 23 districts in which DPCs had been constituted (five districts had not provided³ information), only one meeting was held during 2013-14 in five districts⁴. Further, the DDPs had not been prepared in all 18 districts (which had provided information to Audit), which could have factored the aspirations and felt needs of the rural populace.

1.6 Financial Position of PRIs

1.6.1 Funds flow chart of PRIs

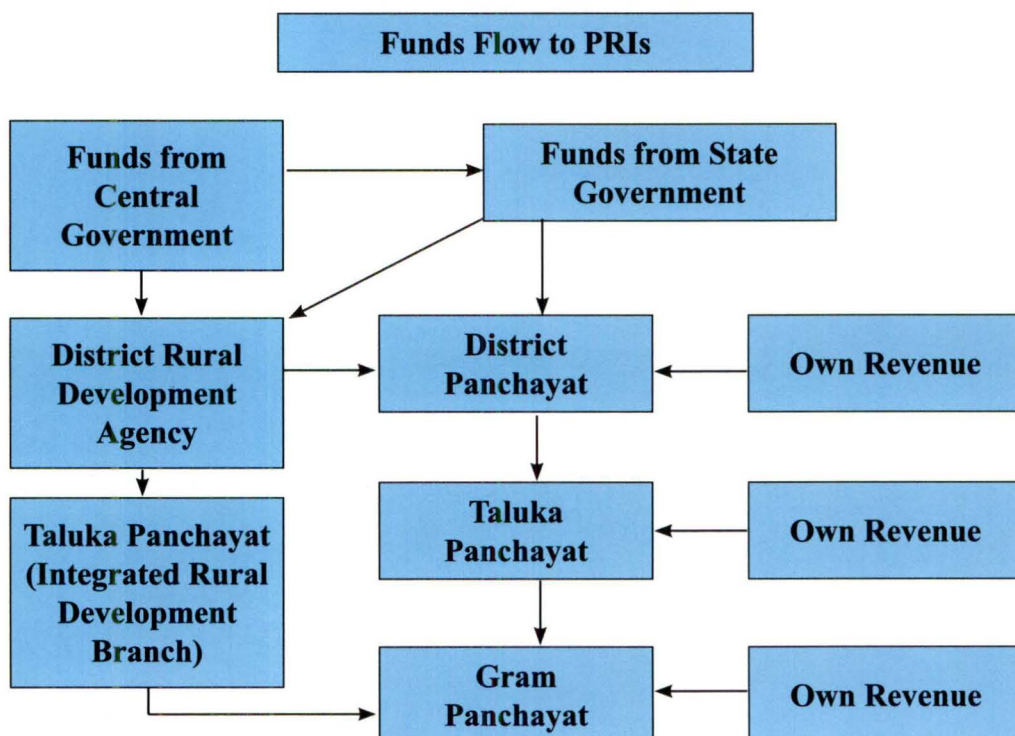
The funds of DPs and TPs are deposited in the District Treasury in Deposit Accounts, which are operated as non-interest bearing banking account. Centrally

³ Dahod, Gandhinagar, Kachchh, Tapi and Vadodara

⁴ Banaskantha, Bharuch, Narmada, Panchmahals and Sabarkantha

Sponsored Scheme (CSS) funds are kept in the banks/post offices in savings accounts according to guidelines of the respective schemes. The funds of the GPs are kept in savings accounts at the nearest post office or a scheduled bank.

The funds flows to PRIs is depicted in the chart below -



1.6.2 Financial position of PRIs

In addition to own source of tax and non tax revenue e.g. fair tax⁵, building tax, fee, rent from buildings and water reservoirs etc. and capital receipts from sale of land, PRIs receive funds from State Government and Government of India (GoI) in the form of grants-in-aid/loans for general administration, implementation of development schemes/works, creation of infrastructure in rural areas, etc. Besides, grants from State/Central Finance Commission are received.

1.6.3 Sources of Revenue

The receipt of PRIs from all sources during the last three years ending 2013-14 is shown in the **Table 2** below –

Table 2: Sources of revenue of PRIs

Revenue	₹ in crore		
	2011-12	2012-13	2013-14
Government Grants	13,087.87	14,464.38	17,295.00
Own Revenue	266.61	268.66	273.88
Thirteenth Finance Commission Grants	299.02	322.53	420.05
Total	13,653.50	15,055.57	17,988.93

(Source : Budget publications and information furnished by the PRHRDD)

⁵ Tax on melas held in the jurisdiction of PRIs

The table on prepage shows that there was complete dependence of PRIs on the Government for even carrying out their basic functions as their 'own revenue' was very low. This impacted their fiscal autonomy which is an important issue to be addressed for improving governance at the grassroots level.

1.6.4 Sectoral Receipts and Expenditure

The sectoral allocation of receipts and expenditure of PRIs during 2011-12 to 2013-14 is given in **Table 3** below -

Table 3: Sectoral receipts and expenditure of PRIs

(₹ in crore)

Description		General Services	Social Services	Economic Services	Total
2011-12	Budget provision	1,162.29	7,671.39	2,201.24	11,034.92
	Expenditure	921.51	7,523.21	2,510.92	10,955.64
2012-13	Budget provision	989.55	9,953.00	2,296.70	13,239.25
	Expenditure	1,420.93	9,643.13	2,708.40	13,772.46
2013-14	Budget provision	1,722.08	9,104.20	2,242.14	13,068.42
	Expenditure	2,004.77	11,448.71	3,841.51	17,294.99

(Source : VLC data and Budget publications)

The above table shows that percentage of expenditure to total expenditure increased from eight *per cent* to 12 *per cent* under general services and from 20 *per cent* to 22 *per cent* under economic services whereas it decreased from 70 *per cent* to 66 *per cent* under social services during the period 2011-14. However, the increase in social service expenditure in absolute terms indicates an increased investment made in education, which points towards a positive development in the society.

1.7 State Finance Commission

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

- the distribution of net proceeds of taxes, duties and fees between the State and the PRIs;
- taxes, duties, fees and tolls to be assigned and appropriated by PRIs;
- release of grants-in-aid to the PRIs from Consolidated Fund of the State; and
- measures needed to improve the financial condition of the PRIs.

1.7.1 Delayed/Non-Constitution of State Finance Commission

As the 73rd Constitutional Amendment came into effect on 20 April 1993, the constitution of the first SFC was due by 19 April 1994. Status of constitution of Finance Commissions by the State Government is given in **Table 4** below –

Table 4 : Constitution of State Finance Commission

Finance Commission	Due Date for Constitution SFC	Actual Date of Constitution	Delay in constitution	Month of submission of reports by SFC	Date of placement in Assembly
1 st FC	19 April 1994	15 September 1994	05 Months	October 1997	28 August 2001
2 nd FC	19 April 1999	19 November 2003	55 Months	November 2006	30 March 2011
3 rd FC	19 April 2004	02 February 2011	81 Months	December, 2013	Yet to be placed
4 th FC	19 April 2009	Not constituted	--	NA	NA
5 th FC	19 April 2014	Not constituted	--	NA	NA

(Source: Information received from PRHRDD)

The above table shows that the mandatory Constitutional provision in respect of timely constitution of the SFCs was not adhered to by the State Government. The 3rd SFC had submitted their report in December 2013; however, the Action Taken Report (ATR) on the SFC report from the State Government departments were awaited for placement of the report and ATR before the State Legislature. Delayed/non-constitution of the Commission resulted in non-availability of guiding principles for distributing State's financial resources among PRIs/ULBs, determination of taxes, duties, tolls and fees which are to be assigned to or appropriated by the Panchayats or the Municipalities.

1.8 Twelfth Finance Commission Grants

On the recommendation of Twelfth Finance Commission (TwFC), GoI released ₹ 931.00 crore to the State Government during the period 2005-10. State Government released the funds to the PRIs during the same period. Of this amount, PRIs spent ₹ 264.52 crore on Water Supply and Sanitation, ₹ 264.52 crore on Solid Waste Management, ₹ 42.80 crore on Database on Finances and ₹ 352.71 crore on 'Other Works' leaving an unspent balance of ₹ 6.45 crore (GoI share) as on March 2010. The State Government granted permission (June 2011) to PRIs to spend this unspent balance for the works recommended by TwFC.

However, it was observed that out of the unspent balance of ₹ 6.45 crore, the PRIs spent ₹ 1.50 crore on Water Supply, ₹ 1.23 crore on Sanitation and Drainage and ₹ 2.11 crore on other works. An unspent balance of ₹ 1.61 crore was still lying with them as on December 2014 though more than three years had elapsed from the date of grant of permission.

1.9 Thirteenth Finance Commission

The Thirteenth Finance Commission (ThFC) grants are divided into two components – General Basic Grant (GBG) and General Performance Grant (GPG). The GBG can be accessed by all States as per criteria laid down by the

Commission. But GPG can be accessed only by those States which comply with conditions stipulated by the ThFC, failing which the GPG would be forfeited. The forfeited grant would be distributed as follows -

- 50 per cent of amount forfeited by the PRIs to be distributed among all States irrespective of their compliance with the condition; and
- remaining 50 per cent to be distributed among the States which have complied with the conditions.

The State Government for the period 2010-15 is eligible to get central grant of ₹ 2,455.69 crore for PRIs, of which ₹ 1,597.54 crore was earmarked for GBG and ₹ 858.15 crore for GPG. Accordingly, State Government received GBG of ₹ 1,208.52 crore during the period 2010-14. Audit observed that as against ₹ 1,208.52 crore received, expenditure of ₹ 905.98 crore (October 2014) was incurred leaving unspent balance of ₹ 302.54 crore.

Audit further observed that GPG of ₹ 93.38 crore⁶ (2011-12), ₹ 216.48 crore⁷ (2012-13) and ₹ 252.74 crore⁸ (2013-14) allocated by GoI for the State was forfeited due to non-appointment of an independent Ombudsman to deal with the complaints of corruption and maladministration against the functionaries of local bodies as stipulated by the ThFC. In accordance with the orders of the ThFC, the State Government received only ₹ 13.52 crore (2011-12) and ₹ 49.99 crore (2013-14) as GPG from the forfeited grant. This resulted in loss of central assistance of ₹ 499.09 crore to the State Government.

1.10 Formats of Accounts

State Government decided (September 2004) to accept the Model Accounting System (MAS) prescribed by the Comptroller and Auditor General of India (CAG) which provides for four-tier classification of accounts viz. major head, minor head, sub head and object head. Further, instructions were issued (March 2011) by the State Government for maintaining accounts as per double entry accrual accounting system in Gujarat Rural Accounting Management (GRAM) software along with eight formats prescribed in MAS in addition to the requirement of respective Financial Rules of PRIs. However, Audit observed that the formats have not been operationalised and PRIs continued with their existing accounting formats prescribed under the Gujarat Taluka and District Panchayats Financial Accounts and Budget Rules, 1963.

Further, Audit observed that web based software (PRIASoft) developed by the GoI for maintenance of accounts of PRIs had not been adopted by the State Government.

Development Commissioner, PRHRDD stated (December 2014) that the eight formats as prescribed in MAS has been adopted by DPs and TPs from the year 2012-13. However, on pilot verification of implementation of GRAM software and its integration with PRIASoft at one DP (Sabarkantha) and two TPs (Khedbramha and Prantij), Audit observed that out of the eight formats, one⁹

⁶ ₹ 86.14 crore (GPG) + ₹ 7.24 crore Special area performance grant

⁷ ₹ 202.06 crore (GPG) + ₹ 14.42 crore Special area performance grant

⁸ ₹ 238.32 crore (GPG) + ₹ 14.42 crore Special area performance grant

⁹ Format-IV

format was not provided in the system though a link was provided in the GRAM software; no reports were generated in five¹⁰ formats and two¹¹ formats were partially implemented as they generated only annual data instead of month-wise information. GRAM software had facilities for keeping accounts in double entry accounting system. Further, the annual accounts maintained by the PRIs were on cash basis instead of double entry accrual based accounting system.

As regards implementation of PRIASoft, it was stated that Gandhinagar district had been selected as pilot district to implement PRIASoft and is under process.

1.11 Audit arrangement and coverage

Examiner Local Fund Audit (ELFA) is the primary auditor of the accounts of local bodies under the provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963. Apart from local bodies, other local funds such as those of Universities and other funds/local bodies are also audited by ELFA. The ELFA Department under State Finance Department is headed by Examiner and has District offices in all the Districts headed by Assistant Examiners.

State Government by a resolution (May 2005) entrusted the Technical Guidance and Supervision (TGS) over the audit of PRIs to Comptroller and Auditor General of India (CAG) under Section 20(1) of CAG's (DPC) Act¹², 1971. The provision of laying of Audit Report of ELFA alongwith the Report of CAG before the State Legislature was made by amending (May 2011) the Gujarat Panchayats Act, 1993.

1.11.1 Status of audit of PRIs by Examiner Local Fund Audit

The status of audit conducted by ELFA upto October 2014 is as shown in **Table 5** below -

Table 5 : Status of audit by ELFA

PRIs	Number of Auditable entities	Entities audited and period of accounts covered	Entities yet to be audited and period of accounts to be covered
DPs	26	26 (2012-13)	1 (2011-12)
TPs	223	9 (2011-12) 209 (2012-13)	214 (2011-12) and 14 (2012-13)
GPs	13,733 ¹³	12,608 (2010-11) 850 (2011-12)	1,125 (2010-11) and 12,883 (from 2011-12 onwards)

(Source : Information furnished by ELFA)

¹⁰ Format-II, Format-V, Format-VI, Format-VII and Format-VIII

¹¹ Format-I and Format-III

¹² Save as otherwise provided in section 19, where the audit of the accounts of any body or authority has not been entrusted to the CAG by or under any law made by Parliament, he shall, if requested so to do by the President, or the Governor of a State or the Administrator of a Union territory having a Legislative Assembly, as the case may be, undertake the audit of the accounts of such body or authority on such terms and conditions as may be agreed upon between him and the concerned Government and shall have, for the purposes of such audit, right of access to the books and accounts of that body or authority: Provided that no such request shall be made except after consultation with the CAG.

¹³ As per Table 1 under paragraph 1.2 of the Report, the numbers of GPs are 13,883 whereas the GPs auditable was only 13,733. The reason for the difference was non-updation of ELFA records

The table on prepage shows that Audit of 1,125 and 12,883 GPs by ELFA was in arrears from 2010-11 and 2011-12 onwards respectively and for TPs, the arrears were from 2011-12 onwards.

The Audit report of PRIs by ELFA for 2010-11 was placed (July 2014) before Legislature and report for the year 2011-12 has been finalised and likely to be placed in current session (March 2015).

1.11.2 Compliance to Inspection Reports

1.11.2.1 Inspection Reports of Examiner Local Fund Audit

Gujarat Local Fund Audit (GLFA) Act 1963, provides that ELFA should conduct audit of PRIs and after the completion of the audit, not later than three months thereafter, prepare a report on the accounts audited and examined and shall send such report to the local authority concerned and copies thereof to such officers and bodies as the State Government may direct. The Examiner shall include in this report a statement of (i) every payment which appears to him to be contrary to law; (ii) the amount of any deficiency or loss which appears to have been caused by the gross negligence or misconduct of any person; (iii) the amount of any sum received which ought to have been but is not brought into account by any person; and (iv) any other material impropriety or irregularity which he may observe in the accounts. The local authority shall within four months of receipt of the report, send to the Examiner intimation of his having remedied the defects or irregularities if any pointed out in the report. The Act empowers the Examiner to recommend and give opinion to the Commissioner to surcharge or charge the person responsible for such defects or irregularities.

Information provided by ELFA showed that as on October 2014, 19,94,858 paragraphs of the report issued to the PRIs by ELFA were pending for compliance. Age-wise pendency of paragraphs is given in **Table 6** below -

Table 6 : Pendency of paragraphs of ELFA

PRIs	Outstanding paragraphs pertaining to the period up to 2002-03	Outstanding paragraphs pertaining to the period 2003-07	Outstanding paragraphs pertaining to the period 2007-14	Total outstanding paragraphs
DPs	27,765	8,277	8,358	44,400
TPs	75,274	30,006	31,328	1,36,608
GPs	9,26,642	2,61,609	6,25,599	18,13,850
Total	10,29,681	2,99,892	6,65,285	19,94,858

(Source : Information furnished by ELFA)

The above table shows that out of 19,94,858 outstanding paragraphs, 10,29,681 (52 per cent) paragraphs were outstanding for more than ten years due to non-compliance by PRIs. This indicated lack of prompt response on the part of officials of PRIs. The ELFA further reported that no cases of defects or irregularities liable for surcharge or charge had been reported to the Commissioner till date (October 2014). This indicated the ineffectiveness of ELFA's Audit that no cases were considered liable to be surcharged/charged on the responsible officials.

1.11.2.2 Outstanding paragraphs of Inspection Reports of Accountant General

The paragraphs outstanding as of December 2014 for want of compliance from PRIs were 15,741 paragraphs (of 3,082 Inspection Reports). The status of financial year-wise outstanding paragraphs is shown in **Table 7** below –

Table 7 : Pendency of paragraphs of Accountant General

	Up to 2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Inspection Reports	1,555	255	120	87	526	307	151	81	3,082
Paras	6,370	1,159	642	638	3,481	2,241	992	218	15,741
Money value (₹ in crore)	37.47	1.92	2.44	0.39	9.68	6.46	1.19	0.74	60.29

The position of accumulated outstanding paragraphs and Inspection Reports with increasing money value indicated lack of efforts by concerned authorities in furnishing compliance of these paragraphs.

1.12 Response of departments to the audit paragraphs

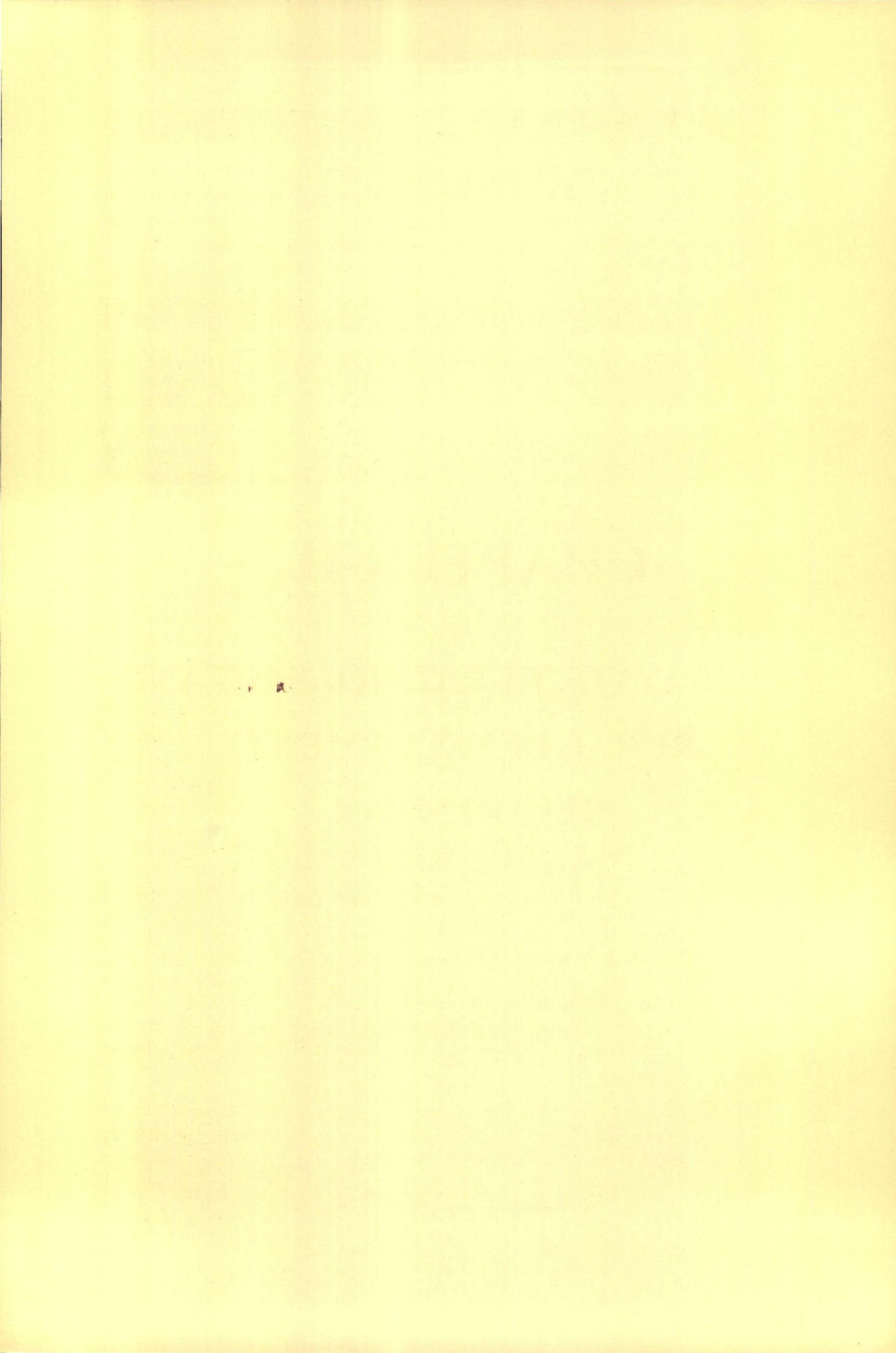
The Audit observations for the draft report for the year 2013-14 were forwarded to the Principal Secretaries of the concerned administrative departments between August 2014 and February 2015 with a request to send their responses within six weeks. The replies to performance audit report, compliance paragraph and an individual paragraph featured in this Report are still awaited. Entry and exit conferences were also held with the concerned departments on the audit findings and the replies/views expressed have been duly considered while finalising this report.

1.13 Conclusion

A review of finances of PRIs revealed that the spirit of the Constitutional Amendment for the PRIs to function as LSGIs was not fulfilled substantially as the State Government had not yet devolved 10 functions out of 29 functions to the PRIs as envisaged in the 11th Schedule of the Constitution. Though, the DPCs were constituted in 23 districts, meetings of DPC were held in only five districts. Prescribed periodicity for constitution of SFCs was not maintained and the report of the 3rd SFC submitted in December 2013 was yet to be placed before the legislature due to pending ATRs on the report from the State Government Departments. Amounts of ₹ 1.61 crore of TwFC and ₹ 302.54 crore of ThFC were lying unspent. Formats of Model Accounting System (MAS) prescribed by CAG have not been operationalised as yet. The huge number of Audit paragraphs of the CAG and ELFA indicated weak internal control systems in PRIs. Efforts must be undertaken to clear these old outstanding audit observations.

CHAPTER-II

**PANCHAYATS, RURAL HOUSING AND
RURAL DEVELOPMENT
DEPARTMENT**



CHAPTER – II

This Chapter contains findings of one Performance Audit of “Implementation of Integrated Watershed Management Programme”, one Compliance Audit paragraph of “Implementation of Setting-up of *haats* for promotion of rural products at village, district and State levels under Swarnjayanti Gram Swarozgar Yojana” and two individual paragraphs on Audit of transactions.

PERFORMANCE AUDIT

PANCHAYATS, RURAL HOUSING AND RURAL DEVELOPMENT DEPARTMENT

2.1 Implementation of Integrated Watershed Management Programme

Executive Summary

The Government of India (GoI) launched (February 2009) “Integrated Watershed Management Programme (IWMP)” with the main objectives to conserve natural resources of water, soil and vegetation, to increase groundwater table by enhanced recharge by watershed intervention, to increase in cropping intensity and agricultural productivity reflecting in overall increase in agricultural production, to improve rural livelihoods through participatory watershed development with focus on integrated farming systems for enhancing income, productivity and livelihood security in a sustainable manner. The Performance Audit of “Integrated Watershed Management Programme (IWMP)” was conducted for the period 2009-14 during March and October 2014 and the following deficiencies were noticed -

- In five test-checked districts, areas already treated in pre-watershed programmes (7,933.45 hectares) and canal irrigation areas (1,456.30 hectares) were included in the project in contravention to the provisions of the programme guidelines.*
- In four test-checked districts, 51,734.20 hectares (₹ 68.83 crore) of land were selected in 11 projects without considering geo-contiguity and in five test-checked districts, 35,445.87 hectares (₹ 44.10 crore) of land were selected in eight projects without considering hydrological contiguity contrary to the ‘cluster approach’ envisaged in the programme guidelines.*
- Seven projects of Navsari district and one project of Bhavnagar district were taken up first though they were required to be taken up later as per priority fixed by Gujarat State Watershed Management Agency (GSWMA).*
- The expenditure against available funds during 2009-14 ranged between one and 58 per cent.*

- *Contour trenches costing ₹ 87.80 lakh in nine projects of five test-checked districts were not constructed in areas with adequate slopes as envisaged in the technical manual.*
- *Proper sites were not selected for construction of watershed structures such as: 26 check dams were constructed (₹ 90.71 lakh) at sites where there was no stream, gabion structures (₹ 45.48 lakh) constructed under the programme was not as per the design, check wall was constructed on a farm boundary where there was no flow of water or stream, the level of 164 field outlets constructed (₹ 29.96 lakh) was below the field level, farm ponds constructed were found empty in July 2014, etc.*
- *Infrastructure created under the programme were not put to use viz. water storage structures were not utilised for want of water connection from Gujarat Water Supply and Sewerage Board and Reverse Osmosis plants were lying uninstalled due to non-creation of required infrastructure by the village panchayats.*
- *Funds for creation of Revolving Funds were not provided to Self Help Groups (SHGs)/Self Help Federations (SHFs) under the livelihood component of the programme.*
- *Desired outcome of income generation was not achieved under the activity of vermi composting in test-checked districts.*
- *Payment of ₹ 8.23 crore pertaining to supply of materials and wages to labourers were made in cash under 25 projects, in eight test-checked districts, in contravention to provision in guidelines.*
- *In six test-checked districts, 368 labourers were shown to have worked at two different places during same period and a payment of ₹ 13.12 lakh was made to them. In three test-checked districts, 152 labourers were paid ₹ 4.03 lakh on blank muster rolls.*
- *Instances of suspected misappropriation of ₹ 9.04 lakh in IWMP-3 of Dahod district, ₹ 1.81 lakh in IWMP-5 and ₹ 0.12 lakh in IWMP-10 of Narmada district and ₹ 0.69 lakh in IWMP-9 of Vadodara district were noticed in Audit.*
- *Convergence of IWMP with other schemes was not taken up in any test-checked district though it was emphasised in the guidelines and Detailed Project Report.*
- *Monitoring and Evaluation system was not effective.*

2.1.1 Introduction

In order to overcome the problems of drought, land degradation and to improve the socio-economic conditions of economically weaker sections, Watershed¹ Development Projects were taken up in the State under the Centrally Sponsored Schemes “Drought Prone Area Programme (DPAP)” since 1973-74, “Desert Development Programme (DDP)” since 1977-78 and “Integrated Wasteland Development Programme” (IWDP) since 1989. The guidelines for these

¹ A watershed is a geo-hydrological unit for an area that drains at a common point

programmes were revised between 1994-95 and 2003. In 2003, these guidelines were renamed as 'Hariyali'. The primary objectives of these programmes, *inter-alia*, included conservation of soil, water and other natural resources through watershed development programmes with the help of low cost and locally accessible technologies such as *in-situ* soil and moisture conservation measures, afforestation and pasture development, *etc.*

The technical committee on DPAP, DDP and IWDP addressed major issues in watershed programmes and recommended viable strategies and mechanisms for effective implementation of these programmes. Accordingly, National Rainfed Area Authority (NRAA) in Ministry of Rural Development (MoRD), Government of India (GoI) in coordination with Planning Commission formulated (2008) "Common Watershed Guidelines (CWG)" to give an impetus to watershed programmes. All the three programmes were integrated and consolidated (February 2009) into a single modified programme as "Integrated Watershed Management Programme (IWMP)" and governed by the CWG. Department of Land Resource (DoLR) in MoRD is responsible for implementation of the scheme.

The main objectives of the programme, *inter-alia*, were to:

- conserve natural resources of water, soil and vegetation;
- increase groundwater table by enhanced recharge by watershed intervention;
- increase in cropping intensity and agricultural productivity reflecting in overall increase in agriculture production; and
- improve rural livelihoods through participatory watershed development with focus on integrated farming systems for enhancing income, productivity and livelihood security in a sustainable manner.

2.1.2 Organisational set-up

For smooth implementation of the scheme dedicated agencies have been established at every level. An organogram depicting different levels of responsibility for implementation of IWMP is as below-



At National Level, NRAA had been designated as National Level Nodal Agency (NLNA). At State level, GSWMA has been designated as State Level Nodal Agency (SLNA). District Watershed Development Unit (DWDU) at district level is responsible for overall implementation and monitoring of the programme. Project Implementing Agency² (PIA) established for each project³ is responsible for implementation of projects with the help of WC at village level. The committee shall be registered under the Societies Registration Act, 1860 and shall comprise of at least 10 members, out of which half shall be representatives of Self-Help Groups and User Groups, SC/ST community, women and landless persons in the village.

The Commissioner and Secretary of Rural Development, Panchayats, Rural Housing and Rural Development Department is the administrative head of the Department and was responsible for the overall implementation of the programme in the State. NRAA helps the GSWMA for identifying and planning watersheds, and preparing strategic plans. GSWMA is responsible for implementation of the programme and preparation of the perspective and strategic plan of watershed for the State and indicating implementation strategy and expected outputs/outcomes as well as financial outlays.

2.1.3 Audit Objectives

The broad objectives of the Performance Audit were to ascertain whether-

- planning for the projects was carried out in a scientific manner and projects were selected on the basis of criteria as per the scheme guidelines;
- funds were released, accounted for and utilised efficiently and in compliance with the provisions of the Guidelines/Rules;
- execution of work was efficient and effective and institutional arrangements at the State, District and Village levels were in place; and
- monitoring and evaluation mechanism was adequate and effective.

2.1.4 Audit criteria

The Audit criteria applied for this Performance Audit was -

- “Common Watershed Guidelines” 2008 for watershed development projects as amended from time to time;
- Operational Guidelines - 2011 prepared by GSWMA;
- Human Resource Manual, Technical Manual, Livelihood Manual and Capacity building manual prepared by GSWMA;
- General Financial Rules, Gujarat Treasury Rules, Procurement Rules and Financial Rules; and
- Guidelines/rules/resolutions issued by GoI and State Government from time to time.

² Line departments, State/Central Autonomous organisations, Government institutes/research bodies, intermediate panchayats and voluntary organizations.

³ A project is a cluster of villages consisting of approximately an area of 4,000-5,000 hectares.

2.1.5 Audit scope and methodology

To provide adequate coverage and reasonable assurance in audit, the records at GSWMA and 10 out of 26 districts (selected on the basis of Stratified Simple Random Sampling without Replacement (SSRSWOR) method) covering the period 2009-14 were test-checked (March 2014 to October 2014).

Under the programme, the GoI had approved 549 watershed projects⁴ with total project cost of ₹ 3,595.43 crore covering an area of 27.63 lakh hectares during the period 2009-14 for the State. The records of 64 out of 128 watershed projects (selected on the basis of SSRSWOR method) sanctioned in the selected districts during 2009-11 (Batch Number I and II)⁵ were test-checked at PIA and WC (**Appendix-II**). Joint field visits of watershed projects in selected districts were also carried out. An entry conference was held with the Commissioner of Rural Development (CRD) (29 April 2014) to apprise the Audit objectives and Audit methodology to the State Government. An exit conference was held (16 March 2015) with the Chief Executive Officer, GSWMA to discuss the Audit findings. The views of the State Government, GSWMA, DWDUs, PIAs and WCs have been duly incorporated in the Report.

2.1.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the CRD, GSWMA, DWDUs and their officials at various stages during conduct of the Performance Audit.

Audit findings

2.1.7 Planning

“Common Watershed Guidelines” provide for preparation of a State Perspective and Strategic Plan (SPSP) for the State on the basis of plans prepared at the taluka and district levels. The guidelines further provide for preparation of plans by using technological tools such as Geographical Information System (GIS) and Remote Sensing with the help of criterion⁶ fixed by DoLR to prioritise watershed areas to be covered. The projects sanctioned under the programme are required to be completed within four to seven years in three phases viz. (i) Preparatory phase (1 to 2 years) (ii) Work phase (2 to 3 years) and (iii) Consolidation phase (1-2 years).

GSWMA prepared (2009) SPSP for the State covering a treatable area⁷ of 98.63 lakh hectares with the help of Bhaskaracharya Institute of Space Application and Geo Informatics (BISAG), with a plan to cover the area in next 18 years from 2009-10. The priority map for the State prepared by GSWMA is as follows –

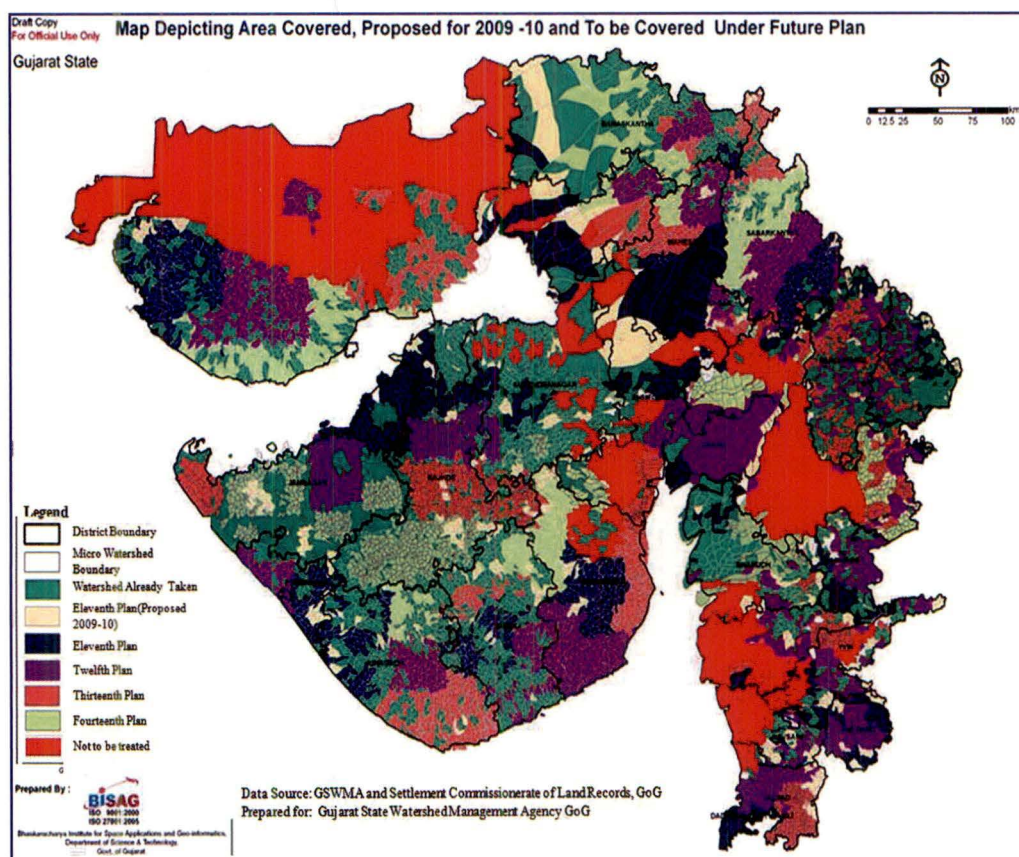
⁴ Batch-I: 151 (2009-10), Batch-II: 141 (2010-11), Batch-III: 138 (2011-12), Batch-IV: 59 (2012-13) and Batch-V: 60 (2013-14).

⁵ Allowing for the stipulated preparatory phase of two years, projects sanctioned during 2009-11 only were scheduled to enter into the work phase in a substantive manner. Out of total expenditure of ₹ 612.41 crore incurred during 2009-11 for all batches, 81 per cent (₹ 496.87 crore) pertains to the expenditure incurred under Batches I and II. Hence, the projects upto 2011 were selected for Audit scrutiny.

⁶ Acuteness of drinking water scarcity, extent of over exploitation of ground water resources, preponderance of wastelands/degraded lands, contiguity to another watershed that has already been developed/treated, area of the project should not have been covered under assured irrigation and productivity potential of the land, etc.

⁷ It is an area selected under the project to stop soil erosion and harvest water by construction of various structures which in turn would enhance agricultural production and livelihood of the persons dependent on it.

MAP 1 : PRIORITY MAP OF GUJARAT STATE



(Source: State Perspective and Strategic Plan)

District-wise priority maps were prepared by GSWMA and provided to the districts for preparing Preliminary Project Report (PPR) as per the priority indicated in the maps. The GSWMA allocates year-wise targets to DWDUs based on the targets communicated by DoLR. The DWDUs based on the area allocated as target, prepares a Preliminary Project Report (PPR) with the help of priority map by selecting cluster of villages covering approximately 4,000-5,000 hectares of land for each project and submits the same to GSWMA. The GSWMA prepares the list of projects based on the PPRs received from DWDUs and submits the same to DoLR for approval. Thereafter, the DWDUs are required to prepare the Detailed Project Reports (DPRs) and obtain the approval of the SLNA (GSWMA). GSWMA submitted (2009-14) total 549 PPRs which have been approved by DoLR and GSWMA approved 292 DPRs (Batch I and II) for 26 districts. The deficiencies noticed in planning the projects under the programme are discussed in the succeeding paragraphs.

2.1.7.1 Inclusion of ineligible/excess area for treatment

The operational guidelines provide that areas already treated in pre-watershed programmes and assured irrigation (canal irrigation) areas are to be excluded from the project area planned under IWMP. However, Audit observed at five out of ten test-checked districts that in contravention to above provisions, the DWDUs had included ineligible area of 7,933.45 hectares in 49,381.30 hectares

of project area intended to be covered in these 10 projects with treatment cost of ₹ 12.23 crore as detailed in **Table 1** below –

Table 1 : Ineligible area included for treatment in the project

Name of District	Project Number	Project Area	Ineligible area (in hectares)		Cost for treatment (₹ in crore)
			Already treated	Assured Irrigation	
Banaskantha	IWMP-1	4,900.00	1,000.00	-	1.50
Kachchh	IWMP-14	6,710.20	500.00	-	0.75
	IWMP-20	4,792.00	500.00	-	0.75
	IWMP-25	4,850.90	500.00	-	0.75
Kheda	IWMP-5	5,583.60	2,084.90	-	2.50
	IWMP-7	5,869.60	2,987.60	-	3.59
Narmada	IWMP-1	4,731.00	192.35	-	0.23
	IWMP-2	5,038.00	168.60	-	0.41
Navsari	IWMP-4	2,906.00	-	606.30	0.73
	IWMP-8	4,000.00	-	850.00	1.02
Total		49,381.30	7,933.45	1,456.30	12.23

(Source : Information obtained from DPR and Census Handbook)

In addition to above, DWDU Dahod had included 300 hectares of land of kuvero village for treatment at a cost of ₹ 0.36 crore; however, Audit observed that the village was not in existence as per the census and revenue records, which is taken as a base for preparation of PPR. This indicated that the inclusions of watershed areas in the watershed projects were made in contravention to scheme guidelines.

DWDU, Kachchh agreed (October 2014) to take corrective action. DWDU, Navsari stated (August 2014) that the facts would be verified and necessary action would be taken under intimation to Audit. DWDU, Banaskantha stated (September 2014) that the entire area was included based on the demand from the village. DWDU Kheda stated (June 2014) that as the cost for treatment under earlier schemes (₹ 6,000 *per* hectares) was very less, very few structures had been constructed and as people were demanding retreatment, previously treated area was included. However, Audit observed that ineligible areas were included in the project in contravention to the provisions of the guidelines.

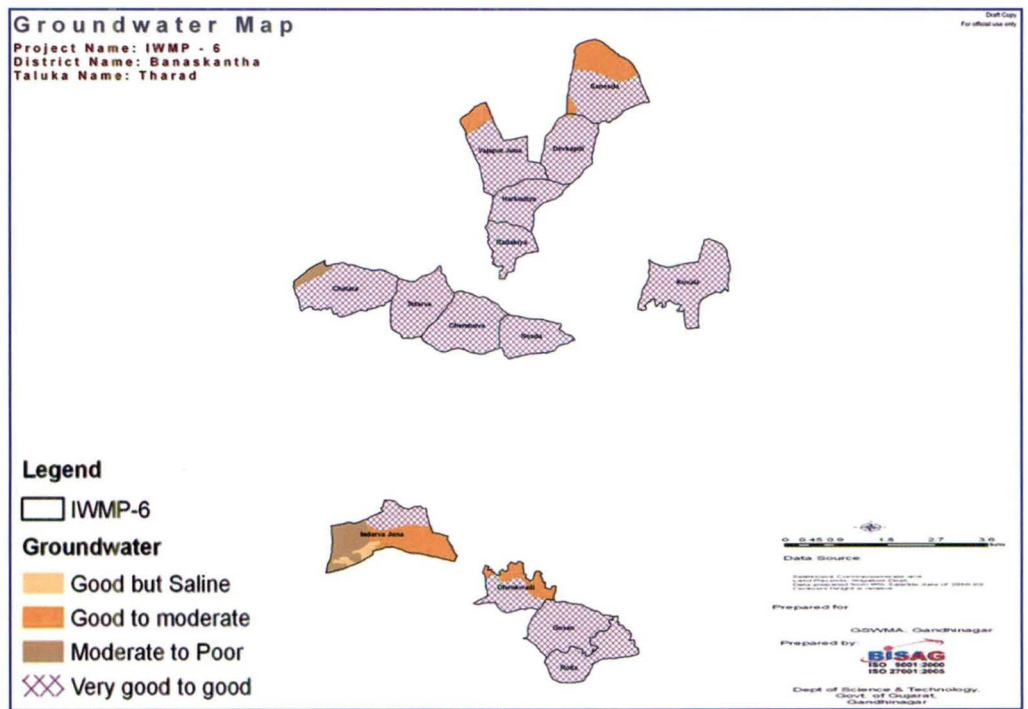
2.1.7.2 Non-consideration of Cluster approach

The Common Watershed Guideline envisages a broader vision of geo-hydrological units comprising of clusters of micro-watersheds. Thus, the selection of villages in geo-contiguity and in hydrological order is very important for right kind of treatment.

On scrutiny of records of test-checked projects of Ahmedabad (IWMP-1 and 2), Banaskantha (IWMP-2, 5, 6, 7 and 8), Bhavnagar (IWMP-5 and 10) and Narmada (IWMP-1 and 2) districts, it was observed that the villages selected in 11 out of 46 projects and with a project cost of ₹ 68.83 crore covering an area of 51,734.20 hectares, were not in contiguity.

An illustrative example of selection of villages in IWMP-6 project of Banaskantha district is shown in **Map 2** -

Map 2 : Showing location of villages in IWMP-6 (Banaskantha district)



(Source: DPR)

The Map shows that 14 villages were selected in the project, and the said villages are located in five different geographical locations and are thus, not in contiguity.

Audit further observed that the villages selected in eight out of 38 projects of five test-checked districts covering an area of 35,445.87 hectares were not in geo-hydrological contiguity of water flow as shown in **Table 2** below -

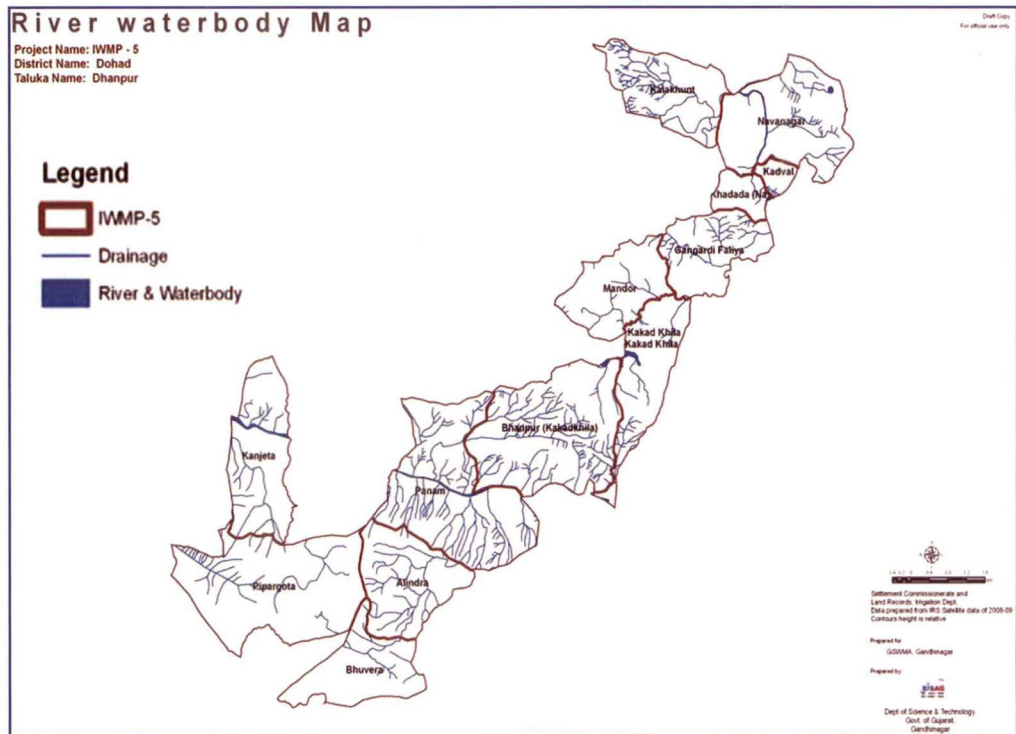
Table 2 : Details of projects with villages selected without following geo-hydrological contiguity of water flow

Name of district	Project Number	Number of villages	Treatment Area (in hectares)	Project Cost (₹ in crore)
Ahmedabad	IWMP-1	7	4,303.00	5.16
	IWMP-2	14	4,739.08	5.57
Dahod	IWMP-4	10	4,887.62	4.87
	IWMP-5	13	5,139.27	6.17
Bhavnagar	IWMP-5	9	4,715.00	5.66
Kachchh	IWMP-1	2	2,385.10	2.75
	IWMP-10	6	5,043.80	7.57
Surendranagar	IWMP-1	4	4,233.00	6.35
Total		65	35,445.87	44.10

(Source : Information obtained from the respective DPR)

The **Map 3** below shows that the villages selected in IWMP-5 project of Dahod district were not as per hydrological flow of water as the stream of water flow was in different direction.

MAP 3 : Showing location of villages in IWMP-5 (Dahod district)



(Source : DPR)

Almost each village selected in the project has its own hydrology which was not fit for integrated treatment of the project villages *e.g.* water flow of Panam and Bhanpur villages was opposite to each other; water flow of Pipargota and Kanjeta villages was in different directions *vis-a-vis* rest of the villages, *etc.*

As the selection of villages under cluster approach and following geo-hydrological order was prerequisite for selecting and implementing right kind of treatment for deriving optimal benefits, selection of villages by not following these parameters would result in disjointed treatment structures and defeat the very purpose of programme.

GSWMA stated (December 2014) that projects are in contiguity with projects selected in subsequent batches. Audit is of the view that the guidelines envisage contiguity within the projects, as contiguity with other projects is to be considered subsequently to achieve the benefit of scientific planning.

2.1.7.3 Wrong prioritisation of projects

The Common Watershed Guidelines provide broad criteria for selection and prioritisation of watershed development projects. GSWMA based on these criteria prepared the priority maps of areas to be treated by each district and the DWDUs were required to take up the projects based on the priorities fixed. Priorities have been decided on a scale of 195 points. Projects which score more points are included in first priority.

On scrutiny of records at test-checked DWDUs, Audit observed that –

- Seven projects⁸ of Navsari district⁹ sanctioned in Batch-I (2009-10) and Batch-II (2010-11) and covering an area of 30,216 hectares with project cost of ₹ 36.26 crore were selected first, though these projects were required to be taken up under third (IWMP-1,4,6,7,8,9) and fourth (IWMP-3) priority fixed by GSWMA. The projects of Navsari and Jalalpore talukas were required to be taken up first; however, these projects were not selected in the first batch. No reasons for selection of projects with lesser priority being selected before the projects with higher priority were available on record. Thus, the provision for selection of projects on priority basis as provided in the guidelines was not followed and the beneficiaries of most needy areas were denied early benefits.

DWDU Navsari stated (August 2014) that there might have been some discrepancies in priority maps prepared by Bhaskaracharya Institute of Space Application and Geo-Informatics (BISAG); however, it would be verified with the BISAG.

- IWMP-6 project of Bhavnagar district covering an area of 5,355 hectares with project cost of ₹ 6.43 crore was taken up in first priority though it was under second priority.

Changing the priority indicates that projects which are lower down the order were selected first resulting in most needy projects left behind. Thus, selection of areas and villages with lesser priorities without specific reasons defeated the primary objective of scientific planning as envisaged in the programme guidelines.

2.1.8 Financial Management

2.1.8.1 Flow of funds

The programme is financed on cost sharing basis between GoI and State Government in the ratio of 90:10. The scheme is funded at the rate of ₹ 12,000 *per* hectare for plain areas and ₹ 15,000 *per* hectare for hilly areas/DDP areas. Separate percentages of funds are earmarked for each component¹⁰ of the project. Funds for incurring expenditure on salary and office expenditure of SLNA and DWDUs are provided separately by GoI. The funds under the programme were to be released by GoI and State Government in three instalments¹¹ to GSWMA. From 2012-13, funds were released on lump-sum basis as per annual financial requirement submitted by the GSWMA and the funds were further released to the DWDUs according to the requirement of the projects. A chart depicting the flow of funds is shown as follows –

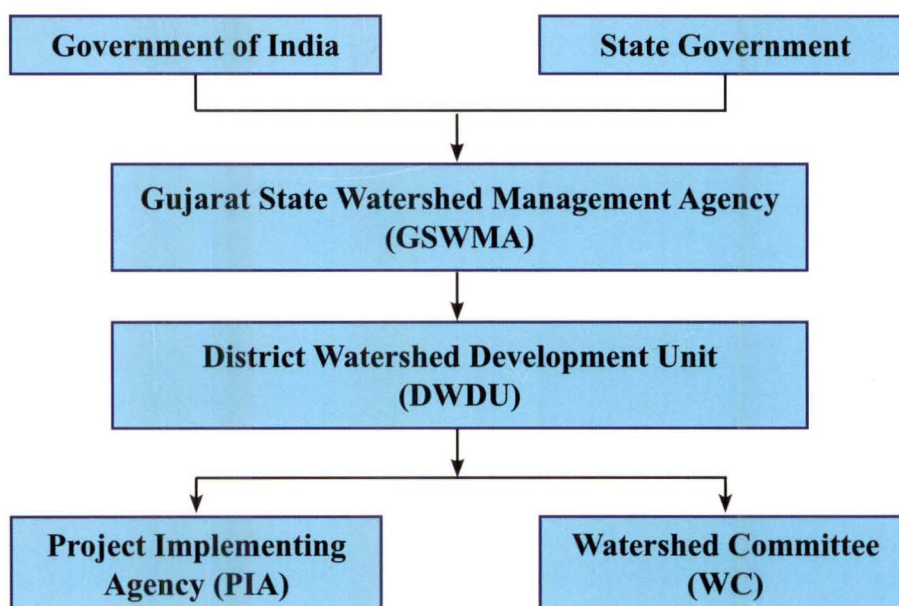
⁸ IWMP-1 : 5,400 hectares (₹ 6.48 crore), IWMP-3 : 5,530 hectares (₹ 6.64 crore), IWMP-4 : 2,906 hectares (₹ 3.49 crore), IWMP-6 : 4,010 hectares (₹ 4.81 crore), IWMP-7 : 4,370 hectares (₹ 5.24 crore), IWMP-8 : 4,000 hectares (₹ 4.80 crore) and IWMP-9 : 4,000 hectares (₹ 4.80 crore)

⁹ For Navsari district priority starts from second as no village falls under first priority.

¹⁰ Administration - 10 *per cent*, Monitoring - one *per cent*, Evaluation-one *per cent*, Entry Point Activities - four *per cent*, Institution and Capacity building - five *per cent*, DPR - one *per cent*, Watershed Development Works - 50 *per cent* (revised to 56 *per cent* from October 2011), Livelihood for assetless persons - 10 *per cent* (revised to nine *per cent* from October 2011), Production System and Micro enterprise - 13 *per cent* (revised to 10 *per cent* from October 2011) and Consolidation Phase - five *per cent* (revised to three *per cent* from October 2011)

¹¹ 20, 50 and 30 *per cent* respectively

Flow of funds



2.1.8.2 Receipt and Expenditure

The details of funds received and expenditure incurred under the programme during the period 2009-14 are shown in **Table 3** below -

Table 3: Funds received and expenditure incurred

(₹ in crore)

Year	Opening Balance	Funds received		Interest earned	Total funds available	Expenditure incurred	Closing Balance	Percentage of expenditure against available funds
		GoI	State Government					
2009-10	0.00	50.23	0.00	0.18	50.41	0.50	49.91	01
2010-11	49.91	161.73	23.55	3.22	238.41	20.76	217.65	09
2011-12	217.65	157.71	17.53	12.54	405.43	63.51	341.92	16
2012-13	341.92	332.23	36.91	16.87	727.93	157.39	570.54	22
2013-14	570.54	60.00	6.67	00.00	637.21	370.25	266.96	58
Total		761.90	84.66	32.81		612.41		

(Source: Annual accounts of the programme)

Analysis of the above table showed that –

- The expenditure against available funds during 2009-14 increased from one (2009-10) to 58 per cent (2013-14).
- Against available funds of ₹ 879.37 crore¹², ₹ 612.41 crore (70 per cent) were spent during the years 2009-14. Thus, ₹ 266.96 crore (30 per cent of the total available funds) remained unutilised at the end of March 2014. The main reasons for the low expenditure were, the slow progress of work, late release of State's share, delayed release of funds to DWDU by GSWMA, etc. as discussed in the succeeding paragraphs.

¹² ₹ 761.90 crore (GoI share) + ₹ 84.66 crore (State share) + ₹ 32.81 crore (interest earned)

- Batch-I and Batch-II sanctioned in 2009-10 and 2010-11 respectively are in the work phase. However, against available funds of ₹ 436.50 crore (Batch-I) and ₹ 200.20 crore (Batch-II), ₹ 332.31 crore (76 per cent) and ₹ 164.56 crore (82 per cent) respectively were spent during the years 2009-14.

Audit also observed that due to huge unspent balance (₹ 570.54 crore) at the end of the year 2012-13, GoI's share of ₹ 513.48 crore out of the demand of ₹ 1,076.31 crore submitted by the GSWMA, was not released during the period 2013-14. This signified inefficient harness of resources by the programme implementing machinery.

2.1.8.3 Slow pace of expenditure against prescribed timeline

Operational guidelines provide that work phase of a batch/project would be completed by the fourth year of its implementation. Work phase consists of three components viz. works, livelihood and micro-enterprise system. Thus, the work phase of Batch-I and Batch-II sanctioned in 2009-10 and 2010-11 was required to be completed by 2013-14 and 2014-15 respectively.

Audit observed that the projects sanctioned under Batch-I and Batch-II were still under execution stage as on March 2014. Had the work phase of Batch-I and Batch-II been completed as scheduled, GSWMA could have availed ₹ 1,367.29 crore as against ₹ 347.62 crore actually availed as of March 2014 as shown in **Table 4** below -

Table 4 : Available funds against earmarked funds in Batch-I and Batch-II as of March 2014

(₹ in crore)

Batch Number	Number of projects	Project cost	Funds earmarked for work phase				Available funds for work phase			
			Water-shed works	Livelihood	Production System and Micro enterprise	Total	Water-shed works	Livelihood	Production System and Micro enterprise	Total
I	151	930.10	465.05	93.01	120.91	678.97	186.02	27.91	46.50	260.43
II	141	917.77	513.95	82.60	91.77	688.32	68.83	9.18	9.18	87.19
Total	292	1,847.87	979.00	175.61	212.68	1,367.29	254.85	37.09	55.68	347.62

(Source : Information provided by GSWMA)

This indicated that the progress of the programme was slow which might result in cost escalation due to delay in completion of work and delayed accrual of related benefits from the programme.

GSWMA stated (October 2014) that slow progress of scheme was due to change in scheme guidelines three times and changes in funding pattern. It was further stated that as most of the funds rest with village-level institutions, it was difficult for them to adopt to frequent changes in the implementation process. However, the fact remains that as dedicated institutions have been established at every level to expedite the implementation process, slow pace of programme indicate that these institutions might not be working effectively and efficiently.

Implementation of the Programme

2.1.9 Execution of Works

2.1.9.1 Construction of contour trenches

Contour trenches are curved ditches dug along the hillsides perpendicular to the flow of water. Contour trenches help improve soil moisture and check soil erosion as it is constructed on hillside to break the slope, slow down the flow of water and allow infiltration to trap sediment. Technical Manual of the programme provides that contour trenches are required to be constructed at places with 10 to 25 per cent slope, in areas without dense vegetation and, with low and medium rainfall. **Picture 1** below shows an ideal contour trench.



Picture 1: An Ideal picture of contour trench (from DPR)

On scrutiny of records and joint field visit of nine projects at five test-checked districts, Audit observed that trenches constructed were not in consonance with the technical manual and the very idea of soil and moisture conservation was defeated.

- In five projects¹³ of three test-checked districts, the contour trenches were constructed at the cost of ₹ 51.71 lakh in plane areas instead of constructing the same at places with required slope (**Picture 2, 3 and 4**).

¹³ Ahmedabad (IWMP-8) - ₹ 7.83 lakh, Kachchh (IWMP-1) - ₹ 4.71 lakh, (IWMP-4) - ₹ 19.05 lakh, (IWMP-12)- ₹ 11.48 lakh and Kheda (IWMP-1) - ₹ 8.64 lakh



Picture 2 : Staggered Contour trench at village Bhojva in IWMP-8 of Ahmedabad (photo taken at the time of completion of construction work obtained from the records of DWDU)



Picture 3 : Contour trench constructed at foothill and parallel to water flow instead of perpendicular to water flow in IWMP-1 of Kachchh (photo taken at the time of completion of construction work obtained from the records of DWDU)



Picture 4 : Contour trench constructed in flat area in IWMP-4 of Kachchh (photo taken at the time of completion of construction work obtained from the records of DWDU)

- In four projects¹⁴ of two test-checked districts, the contour trenches constructed at a cost of ₹ 36.09 lakh were in areas where either the slope was inadequate, had dense vegetation or received heavy rainfall (Picture 5 and 6).



Picture 5 : Contour trench constructed in area without adequate slope in IWMP-3 of Dahod district (03.09.2014)



Picture 6 : Contour trench constructed in area with dense vegetation in IWMP-10 of Narmada district (19.08.2014)

DWDU Ahmedabad stated (May 2014) that the areas where Contour Trenches were constructed were waterlogged ones and were constructed to give safe passage to water. However, the reply should be viewed in the light of the fact that the objective of contour trenches to slow down the water coming down from hills and conserve some water in trenches on

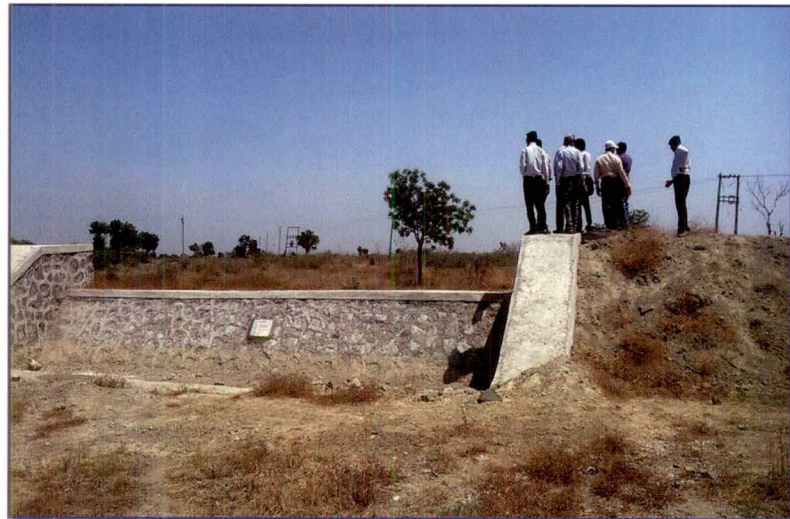
¹⁴ Dahod (IWMP-3 - ₹ 1.17 lakh and IWMP-4 - ₹ 1.86 lakh) and Narmada (IWMP-5 - ₹ 19.85 lakh and IWMP-10 - ₹ 13.21 lakh)

the way to increase moisture profile was not achieved. DWDU Kachchh stated (October 2014) that in Kachchh district, proper site for Contour Trenches were not available, so they were constructed on available sites. Three other DWDUs stated that these works fall under soil and moisture conservation and were approved in the DPRs; so they were executed. However, construction of contour trenches in contravention to the provision of technical manual would not yield desired result of soil and moisture conservation.

2.1.9.2 Improper selection of sites

Common Watershed Guidelines envisage more emphasis in selection of suitable and proper sites for watershed works to achieve optimum benefit from the same. On scrutiny of records and joint field visit of 15 projects at seven test-checked districts, Audit observed that –

- Technical Manual stipulates that a check dam should be constructed on a stream bed with at least five meter width and one meter depth. It further provides that the banks of the stream should be high and firm. On scrutiny of river body maps of three projects in two test-checked districts, Audit observed that 26 check dams¹⁵ had been constructed at a cost of ₹ 90.71 lakh in areas where there was no stream or drain in the land survey numbers. During joint field visit of a check dam constructed at village Dedarda, Bhavnagar district under IWMP-5, it was observed that check dam had been constructed in an area where there was no stream or drain (**Picture 7**).



Picture 7: A check dam at village Dedarda, Bhavnagar under IWMP-5, Bhavnagar (28.04.2014)

DWDU, Bhavnagar stated (April 2014) that the check dams had been constructed at places where there were enough water flow. However, the reply was not in consonance with the facts observed during joint field visit. DWDU Banaskantha stated (September 2014) that there was enough slope on the sites where the check dams had been constructed. However, as the technical manual envisaged that check dams were required to be constructed on streams/drains and not at places with slope, the technical manual guidelines should have been adhered to. Construction of check dams at improper sites may not yield the desired benefits and entail wasteful expenditure.

¹⁵ Banaskantha (IWMP-5 and 6) - ₹ 13.47 lakh (seven check dams) and Bhavnagar (IWMP-5) - ₹ 77.24 lakh (19 check dams)

- Gabion structure is a kind of structure constructed across small streams to conserve stream flows with practically low submergence beyond the stream course with a catchment area of 30-150 hectares. Small bund (wall) across the stream is erected by keeping boulder (stone) in a mesh of steel wires (**Picture 8**). This is put up across the stream to make it as a small dam by anchoring it to the stream banks.



Picture 8 : Design of gabion structure (Technical Manual)

The objective of constructing gabion structure is to reduce the velocity of water flowing through the drainage line which in turn helps in reduction of siltation in the lower reaches of the watershed.

On scrutiny of records and photographs of gabion structures constructed at a cost of ₹ 45.48 lakh in three projects (IWMP – 1, 3 and 6) of Narmada district, Audit observed that the gabion structures were erected in farm fields instead of erecting them on small streams and the designs were not as per gabion structure. Joint field visit of one such structure constructed under IWMP-3 revealed that the designs were not as per gabion structure and were erected on the boundaries of a farm (**Picture 9**).



Picture 9 : Gabion structure constructed in a farm field under IWMP-3 Narmada district (19.8.2014)

DWDU, Narmada stated (September 2014) that the construction of gabion structures were done as per demand from the residents of the village. This indicated that the selection of the site was not done as per the criteria envisaged in the technical manual and intended benefits might not be realised.

- Check walls are required to be constructed on small streams to conserve water; however, during joint field visit of a check wall constructed at Moti-bedvan under IWMP-3 in Narmada district, it was observed that the check wall was constructed on a farm boundary though there was no flow of water/stream (**Picture 10**). Thus, the purpose of conserving water was defeated and the expenditure incurred towards construction of check wall proved wasteful.



Picture 10: Check wall constructed at Moti-bedvan village in IWMP-3 of Narmada district (19.8.2014)

DWDU, Narmada stated (September 2014) that the construction of check walls was done as per demand from the residents of the village. This indicated that the villagers and Panchayati Raj Institutions (PRIs) were not sufficiently sensitised with Information, Education and Communication (IEC) and other educational programmes which led to selection of incorrect sites against criteria envisaged in the technical manual and the intended benefits might not be realised. Taking Gram Sabhas and PRIs into confidence is an important component of project management. The following observations were made in addition to the above mentioned points regarding incorrect site selection.

- Field outlets are constructed on the boundaries of farm field to conserve water and maintain required water level. The structure of the outlet should be above the field level. DWDU, Navsari had constructed (March to December 2013) 164 field outlets at a cost of ₹ 29.96 lakh under IWMP-8; however, verification of the photographs of the field outlets available on record revealed that the level of outlets was below the field level. During joint field visit of a field outlet constructed under the project in Khambla village, Navsari, Audit observed that the level of the outlet was below the field level and the farmer had placed stones to stop the flow of water from the field (**Picture 11**). This resulted in wasteful expenditure

and non-achievement of the intended objective of soil and moisture conservation of agricultural land.



Picture 11: Overflowing Field outlet at village Khambla, Navsari under IWMP-8 (07.08.2014)

DWDU, Navsari attributed (August 2014) the same to land levelling by farmers after construction of the outlet. The reply was not convincing as the works were executed in 2013-14 and this aspect could have been considered at the time of construction of the outlet.

- Under IWMP-1, structure of farm ponds was included in the DPR as a surface water storage structure. Further, the Technical manual provides that the site for construction of farm ponds (van talavadi) should contain soil with the ability to hold water with a layer of impervious material thick enough to prevent excessive seepage. DWDU, Navsari had constructed 30 farm ponds under IWMP-1 at a cost of ₹ 17.00 lakh. During joint field visit of the sites (July 2014), Audit observed that the farm ponds were lying empty (**Picture 12**), though there was normal rainfall during the monsoon in the district as per the data of Indian Metrological Department (July 2014).



Picture 12: Empty Farm pond constructed at village Vangan (Survey No. 70) under IWMP-1 of Navsari (07.08.2014)

DWDU, Navsari stated (August 2014) that due to high degree of seepage, the ponds were lying empty, but it served the purpose of moisture conservation. GSWMA stated (November 2011) that many farm ponds are constructed on ridge line and their objective was to store and let water to percolate so that water table could be increased. However, Audit observed that the site selected was not proper as the technical manual clearly envisages that selected site should contain soil capable of preventing seepage. Further, the objective of construction of farm ponds was not ground water recharge but storage of surface water.

- Contour bund¹⁶ is a structure excavated on contour lines as a part of ridge area treatment. DWDU, Navsari had constructed five contour bunds at a cost of ₹ 5.12 lakh under IWMP-1. Audit observed that though GSWMA had instructed (April 2011) to remove this structure from the project, the DWDU had executed (between February and December 2013) the structure. Further, during joint field visit (August 2014) of these contour bunds, it was observed that the design of the work executed was not as per designs of contour bunds but was merely of a farm bund¹⁷ and the same was found empty (**Picture 13**).



**Picture 13: Contour bund constructed under IWMP-1,
Navsari district (from the records of DWDU)**

DWDU, Navsari stated (October 2014) that these structures were constructed based on the demand of the Watershed Committee. GSWMA stated (November 2014) that contour bunds were constructed to act as “level terraces” and as a barrier to flow of water. However, the fact remains that the design of the structure and selection of site should be decided as per the provisions of the technical manual, as improper structure selection for a site would not yield the intended benefits from the structure.

¹⁶ Contour bund is construction of horizontal lines of small earthen or boulder bunds across the sloping land surface

¹⁷ Farm bund is constructed on farm boundary to stop water flow out of the field

In view of above instances noticed in Audit it is pertinent to mention that though the Watershed projects were to be implemented by the WC at the village with the technical support of the WDT, to give a grassroot orientation to the projects, it is essential that the provisions of Technical Manual are adhered to, in order to yield the intended benefits from the projects. Further, monitoring mechanism may be strengthened at the execution level to avoid improper site selection and non-adherence to technical guidelines.

2.1.9.3 Non-utilisation of works/infrastructures

(i) On scrutiny of the records of two projects at DWDU, Banaskantha, Audit observed that water storage structures constructed (2012) at a cost of ₹ 28.44 lakh were not put to use till date (September 2014) for want of water supply connection from Gujarat Water Supply and Sewerage Board (GWSSB).

DWDU, Banaskantha stated (September 2014) that the village panchayat was responsible for obtaining water connection from GWSSB. ***It is recommended that better co-ordination among different agencies of the State Government and community participation may be ensured for optimum utilisation of works to achieve intended benefits from the investment made in the works.***

(ii) Similarly, Audit observed at DWDU, Navsari that an overhead water storage tank constructed (July-August 2011) at a cost of ₹ 8.28 lakh under IWMP-5 had not been put to use till date (August 2014) for want of water connection from GWSSB. Audit also observed that 10 Reverse Osmosis (RO) plants purchased in 2010 under Entry Point Activities¹⁸ under the project (IWMP-5) at a cost of ₹ 8.24 lakh were lying uninstalled (**Picture 14**) till date (August 2014).



Picture 14 : RO plant lying unutilised at DWDU, Navsari (10.08.2014)

¹⁸ Entry Point Activities include works based on urgent needs of the local communities such as revival of common natural resources, drinking water, development of local energy potential, augmenting ground water potential, etc.

DWDU, Navsari stated (August 2014) that the village panchayat was responsible for obtaining water connection from GWSSB; however, efforts would be made to get the connection soon. As regards RO Plant, it was stated that the same was not installed due to non-creation of required infrastructure by the village panchayat and watershed committee for fixing the RO plant. Audit observed that the even after four years, the infrastructure created under the programme was lying unutilised and the expenditure proved infructuous. ***It is recommended that immediate action may be taken to put the already created infrastructure to use.***

2.1.9.4 Loss of plantation on account of deficient maintenance

Plantation activity requires regular and timely maintenance for the survival of the plants. Even the technical sanction accorded by the Forest department stipulated three years of maintenance of the plantation under the programme.

On scrutiny of records of five projects at four DWDUs¹⁹, Audit observed (between June to September 2014) that plantation done (2010-11 and 2013-14) under the projects at a cost of ₹ 35.84 lakh did not survive due to non-maintenance of the same by the Project Implementing Agencies.

DWDU, Ahmedabad and Kheda attributed (June 2014) the aforementioned non-maintenance to water scarcity. DWDU, Narmada attributed (August 2014) the reason of non-availability of maintenance grant for plantation. DWDU, Dahod stated (September 2014) that plants were distributed to individual beneficiaries and the responsibility of their maintenance lay with them.

The above cases indicated that the activity of plantation was carried out without proper planning and inadequate follow-up for its subsequent maintenance resulting in non-survival of plantations. The expenditure incurred on these plantations, thus, proved infructuous.

2.1.10 Micro-enterprise and Production System improvement

One of the major objectives of the programme was productivity enhancements along with conservation measures. Common Watershed Guidelines provide that Project Implementing Agencies (PIAs) must facilitate improvements in productivity and income. The Livelihood guidelines envisage maximum utilisation of potential generated by watershed activities.

2.1.10.1 Revolving Fund

Livelihood guidelines provide that at least 70 per cent of the funds available for livelihood component should be provided to Self Help Groups (SHGs) and enterprising individuals for creation of a Revolving Fund (₹ 25,000) with a condition to return the same in maximum eighteen months.

Audit observed that only two²⁰ out of 10 test-checked DWDUs had provided funds to SHGs for creation of a Revolving Fund. In remaining DWDUs, no

¹⁹ Ahmedabad (IWMP-1) - ₹ 1.12 lakh, Dahod (IWMP-3) - ₹ 2.23 lakh, Kheda (IWMP-1) - ₹ 7.89 lakh and (IWMP-2) - ₹ 7.72 lakh and Narmada (IWMP-10) - ₹ 16.88 lakh

²⁰ Banaskantha and Kachchh

provision for Revolving Fund was made in the DPR and the funds were utilised for individual activities in contravention to the provision of the guidelines.

GSWMA stated (October 2014) that their focus was on monitoring of works rather than distribution of funds for Revolving Fund. However, Audit is of the view that creation of Revolving Funds could help the SHGs finance their members in enhancing their income.

2.1.10.2 Vermi composting

Vermi composting is a process of using earthworms as natural bio-reactors for conversion of any organic waste into manure. The earthworms feed on the organic waste and produce waste by way of excreta which is called vermi compost and is used as an organic fertilizer.

(i) Livelihood Manual prescribes usage of 1.5 kilogram (kg.) of worms for Vermi Compost Bed (VCB) with size of 10 x 6 x 2.5 cubic feet. On scrutiny of records at four test-checked districts, Audit observed that there was wide variation in quantity of worms used in different districts for VCBs as shown in Table 5 given below –

Table 5: Details of worms used in VCBs at test-checked districts

Name of the district	Length (in feet)	Breadth (in feet)	Depth (in feet)	Volume (in cubic feet) (Col.2x3x4)	Quantity of worms used (in kgs.)	Quantity per unit (Col. 6 divided by Col.5)
1	2	3	4	5	6	7
Livelihood Manual	10	6	2.5	150	1.50	0.01
Ahmedabad	40.26	20.13	0.66	534.89	250.00	0.47
Kheda	4.00	12.00	2.00	96.00	5.00	0.05
Narmada	4.00	12.00	2.00	96.00	3.00	0.03
Vadodara	15.15	3.33	1.66	83.75	14.00	0.17

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

The above table shows that the use of worms in Ahmedabad district was very high as compared to the quantity envisaged in the Livelihood Manual. Comparing the quantity per unit utilised by Ahmedabad district with that of Vadodara district (being the maximum quantity per unit utilised among remaining three districts), the maximum quantity of worms (to be utilised based on the size of the VCB) at Ahmedabad should have been 91 kgs.²¹, whereas the actual utilisation was 250 kgs. Thus, at Ahmedabad district 159 kgs. of worms per bed were used in excess as compared to Vadodara district which resulted in excess expenditure on purchase of worms to the tune of ₹ 8.90 lakh²² for 14 VCBs.

²¹ 534.89 (volume) x 0.17 (quantity per unit of Vadodara district)

²² 159 Kgs. x 14 VCBs x ₹ 400 (value of per kg worms purchased at Ahmedabad for each VCBs)

GSWMA stated (December 2014) that works were executed as per the technical sanction given by the Agriculture Officer. However, Audit observed that the said technical sanction by Agriculture Officer was not used while executing the work but a separate technical sanction was obtained from MDT which specified 250 kgs. of worms per VCBs.

(ii) Audit observed that the desired outcome of income generation was not achieved under the activity of vermi composting. The details of expenditure incurred on construction of VCBs, quantity of vermi compost produced and income generated by sale of vermi compost in test-checked districts are shown in **Table 6** as below –

Table 6: Details of expenditure incurred on VCBs, quantity of vermi compost produced and income generated in test-checked districts

District	Number of projects	Number of beneficiaries		Expenditure incurred on VCBs	Quantity of vermi compost produced (in kgs.)	Quantity of vermi compost sold (in kgs.)	Income generated (₹ in lakh)	Number of beneficiaries who continued the activity	
		Individuals	SHGs					Individuals	SHGs
1	2	3	4	5	6	7	8	9	10
Ahmedabad	5	187	17	26.66	1,11,200	91,200	3.19	0	8
Banaskantha	5	325	-	88.79	14,500	0	0	1	0
Bhavnagar	4	87	-	13.05	0	0	0	0	0
Kheda	8	339	-	52.08	4,91,634	1,000	0.04	28	0
Narmada	7	678	57	96.30	10,520	0	0	0	51
Navsari	5	59	-	8.47	24,160	13,200	0.39	44	0
Surendranagar	1	10	-	2.50	2,400	0	0	10	0
Vadodara	12	536	-	67.94	10,90,100	0	0	536	0
Total	47	2,221	74	355.79	17,44,514	1,05,400	3.62	619	59

(Source: Information furnished by GSWMA)

The above table shows that only three out of eight test-checked districts reported generation of income from the activity to the tune of ₹ 3.62 lakh. Further, only 619 out of 2,221 beneficiaries and 59 out of 74 SHGs had continued the activity as of January 2015. This indicated that the activity could not achieve its objective of income generation.

GSWMA stated (December 2014) that the main objective of the activity was to change the practice of usage of chemical fertilizers by farmers as well as to decrease the cost of production and therefore such activity may not derive direct profit. The reply should be viewed in the context that one of the main objectives of programme was to generate sustainable source of income for people through implementation of livelihood activities. The above instances noticed in test-checked districts bring out the fact that the activities were neither planned nor executed efficiently resulting in non-achievement of intended objectives of sustainable livelihood generation and production system improvement. The State Government may consider taking up adequate IEC activities to promote the ultimate objectives of the IWMP.

2.1.11 Irregular payment

(i) Gujarat Treasury Rules and Operational Guidelines provide that payment of all government dues should be made only through account payee cheques. On scrutiny of records of 25 out of 52 projects in eight test-checked districts, Audit observed that payment of ₹ 8.23 crore²³ pertaining to supply of materials and wages to labourers were made in cash in contravention to the above provision.

The DWDUs attributed (between May to October 2014) the cash payment to lack of knowledge of payment procedure in the initial phase of programme implementation and non-availability of suppliers/labourers with bank accounts at village level. However, Audit is of the view that necessary instructions may be issued to enforce payment by cheques to avoid any irregular/fraudulent payment under the programme.

(ii) Payment of wages to labourers employed in works executed under the programme was to be made based on the attendance noted in the Muster Roll (MR). On scrutiny of MRs of 12 out of 33 projects in six test-checked DWDUs, Audit observed that 368 labourers were shown as having worked at two different sites during same period and a payment of ₹ 13.12 lakh²⁴ was made to them. Audit further observed at three test-checked DWDUs that payment of ₹ 4.03 lakh²⁵ to 152 labourers were made on blank MRs. In view of these, Audit could not vouchsafe whether the payments were made to genuine workers as per the actual work done. Further, the possibility of fraudulent payments cannot be ruled out.

DWDUs stated (April to September 2014) that there was a mistake in mentioning the dates of work in the MRs. As regards blank MRs, it was stated that the lapses was due to musters being recorded by the Secretary of WC who are not qualified and that such instances would not be repeated in future. However, details of actual date of work were not provided to Audit in support of the replies of DWDUs. Since MRs are very important documents and proper care should have been taken to ensure correct recording to avoid duplicate/irregular payment of wages to labourers as well as to avoid possible fraudulent payments, the State Government may consider investigating the matter further and issue necessary directions to avoid recurrence of such instances.

2.1.11.1 Suspected misappropriation of funds

Some of the suspected misappropriation cases noticed during the course of Audit are indicated below -

(i) On scrutiny of records and joint field visit of IWMP-3 of Dahod district, Audit observed that 12 Nala Plug²⁶ works were executed at the cost of ₹ 9.04 lakh under the project. Construction of toe wall for each Nala Plug was recorded in the measurement book (MB); however, site visit revealed that toe wall was

²³ Ahmedabad (₹ 0.99 crore), Dahod (₹ 3.36 crore), Kachchh (₹ 0.83 crore), Kheda (₹ 0.72 crore), Narmada (₹ 1.18 crore), Navsari (₹ 0.41 crore), Surendranagar (₹ 0.48 crore) and Vadodara (₹ 0.26 crore)

²⁴ Ahmedabad - ₹ 7.50 lakh (192 labourers), Banaskantha - ₹ 0.05 lakh (six labourers), Dahod - ₹ 0.94 lakh (50 labourers), Kheda - ₹ 2.90 lakh (68 labourers), Narmada - ₹ 0.29 lakh (20 labourers) and Surendranagar - ₹ 1.44 lakh (32 labourers)

²⁵ Ahmedabad - ₹ 2.85 lakh (88 labourers), Kheda - ₹ 0.75 lakh (25 labourers) and Vadodara - ₹ 0.43 lakh (39 labourers)

²⁶ Nala plug is a small checkdam

not constructed (**Picture 15**). Thus, possibility of misappropriation of payment of ₹ 1.00 lakh made towards construction of toe walls could not be ruled out.



Picture 15: Nala plug without toe wall at IWMP-3, Dahod (02.09.2014)

DWDU, Dahod stated (September 2014) that toe wall would be constructed and Audit would be intimated accordingly.

(ii) Construction of contour trench at village Bensa, Narmada district in IWMP-5 was completed in March 2012 at the cost of ₹ 5.00 lakh. On scrutiny of records at DWDU, Narmada, Audit observed that subsequent to completion of work, payments in cash to labourers to the tune of ₹ 5.18 lakh (between March and June 2012) and ₹ 1.63 lakh (May 2013) were made which was in excess by ₹ 1.81 lakh as against the amount quoted in the completion certificate. Thus, it raises serious doubts about the genuineness of the subsequent payments made and the possibility of misappropriation exists.

The DWDU Narmada stated (August 2014) that the matter would be investigated and the outcome would be reported to Audit.

(iii) In IWMP-10 at Nani Chikhli village, Narmada district, Audit observed that a payment of ₹ 0.12 lakh was made as wages to labourers for work done for construction of contour trench during 29th, 30th and 31st February 2013 though these dates were not available in the month of February. Thus, the payment of such doubtful nature increases the possibility of misappropriation.

The DWDU Narmada stated (August 2014) that matter would be investigated and the outcome would be reported to Audit.

(iv) In IWMP-9 of DWDU, Vadodara, an amount of ₹ 0.69 lakh had been misappropriated by a Watershed Development Team (WDT) Accountant in December 2012 and January 2013 by crediting the salary of WDT staffs²⁷ in his personal account by replacing the payment sheet annexed to the cheque.

The DWDU stated (July 2014) that the misappropriated amount had been recovered from the concerned WDT Accountant and the delinquent staff has been removed from the service. However, Audit could not vouchsafe the recovery made, as the details of amount taken into Government account and release of salary to the WDTs were not made available to Audit.

²⁷ Total four WDT staff including the delinquent himself

The above instances noted in Audit, highlight the lack of adequate internal control mechanism in the implementation of IWMP at the execution level. Further, these were only those instances that came to the knowledge of Audit during test-check. Possibility of more such cases cannot be ruled out.

The State Government may investigate the matter further and devise a strong internal control mechanism along with other checks and balances to avoid such occurrences in the on-going and future projects.

2.1.12 Convergence

Operational guidelines provide utmost importance to convergence and have been made mandatory as an integral part of every DPR. While preparing the DPR, the project management team was required to study the total funds requirement of the village or the project area as well as the funds availability. The gap between funds availability and funds requirement was to be filled up by other schemes implemented in the same area such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Backward Region Grant Fund (BRGF), Tribal Area Sub Plan (TSP), etc.

DPR of test-checked districts for Batch-I and Batch-II had included the funds receivable by convergence of IWMP with other schemes as shown in **Table 7** below –

Table 7: Details of convergence funds included in the DPRs of test-checked districts

(₹ in crore)			
Name of the test-checked districts	Total funds required	Funds available under IWMP	Funds from convergence
Ahmedabad	37.79	32.75	5.04
Banaskantha	23.47	21.85	1.62
Bhavnagar	48.69	44.48	4.21
Dahod	41.19	30.96	10.23
Kachchh	160.82	116.85	43.97
Kheda	25.49	22.57	2.92
Navsari	35.75	29.06	6.69
Narmada	43.02	33.31	9.71
Surendranagar	34.45	27.47	6.98
Vadodara	22.28	15.00	7.28
Total	472.95	374.30	98.65

(Source : Information obtained from the DPRs (Batch-I and Batch-II) of test-checked districts)

On scrutiny of records, Audit observed that though the amount of convergence was specified in the DPR, no efforts were made by any of the test-checked DWDUs to obtain the funds from other schemes. Thus, till date (October 2014) convergence of different schemes with IWMP in test-checked districts could not be achieved.

GSWMA stated (October 2014) that IWMP is a time bound programme and implementation of the programme rests with the Watershed Committees. It was further stated that to achieve convergence, capacity building of the Watershed Committees needs to be strengthened.

Availing convergence funds would bolster the total availability of the funds for IWMP which can be utilised for augmenting the resources for projects to be taken up in future.

2.1.13 Maintenance of Measurement Books

Operational guidelines provide that Measurement Books (MBs) for each work would be recorded by the President of Watershed Committee concerned and WDT engineer. The Nodal Officer with the help of WDT, would scrutinise the works, verify the measurements on the spot and would check the entries of the same in the MB.

On scrutiny of MBs at test-checked districts, Audit observed deficiencies in maintenance of MBs of 11 out of 36 projects executed in five test-checked districts such as non-maintenance of MBs, incomplete MBs, recording made in the MBs after completion of the work, MBs not signed by the competent authority, etc. (Appendix-III). Proper maintenance of MBs could have avoided the instance of possible misappropriation of programme funds as discussed in Paragraph 2.1.9.

2.1.14 Human Resource Management

The Project Director assisted by Multi-Disciplinary Team (MDT) at DWDU was responsible for implementation of the programme in the District and Watershed Development Team (WDT) of Project Implementing Agency (PIAs) was responsible for execution of the watershed works. The details of men-in-position as against the sanctioned post at DWDUs and PIAs for the State as on December 2014 is shown in Table 8 below -

Table 8 : Details of men-in-position in DWDUs and PIAs as on 31 December 2014

Sr. No.	Designation	Sanctioned Posts	Men-in-position	Vacancy	Percentage of vacancy
1	Project Director	26	15	11	42
2	MDT	441	345	94	21
3	WDT	3,728	1,985	1,743	47

(Source : Information provided by GSWMA)

The above table shows that the vacancy in the post of Project Director at DWDUs was 42 per cent and that of WDT in PIAs was 47 per cent. The slow progress in implementation of the programme in the State was also attributable to huge vacancy in WDTs.

2.1.15 Monitoring and Evaluation

2.1.15.1 Monitoring

Monitoring is a continuous process and would start immediately with commencement of the implementation of the project till the project is handed over to the Gram Sabha. Common Watershed Guidelines provide for regular monitoring of the projects at each stage. Further, the operational guidelines provide for regular monitoring by Watershed Committee, WDT, MDT, Technical Expert and Professional Expert.

On scrutiny of records at PIA, DWDU and GSWMA, Audit observed that GSWMA had not fixed any targets for inspection of works at any level to

strengthen the monitoring of the projects under the programme. Further, Audit could not vouchsafe the actual inspections carried out by designated officials, as no records were maintained at any level regarding inspection done, inspection reports issued and corrective actions taken. The improper selection of sites discussed in Paragraph 2.1.10.2 of the report indicates the lack of monitoring at various levels.

GSWMA stated (October 2014) that though targets were not prescribed for regular monitoring, the same was being done at each level. ***It is recommended that the GSWMA may fix number of inspections to be carried out by each designated official and implement a system of documentation of inspection done to ensure effective monitoring.***

2.1.15.2 Evaluation

As per the provision of Common Watershed Guidelines, the SLNA would identify institutions and agencies, and prepare panel of evaluators. Evaluation of the programme would include physical, financial and Social Audit of the works done. The evaluation of projects executed under Batch-I and Batch-II was got done by GSWMA through various evaluators in May 2012 and July 2013; however, Audit observed that there was no mention of achievements/deficiencies of the projects evaluated. The report consisted of basic information such as introduction, State profile, percentage of funds utilised, creation of village level institutions, capacity building, procedure of preparation of DPR, etc.

GSWMA stated (October 2014) that only preliminary evaluation was done based on the suggestive guidelines issued by the GoI. However, the evaluation report should have indicated the objectives of the programme, the status of objectives achieved and future course correction required.

2.1.16 Other topics of interest

2.1.16.1 Conflict of interest

Operational guidelines provide that Watershed Committee shall invite quotations for purchase of materials upto the cost of ₹ 0.40 lakh. Audit observed at three DWDUs²⁸, the members of the Watershed Committee had submitted their quotations and the same were approved by the committee. This indicated conflict of interest and subverted the process of quotation. The members were also paid an amount of ₹ 22.64 lakh against supply of material.

2.1.17 Conclusion and Recommendation

In order to overcome the problems of drought, land degradation and to improve the socio-economic conditions of economically weaker sections, IWMP was launched in February 2009. The main objectives of the programme are to conserve natural resources of water, soil and vegetation, to increase groundwater table by enhanced recharge by watershed intervention, to increase in cropping intensity and agricultural productivity reflecting in overall increase in agricultural production, to improve rural livelihoods through participatory watershed development with focus on integrated farming systems for enhancing income, productivity and livelihood security in a sustainable manner. In Gujarat,

²⁸ Ahmedabad (IWMP-3) - ₹ 9.79 lakh, Bhavnagar (IWMP-10) - ₹ 8.10 lakh and Narmada (IWMP-1) - ₹ 4.75 lakh

State perspective and strategic plan for covering a treatable area of 98.63 lakh hectares over the period of 18 years from 2009-10 was prepared. District-wise priority maps were prepared and provided to the districts for preparing Preliminary Project Report. Against the available funds of ₹ 879.37 crore during 2009-14, ₹ 612.41 crore (70 per cent) was spent. Projects under both Batch-I and Batch-II were in the execution stage (October 2014). The Performance Audit of the IWMP revealed some areas of concern and gaps in implementation, which are highlighted below alongwith a set of recommendations as a way forward –

- Areas already treated in pre-watershed programmes and canal irrigation areas were included in the project, which were not in consonance with the programme guidelines. Selection of villages was not done as per the cluster approach as the villages selected under the projects were not in geo-contiguity and hydrological contiguity. Further, Audit observed that watershed structures were constructed at improper sites and infrastructure created under the programme was not being put to use.

GSWMA may issue instructions to DWDUs and WC to select villages by considering cluster approach and the areas may be selected based on the geo and hydrological contiguity.

The selection of sites may be given utmost importance so as to achieve the maximum benefit of soil conservation and moisture retention.

- Funds for creation of Revolving Funds were not provided to Self Help Groups (SHGs)/Self Help Federation (SHFs) under the livelihood component of the programme. Desired outcome of income generation was not achieved under the livelihood activity of vermi composting in test-checked districts.

The State Government may consider taking up adequate IEC activities to promote the objectives of the IWMP for generating sustainable sources of income for people through implementation of livelihood activities.

- Instances of payment by cash instead of account payee cheque for supply of materials and wages to labourers, doubtful payment to labourers having worked at two different sites during same period and payment of wages on blank muster rolls were noticed in test-checked districts. Suspected misappropriation of ₹ 9.09 lakh were noticed in three test checked districts

GSWMA may issue instructions to DWDUs and WCs to ensure proper maintenance of records and scrutiny of bills so as to avoid instances of suspected misappropriation of funds, as a measure of strengthening internal control mechanisms.

The matter was reported to Government (February 2015); but reply is awaited (March 2015).

COMPLIANCE AUDIT

Panchayats, Rural Housing and Rural Development Department

2.2 Implementation of Setting-up of *haats* for promotion of rural products at village, district and State levels under Swarnjayanti Gram Swarozgar Yojana

2.2.1 Introduction

Government of India (GoI), Ministry of Rural Development (MoRD) introduced (April 1999) Swarnjayanti Gram Swarozgar Yojana (SGSY) to cover all aspects of self-employment such as training, credit, technology, infrastructure and marketing by organising the poor into Self Help Groups (SHGs). The objective of the SGSY was to bring the assisted poor (*swarozgaris*²⁹) above the poverty line in three years, by providing them income-generating assets through a mix of bank credit and Government subsidy.

As the rural artisans covered under the SGSY did not have adequate wherewithal to connect themselves to the market, lacking adequate capacity, market intelligence and negotiation skills, the GoI formulated (February 2009) guidelines for “setting-up of *haats* (permanent marketing centres) for promotion of rural products at village, district and State levels under SGSY”. Financial assistance for construction of one *haat* at State capital, one *haat* at each district headquarters and three *haats* in each district at village level were envisaged in the scheme. The land for the proposed *haats* was to be owned by the Gram Panchayat/State Government. GoI restructured (2013) the SGSY as “National Rural Livelihood Mission (NRLM)” and all incomplete projects sanctioned under the SGSY were to be completed from the funds allocated under NRLM and no funds were supposed to be released by GoI for setting-up of new *haats* from April 2014. The Gujarat Livelihood Promotion Company Limited (GLPC), Gandhinagar established in April 2010 was appointed as the Nodal agency for implementation of NRLM and GLPC took over the incomplete projects from 2014-15.

The Secretary and the Commissioner of Rural Development (CRD) is responsible for implementation of the scheme in the State and Director, District Rural Development Agency (DRDA) is responsible for execution of the project at the district level. The CRD is assisted by the Managing Director (MD), GLPC at State level (w.e.f. April 2014).

Audit was conducted in eight³⁰ out of 25 districts³¹ with the objective of deriving an assurance about the efficacy of implementation of the scheme “Setting-up of *haats* for promotion of rural products at village, district and State levels under SGSY”. Joint field visits³² of 17 out of 24 village *haats* (completed/

²⁹ Swarozgaris can be either individuals or groups

³⁰ Ahmedabad, Anand, Bharuch, Navsari, Patan, Rajkot, Sabarkantha and Surendranagar

³¹ The State had only 25 districts on the date of introduction of the scheme

³² Audit team alongwith concerned DRDA staff

under progress) sanctioned in the eight selected districts were also conducted (**Appendix-IV**).

2.2.2 Planning

2.2.2.1 Beneficiary Survey

As per the provisions of the scheme guidelines, the village *haats* were to be set-up for marketing of products of rural BPL artisans. As such, before selection of village and location for construction of *haats*, a survey of availability of targeted beneficiaries for operation of *haats* was to be conducted.

Audit observed in test-checked districts that the selection of village and location for construction of village *haats* was done by the DRDAs without conducting any survey of availability of targeted rural BPL artisans. This was one of the primary reasons for the village *haats* remaining non-functional, as discussed in succeeding paragraphs.

The Directors of concerned DRDAs stated (July to August 2014) that the survey was not conducted due to absence of clear provision for beneficiary survey in the guidelines and non-issuance of instructions from CRD.

2.2.2.2 Village haats not constructed at places where markets existed

The scheme guidelines provide that the *haats* were to be constructed at the places where markets existed *i.e.* places where weekly *haats* were already existing. However, Audit observed in the test-checked districts that five *haats* had not been constructed where markets existed. For example, a *Haat* at Piranna village of Ahmedabad district was constructed in an interior area of a society where no markets existed, three *haats*³³ were constructed on the highway which was about one to two kilometers away from the village and a *haat* at Kungher village of Patan district was constructed at a place where pilgrims gathered only on Sundays. This indicated that the selection of location for construction of *haats* was without any survey where markets existed and availability of targeted beneficiaries.

The Directors of concerned DRDAs stated (July to August 2014) that due to non-availability of land where markets presently existed, the *haats* were constructed at other places. However, Audit is of the view that the alternate sites were required to be selected, considering the availability of artisans and sites being easily accessible to the villagers.

2.2.3 Financial Management

2.2.3.1 Funding pattern

The scheme envisaged financial assistance to be shared between Central and State Government in the ratio of 75:25. Financial assistance upto ₹ 3.00 crore, ₹ 1.50 crore and ₹ 0.15 crore for construction of *haats* at State Capital, district and village levels respectively was admissible.

³³ Dasada (Surendranagar district), Lingda (Anand district) and Punsari (Sabarkantha district)

2.2.3.2 Funds received and expenditure incurred

The details of funds received and expenditure incurred during the period 2009-14 are shown in **Table 1** below –

Table 1: Funds received and expenditure incurred

Year	Opening Balance	Funds received			Total available funds	Expenditure incurred	Closing Balance
		GoI	State	Total funds received			
2009-10	0.00	4.22	1.41	5.63	5.63	0.21	5.42
2010-11	5.42	0.00	0.00	0.00	5.42	0.94	4.48
2011-12	4.48	0.00	0.00	0.00	4.48	0.75	3.73
2012-13	3.73	0.33	0.11	0.44	4.17	0.89	3.28
2013-14	3.28	0.00	0.00	0.00	3.28	0.31	2.97
Total		4.55	1.52	6.07		3.10	

(₹ in crore)

(Source : Information received from MD, GLPC, Gandhinagar)

The above table shows that against total funds of ₹ 6.07 crore received during 2009-14, only ₹ 3.10 crore (51 per cent) had been utilised for construction of *haats* and the remaining funds of ₹ 2.97 crore remained with the DRDAs. Audit observed that the reasons for less utilisation of funds were non-commencement and slow progress of construction works, as discussed in the succeeding paragraphs.

2.2.3.3 Non-release of second instalment

The scheme guidelines provide for release of financial assistance in two instalments. First instalment (50 per cent) at the initial stage and second instalment (50 per cent) on submission of physical and financial progress reports along with Audit Report and Utilisation Certificate for utilisation of at least 60 per cent of available funds. The Central share is released directly to the DRDAs and the State share is required to be released within one month from the date of release of Central share.

Audit observed that out of 25 districts, only two districts³⁴ had received (July 2012) the second instalment from GoI under the scheme. On scrutiny of records at four selected districts, it was observed that construction of one to three *haats*³⁵ had been completed in each of the districts, more than 60 per cent of available funds had been utilised and proposals for second instalment had been submitted (between November 2011 and February 2014) to GoI by these districts. However, due to non-submission of Audit Report, complete Utilisation Certificates and compliances to GoI queries, etc. by concerned DRDAs, the second instalment of ₹ 67.50 lakh³⁶ was not released by GoI. Paucity of funds under the scheme resulted in construction not being taken up in the remaining three village *haats* in these districts and non-completion of ancillary works in eight village *haats* though the construction of these *haats* had been completed between August 2010 and August 2013 (**Appendix-V**).

³⁴ Patan and Surendranagar

³⁵ Ahmedabad (two), Anand (one), Navsari (two) and Sabarkantha (three)

³⁶ ₹ 11.25 lakh (75 per cent of ₹ 15.00 lakh) divided by 2 (50 per cent already received) x 12 (three haats each of four district)

The matter was reported (December 2014) to the CRD; however, reply is awaited (March 2015).

2.2.4 Programme Management

2.2.4.1 Overall physical progress of haats

The scheme envisaged financial assistance for construction of one *haat* at State capital, one *haat* at each of the district headquarters and three *haats* in each district at village level. However, Audit observed that the State Government had not submitted any proposal for construction of *haats* at district level and State capital. In its absence, GoI had only sanctioned 75 village *haats* (three in each district) in the State.

GoI released (March 2009) the first instalment (50 per cent) of financial assistance of ₹ 16.875 lakh³⁷ to each DRDA for construction of 75 village *haats* (three in each district) in the State. Accordingly, the State Government released (July and September 2009) its share of ₹ 5.625 lakh to each DRDA. Though no timeframe or schedule was fixed in the guidelines for completion of *haats*, the MoRD and the CRD had issued instructions to all DRDAs for early completion of construction of village *haats* and the work orders issued by the DRDAs stipulated its completion within a period ranging from six to 12 months. However, Audit observed from the information provided by the CRD that-

- Out of 75 village *haats*, construction of only 32 *haats* had been initiated. Out of these 32 *haats*, construction of only 26 *haats* had been completed and construction of six *haats* was under progress as of September 2014 (**Appendix-VI**). In test-checked districts, Audit observed that sites approved for construction of *haats* were found unsuitable and were changed frequently which resulted in delay in construction of *haats*.
- Construction of 43 village *haats* (57 per cent) had not been taken up (September 2014) due to non-identification of land (**Appendix-VI**).
- Out of 25 districts, only in three districts (12 per cent) the construction of targeted three village *haats* in a district had been completed. In nine districts³⁸, construction of not a single village *haat* had begun as of September 2014 (**Appendix-VI**).

This resulted in rural artisans being deprived of the benefit of promoting their products.

The matter was reported (December 2014) to the CRD; however, reply is awaited (March 2015).

2.2.4.2 Non-operational village haats

The scheme guidelines provide for construction of village *haats* at the existing market places *i.e.* places where weekly *haats* were taking place and at strategic locations in the district headquarters and State capitals.

³⁷ 75 per cent of ₹ 15.00 lakh (financial assistance for one village *haat*) x 3 village *haats* (per district) divided by two.

³⁸ Amreli, Dahod, Dang, Jamnagar, Junagadh, Kheda, Porbandar, Vadodara and Valsad

During joint field visit of 15 completed village *haats* in test-checked districts, Audit observed that only one *haat* in Rajkot district was operational while 10 could not be made operational since last two to three years and four are operational partially³⁹ (**Appendix-VII**). The *haats* are not operational due to non-availability of targeted beneficiaries *i.e.* BPL artisans of SHGs, Rural *Haat* Management Committees not constituted and non-construction of *haats* at existing market places or at places having the potential to attract large number of visitors. This indicates that the locations for the *haats* were selected without proper survey of beneficiaries and their requirements.



Picture 1: Non-operational village *haat* at Dasada village, district Surendranagar (13.08.2014)



Picture 2: Non-operational village *haat* at Limzer village, district Navsari (20.06.2014)

The Directors of concerned DRDAs agreed (June to August 2014) that the village *haats* were non-operational due to lack of demand from beneficiaries. The CRD stated (February 2015) that the village *haats* were constructed at other places due to non-availability of suitable land in existing market places.

³⁹ (i) Jetalpur (Ahmedabad) – two out of four shops were allotted, (ii) Pirana (Ahmedabad) – one out of two shops were allotted, (iii) Punsari (Sabarkantha) – five out of eight shops were allotted and (iv) Khali (Patan) – five out of eight shops were allotted

2.2.4.3 Basic infrastructure facility not provided

The scheme guidelines provide that each village *haat* should have basic infrastructural facilities such as (i) open raised platforms, (ii) covered platforms (iii) toilets (separate for men and women), (iv) drinking water facility through installation of Indian Mark II hand-pumps, (v) drainage, (vi) brick soling in the moving space, (vii) garbage pits/corner, (viii) office block, (ix) parking space and (x) drinking water for animals.

However, during joint field visit of 15 completed village *haats* in eight test-checked districts, it was observed that basic infrastructural facilities like toilets for men and women, drinking water, drainage, open raised platforms, warehouse for storage, *etc.* were not provided at 11 completed village *haats* in five districts (**Appendix-VIII**).

The Directors of concerned DRDAs stated (June to August 2014) that corrective measures would be taken as far as possible.

2.2.4.4 Wasteful expenditure of ₹ 3.88 lakh

The construction work of Zadeshwar village *haat* (district Bharuch) was completed (October 2010) at a cost of ₹ 13.20 lakh. During joint field visit of the village *haat* (July 2014), it was observed that instead of providing reinforced cement concrete (RCC) slabs as roof for the *haats*, 3 mm thick Fibre-reinforced plastic (FRP) sheets were fixed on MS angles as roof. These sheets were found damaged/blown away in heavy rains and high wind on 5 June 2011 (**Picture 3**). Thus, the expenditure of ₹ 3.88 lakh incurred towards FRP sheets proved wasteful due to faulty design.



Picture 3: FRP sheet damaged/blown during monsoon at Zadeshwar village *haat* (Picture taken from file)

The DRDA subsequently accorded (February 2013) technical sanction of ₹ 9.11 lakh to provide RCC slab for the *haats* and released (March 2013) funds to the Executive Engineer, Roads and Buildings (R&B) Panchayat, Bharuch. The work was completed (September 2013) at a cost of ₹ 8.65 lakh

(Picture 4). This resulted in excess expenditure of ₹ 6.85 lakh⁴⁰ as against maximum admissible expenditure of ₹ 15.00 lakh per village *haat*.



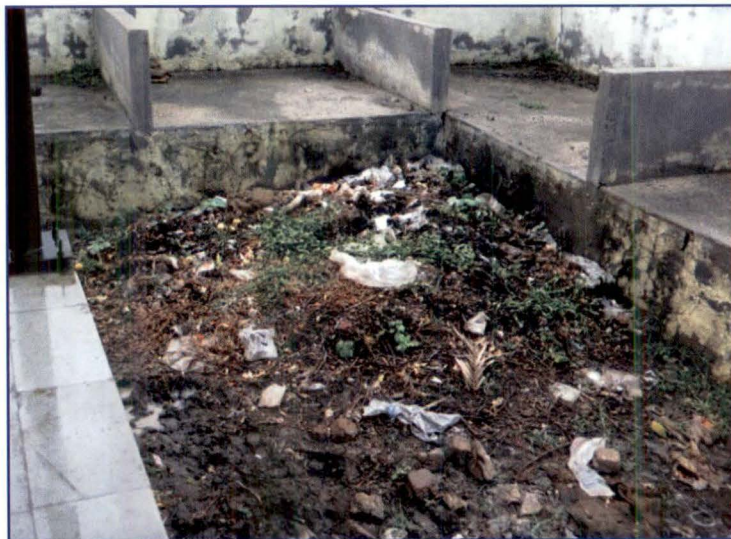
Picture 4: Renovated Zadeshwar village haat (02.07.2014)

The CRD stated (February 2015) that instructions have been issued to the Director, Bharuch DRDA for taking action against responsible officer for the financial loss. The Director, Bharuch DRDA stated (February 2015) that action was being initiated against the official as per the instruction of CRD.

2.2.4.5 Irregularities in execution of Sayla village haat

The construction of Sayla village *haat* (district Surendranagar) was completed (November 2012) by the Executive Engineer (R&B) Panchayat at a cost of ₹ 11.96 lakh. During joint field visit of the *haat* (August 2014), it was observed that -

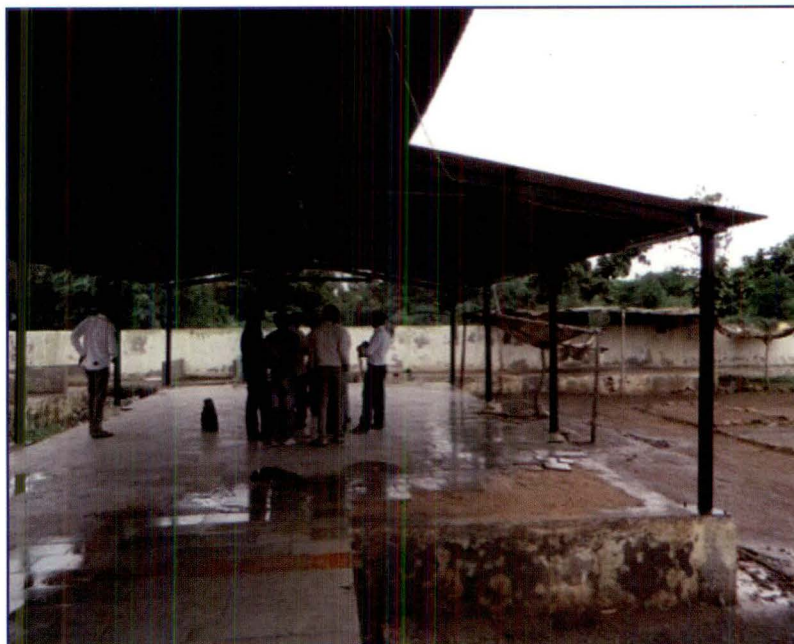
- though the works of drainage and garbage pits were provided in the plans and estimates, the same were not executed (**Picture 5**).



Picture 5 : Sayla village haat without drainage and garbage pit (14.08.2014)

⁴⁰ Total expenditure ₹ 21.85 lakh (₹ 13.20 lakh + ₹ 8.65 lakh) (-) ₹ 15.00 lakh

- The quality of construction work of platform was found to be sub-standard, as the tiles fixed were found coming apart in some places (**Picture 6**).
- A separation wall was to be constructed in every open raised platform for earmarking the allotment of space to individual artisans; however, the same was not constructed (**Picture 6**).



Picture 6 : Sayla village haat without separation wall and floor tiles coming apart (14.08.2014)

The Director, DRDA Surendranagar stated (August 2014) that necessary investigation would be carried out and Audit would be intimated accordingly.

2.2.5 Monitoring

2.2.5.1 Lack of periodical monitoring by State Government

The scheme guidelines provide that the Department of Rural Development of the State Government would be primarily responsible for monitoring the progress and operation of *haats* in the State, periodically. The concerned DRDA would furnish the monthly progress report (MPR) on sale of product and functioning of the *haats* to the CRD and the CRD in turn would report the findings to the Ministry of Rural Development.

On scrutiny of records, it was observed that the CRD had not established any monitoring system as regular MPRs were neither called for from the concerned DRDAs nor submitted to the GoI. Audit observed that only two meetings of all Directors of DRDA and three meetings of Assistant Project Managers had been held at State level till date to discuss the progress of construction of village *haats*. Thus, regular monitoring of construction of village *haats* and their operation was not being carried out from the State level. Delays in construction/non-construction of *haats* due to not identifying land and non-operation of constructed *haats* could have been mitigated to some extent, if there was regular and effective monitoring by the State Government.

2.2.5.2 Non-constitution of Rural Haat Management Committee

The scheme guidelines provide for constitution of a Rural *Haat* Management Committee (RHMC) at village, district and State level for management and maintenance of *haats*. The RHMC at village level may comprise of Gram Pradhan, representatives of Gram Panchayat, representatives of Self Help Group/leader of village federation and Gram Panchayat Officer/Gram Development Officer. The RHMC had been proposed to be a sub-committee of the Gram Panchayat and is responsible for allotment of the stalls of the *haat* and maintenance of the *haats* from the rental and other fees/funds collected from the occupants of the stalls.

During joint field visit of 15 completed village *haats*, Audit observed that RHMCs had been constituted in only three out of five village *haats* which were operational/partially operational. Constitution of RHMC could have expedited the operationalisation of completed village *haats*, as discussed previously in paragraph 2.2.4.2.

2.2.6 Conclusion

Audit observed certain critical areas of concern in the implementation of the village *haats* scheme that may need urgent attention of the State Government. As against total funds of ₹ 6.07 crore received during 2009-14, only ₹ 3.10 crore was utilised for construction of *haats*. Proposals for construction of *haats* at district and State levels were not submitted to GoI by the State Government and construction of only ³² out of 75 sanctioned village *haats* had been taken up in the State. During joint field visit of 15 completed village *haats* in eight test-checked districts, it was observed that 10 *haats* were not operational and four were partially operational due to non-availability of targeted beneficiaries and non-construction of *haats* in existing market places. At Zadeshwar village *haat*, district Bharuch, expenditure of ₹ 3.88 lakh incurred proved wasteful due to faulty design of roof, as FRP sheets were used instead of RCC slabs, which also got damaged during the monsoon. Monitoring of the implementation of the scheme by CRD was found to be deficient. Rural *Haat* Management Committees for completed village *haats* were found to have been constituted only in three out of 15 village *haats*, which were jointly visited by Audit.

The matter was reported to Government (January 2015); but reply is awaited (March 2015).

2.3 Suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh for Vermi Compost Beds created under Backward Region Grant Fund

Failure of District Rural Development Agency, Dahod in monitoring and of Gujarat State Rural Development Corporation, Vadodara in ensuring satisfactory execution of work resulted in suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh on creation of Vermi Compost Beds under Backward Region Grant Fund (BRGF)

Government of India (GoI) introduced (January 2007) a centrally sponsored scheme “Backward Region Grant Fund (BRGF)”, which was designed to redress regional imbalances in development. The scheme was being implemented with a view to providing financial resources for supplementing and converging existing development inflows into identified districts.

Under BRGF, the work of creation of 2,000 Vermi Compost Beds⁴¹ (VCBs) across seven talukas⁴² of Dahod district at a unit cost of ₹ 10,000 was approved (September 2009) for the benefit of Self Help Groups⁴³ (SHGs) to produce organic fertilizer for the purpose of agriculture. Accordingly, District Rural Development Agency (DRDA), Dahod accorded administrative approval and sanctioned (February 2010) ₹ 2.00 crore to Gujarat State Rural Development Corporation (GSRDC) for execution of the work. The DRDA was also responsible for monitoring the execution of the work.

DRDA, Dahod released (March 2010) ₹ 1.80 crore to GSRDC, Vadodara, which in turn, awarded (March 2010) the work for 1,800 VCBs to Gurmukhi Adivasi Vikas Trust (GAVT), Tilakwada. The terms and conditions of the sanction order of DRDA *inter alia* provided for submission of photographs of the site before and after creation of VCBs to the DRDA. Payments amounting to ₹ 1.55 crore⁴⁴ were made between March 2010 and June 2011 to the GAVT for creation of 1,640 VCBs in 332 villages of six Talukas.

Audit observed (October 2013) that out of 1,640 VCBs stated to have been created, no information was found on record in respect of 355 VCBs. This indicated that payment of ₹ 33.46 lakh⁴⁵ made towards these VCBs was doubtful. As regards the remaining 1,285 VCBs, the list was available with the DRDA, Dahod but only 1,272 cases were supported by photographs of VCBs created. On further scrutiny of these cases, it was noticed that payment for 166 VCBs was made against 79 photographs *i.e.* some photographs were used more than once for different VCBs. In order to explore the facts further, Audit jointly visited (7 May to 10 May 2014) 96 VCB sites⁴⁶ with the departmental officials⁴⁷.

⁴¹ Vermi compost is the product or process of composting using various worms to create a heterogeneous mixture of decomposing vegetable or food waste, bedding materials and vermicast.

⁴² Dahod – 237 units, Devgadbaria – 189 units, Dhanpur - 140 units, Fatehpura – 201 units, Garbada - 282 units, Limkheda – 246 units and Zalod - 705 units

⁴³ 1,539 Sakhi Mandals and 461 Hariyali Groups

⁴⁴ at the rate of ₹ 9,450 (for 225 VCBs) and ₹ 9,425 (for 1,415 VCBs)

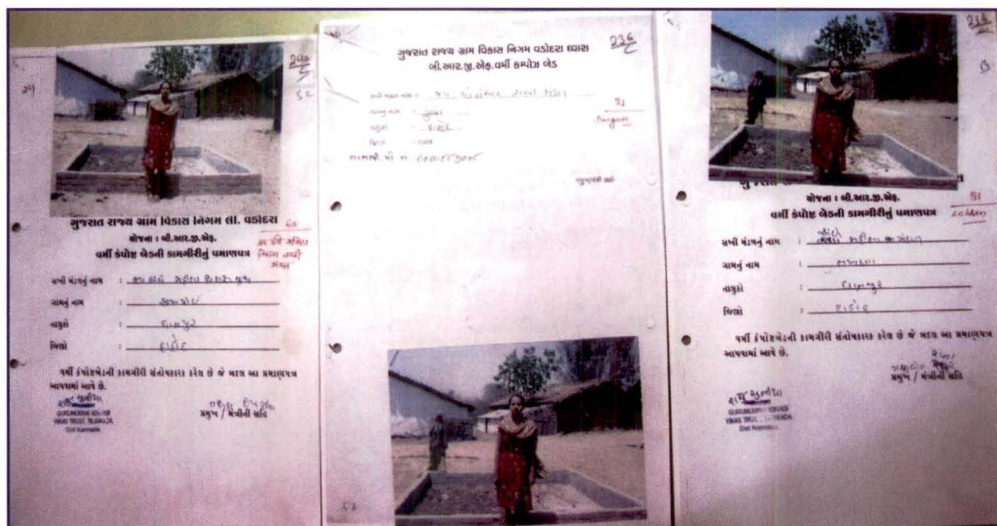
⁴⁵ 355 units x ₹ 9,425

⁴⁶ 41 out of 166 VCBs wherein single/same photographs were used for multiple works + 55 other VCBs shown as completed and not involved in 166 VCBs.

⁴⁷ Alongwith (i) Assistant Project Officer, DRDA, Dahod, (ii) Junior Clerk, District Panchayat, Dahod and (iii) Junior Project Clerk, GSRDC, Dahod

During joint field visit, it was established that in 23 out of 41 VCBs, same photographs had been used for multiple cases and no VCBs were found to have been constructed. In an illustrative case, a single photograph was used in support of works done for three different VCBs as depicted in the pictures given below -

Photograph of one VCB used in support of other two VCBs



Jai Ambe Mahila Vikas Juth (SHG) in village Simamoi of Dhanpur Taluka

Jay Yogeshwar Sakhi Mandal (SHG) in village Dugara of Dahod Taluka

Ambe Mahila Mandal (SHG) in village Lakhana of Dhanpur Taluka

(Source : GSRDC, Vadodara and DRDA, Dahod)

This indicated a suspected fraudulent payment of ₹ 8.20 lakh⁴⁸, involving 87 works.

During joint field visit of remaining 55 VCBs, it was noticed that 41 VCBs were found non-existent as SHGs denied the creation of VCBs. This indicated the payment of ₹ 3.86 lakh⁴⁹ made towards these VCBs may have been fraudulent.

Thus, failure on the part of DRDA, Dahod in monitoring and on the part of GSRDC, Vadodara in ensuring satisfactory execution of work resulted in suspected fraudulent payment of ₹ 8.20 lakh and doubtful payment of ₹ 37.32 lakh.

When the matter was reported (July 2014), the Development Commissioner formed (August 2014) a team headed by Assistant Commissioner to investigate the matter. Panchayats, Rural Housing and Rural Development Department endorsed the findings of Development Commissioner wherein the Audit observations were accepted and confirmed. Government stated (December 2014) that the disciplinary action was being taken against the concerned responsible officers/officials.

⁴⁸ 87 cases (166 – 79) x ₹ 9,425

⁴⁹ 41 cases x ₹ 9,425

2.4 Excess payment towards price variations due to adoption of incorrect star rate

Non-adherence to tender stipulations and Government directions resulted in excess payment of ₹ 3.30 crore towards price variation for asphalt used in the construction of roads

The Roads and Buildings Department (R&B) circular of November 1998 and October 2005, stipulated that the base rate of asphalt for the calculation of price variation would be the rate prevalent in the month of approval of Draft Tender Papers (DTPs) which was to be specified as “star rate”. The ex-refinery rate of asphalt of Indian Oil Corporation Limited (IOCL), Koyali, Vadodara prevailing at the time of approval of DTP was to be fixed as star rate. As per the tender conditions, the difference between the prevailing ex-refinery rate as per the purchase bill produced by the contractor and the star rate shown in the tender agreement was to be paid/recovered for the quantity of asphalt actually used in the works.

The Executive Engineer (EE), Panchayat R&B Division, District Panchayat, Dahod awarded contract of 13 road work packages with estimated cost of ₹ 36.38 crore during 2008-09 and 2010-11 with tender provisions for adjustment of price variation on asphalt. For execution of these, the contractors procured 4,763.618 Metric Tonne (MT) asphalt between 2008-09 and 2010-11.

On scrutiny of the records, it was observed that, the Executive Engineer of the Division adopted incorrect star rate in the tender document, by adopting the rate prevailing on the date of preparation of estimate instead of adopting the rate prevailing in the month of approval of DTP. This was in deviation to the above circular.

As such the price variation became payable to the contractor with respect to the price of asphalt prevailing at the time of preparation of the estimate instead of the price prevailing at the time of approval of DTP. The difference between the star rate adopted in the tender agreement and the rate prevailing in the month of approval of DTP ranged from ₹ 510 to ₹ 11,737 in the above works as shown in **Appendix-IX**. The price variation for 4,763.618 MT of asphalt used in the above works was thus paid on incorrect star rate which resulted in excess payment of ₹ 3.30 crore.

Executive Engineer stated (October 2014) that the rates of asphalt mentioned in clause 59-A of B2 tender agreement were the rates prevailing at the time of approval of DTP. Hence payment of star rate made to the contractor was in order. However, in the tender document (B-2 booklet), it was mentioned that the star rate for asphalt was based on the rate of Koyli Refinery prevailing on the date on which the estimate was prepared which was found lower than the rates of asphalt prevailing at the time of approval of DTP.

The matter was reported to Government (August 2014); but reply is awaited (March 2015).

CHAPTER-III

AN OVERVIEW OF FINANCES AND ACCOUNTS OF URBAN LOCAL BODIES

CHAPTER-III

AN OVERVIEW OF FINANCES AND ACCOUNTS OF URBAN LOCAL BODIES

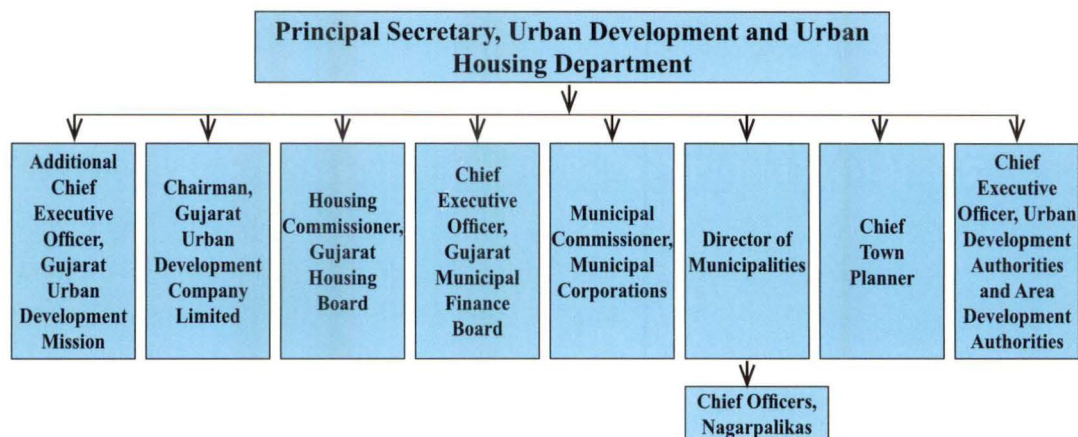
3.1 Introduction

Consequent upon the 74th Constitutional Amendment in 1993, Articles 243 P to 243 ZG¹ were inserted in the Constitution where by the legislatures could endow certain powers and duties to the Urban Local Bodies (ULBs) in order to enable them to function as institutions of self-Government and 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 Goa, Mizoram, Tamil Nadu, Kerala and Maharashtra 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 198 ULBs *i.e.* eight Municipal Corporations (MCs), 159 Nagarpalikas (NPs) and 31 Notified Areas² (NAs) as of July 2014. Each MC/NP is divided into a number of wards, which is 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. An organisational chart indicating administrative set-up of the ULBs in Gujarat is as shown below:



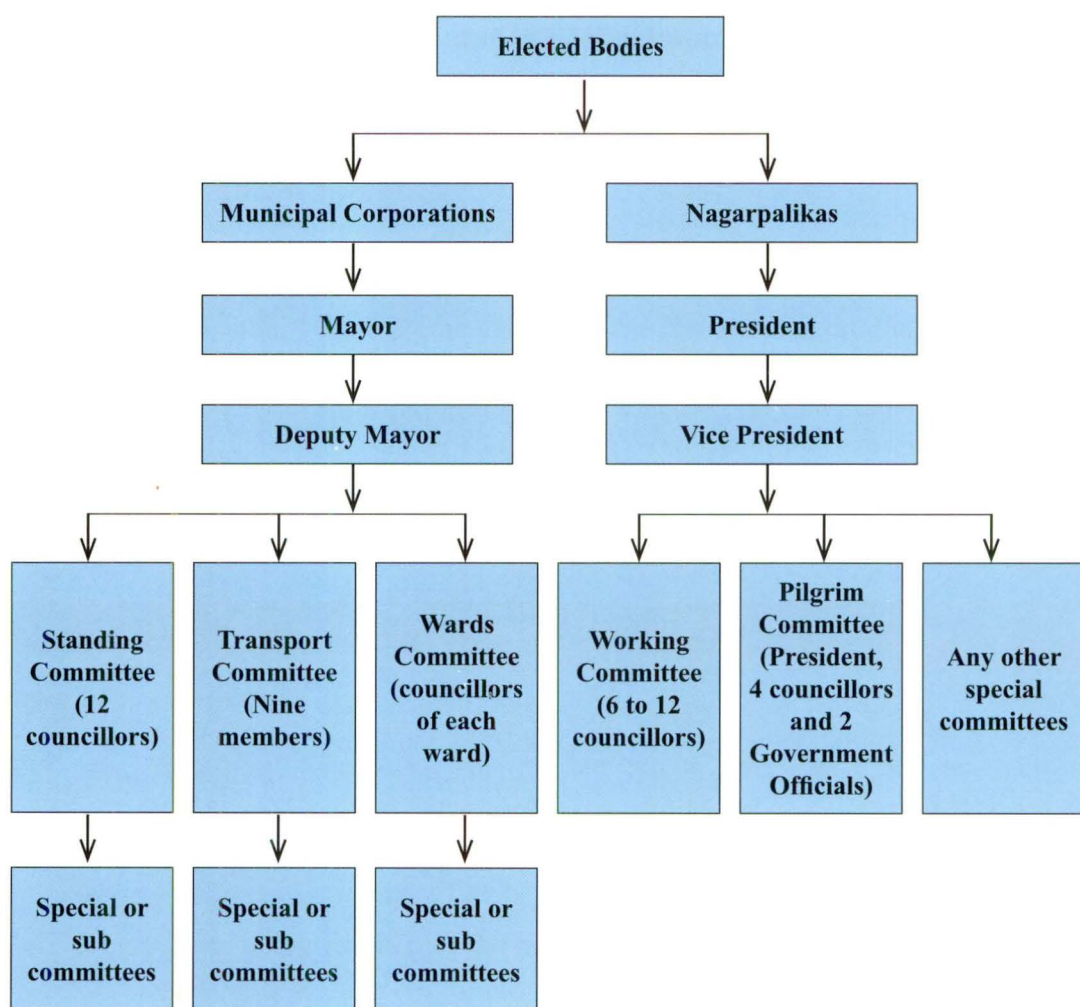
¹ Regarding constitution and composition of municipalities and ward committees, reservation of seats for SCs/STs, powers, authority and responsibilities of municipalities, power to impose taxes, audit of accounts, elections to the municipalities, constitution of district planning committee, *etc.*

² 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 In order to ensure comprehensive development and to improve service delivery systems in the thickly populated and urbanised areas of the State, the State Government constituted various Boards and Authorities assigning specific functions to them as shown in the **Appendix-X**.

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 Council and is responsible for governance of the body. The following chart shows the set-up of elected bodies in ULBs -

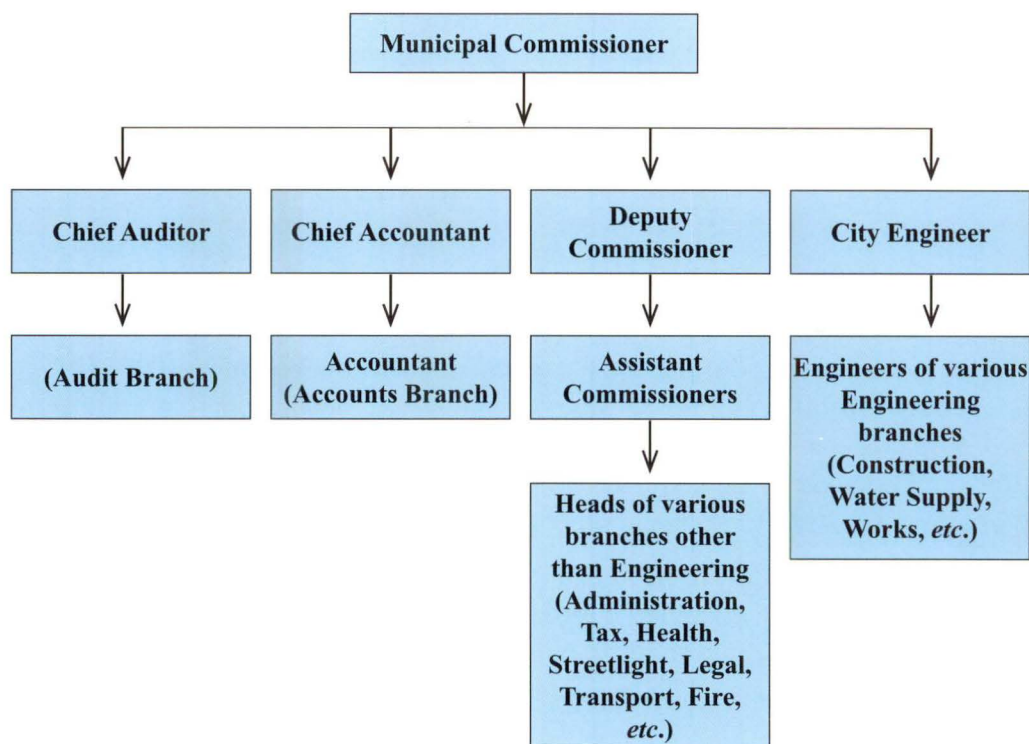


The Mayor, Deputy Mayor, President and Vice President are elected from amongst the elected councillors. The members of committees/sub-committees are elected from the elected councillors and the Chairperson of the committee is appointed from the members of the committee. The members of Transport Committee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

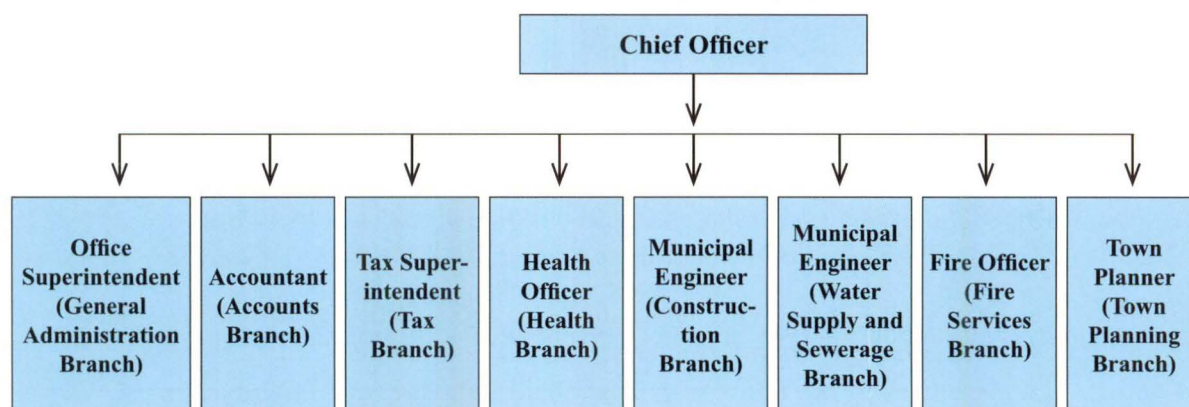
The Municipal Commissioner is the executive head of Municipal Corporation and Chief Officer is the executive head of Nagarpalika. The officers of ULBs exercise such powers and perform such functions as notified by the State

Government from time to time. The executive set-up of MCs and NPs is shown below -

Executive set-up of Municipal Corporations



Executive set-up of Nagarpalikas

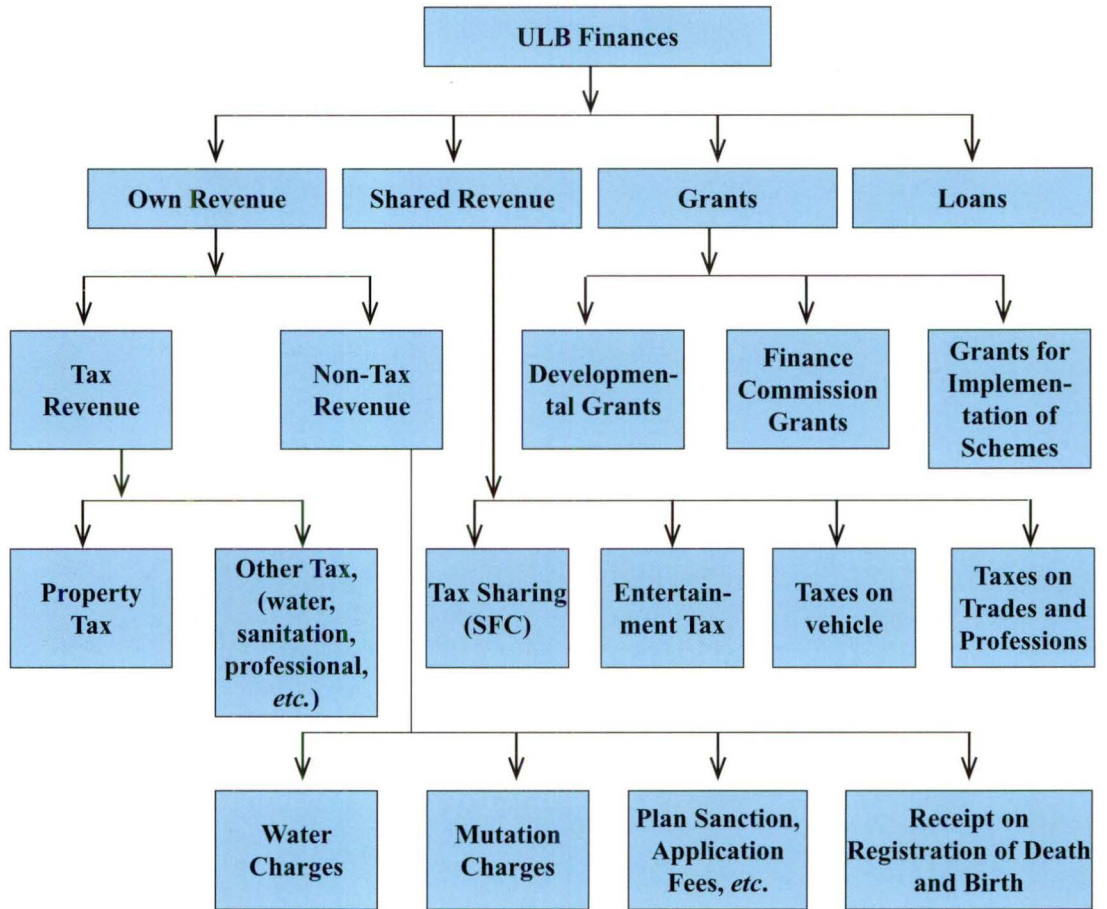


3.3 Financial management

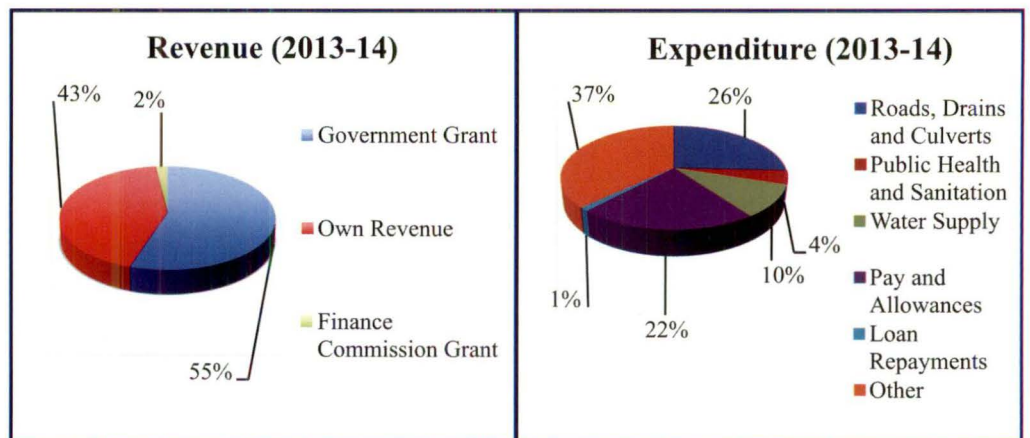
3.3.1 Sources of receipts and items of expenditure

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 institutions or nationalised banks. The ULBs do not have a large independent tax domain. However, 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 Base 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 -



3.3.2 Revenue and Expenditure of ULBs



The details of receipts and expenditure of ULBs are shown in **Table 1** below -

Table 1 : Receipts and expenditure of ULBs

	(₹ in crore)		
	2011-12	2012-13	2013-14 ³
Opening Balance⁴	7,919.94	10,631.16	13,451.79
Receipts			
Grants-in-aid	3,530.41	5,287.16	6,110.70
Own Revenue	4,425.41	5,124.98	4,767.16
Finance Commission grants	191.00	191.40	219.12
Total Receipts	8,146.82	10,603.54	11,096.98
Total Funds available	16,066.76	21,234.70	24,548.77
Expenditure			
Roads, Drains, Culverts	783.33	2,317.00	2,893.60
Public Health and sanitation	242.35	430.52	503.60
Water Supply	707.97	1,285.90	1,132.20
Pay and Allowances	2,198.80	2,332.55	2,440.30
Loan repayment	93.34	214.53	121.40
Others	1,409.81	1,202.41	4,195.50
Total Expenditure	5,435.60	7,782.91	11,286.60
Closing Balance	10,631.16	13,451.79	13,262.17

(Source : Information as furnished by the Director of Municipalities and Municipal Corporations)

The above position indicates that -

- the total expenditure against the total receipts during the period from 2011-12 to 2013-14 increased from 67 per cent (2011-12) to 102 per cent (2013-14); mainly in "Others", which increased from 26 per cent to 37 per cent and in "Roads, Drains, Culverts", which increased from 14 per cent to 26 per cent. From the information provided by six MCs, Audit observed that expenditure under "Others" constituted other capital expenditure, other revenue expenditure, deposit and advance, education, etc. Audit could not vouchsafe the details of expenditure under "Others" of two MCs and 159 NPs due to non-submission of information by them.
- Own revenue collection of ULBs increased by one per cent and the grants-in-aid was increased by 73 per cent during the period 2011-14; own revenue collection of ULBs decreased by seven per cent in 2013-14 as compared the own revenue collected in 2012-13; decline in own revenue is quite disconcerting and needs to be arrested;
- the recurring expenditure on Public Health and Sanitation constituted only 4.46 per cent of the total expenditure during the year 2013-14;
- the pay and allowances of municipal staff constituted about 22 per cent (2013-14) to 40 per cent (2011-12) during the period 2011-14; and
- In order to avoid property tax from escaping tax net, various Indian cities (Bangalore, Hyderabad, Kanpur, etc.) have opted for Geographical

³ Information of Junagadh Municipal Corporation is awaited

⁴ Opening Balance and Closing Balance has been arrived at by audit.

Information System (GIS) mapping for listing properties. In Gujarat, GIS mapping for listing properties was implemented only in Rajkot Municipal Corporation out of four⁵ biggest Municipal Corporations (MCs) in the State. It is essential that earnest efforts are made to introduce GIS based database for property tax in other major municipalities also for identifying properties and for streamlining the assessment procedure that could lead to greater revenue mobilization.

3.4 Thirteenth Finance Commission

As per recommendations of Thirteenth Finance Commission (ThFC), Gujarat is eligible to get Central grant of ₹ 1,301.81 crore for ULBs (2010-15) comprising of ₹ 851.16 crore as General Basic Grant (GBG) and ₹ 450.65 crore as General Performance Grant (GPG). Against this, GoI released ₹ 677.19 crore during the period 2010-14 to the State Government and the State Government released grants of ₹ 694.22 crore to the ULBs. The details of grants released to ULBs and expenditure incurred during 2010-14 is as shown in Table 2 below—

Table 2: Grants released and expenditure incurred by ULBs during 2010-14

(₹ in crore)

ULBs	Number of ULBs	Grants released	Expenditure incurred	Unspent balance as of March 2014	Percentage of expenditure against grant released
NPs	159	519.40	360.70	158.70	69
MCs	8	174.82	87.38	87.44	50
Total		694.22	448.08	246.14	65

(Source : Information provided by Gujarat Municipal Finance Board)

The above table shows that an amount of ₹ 246.14 crore (35 per cent) was lying unutilised with the ULBs against the grants released during 2010-14. Audit further observed that GPG of ₹ 39.16 crore⁶ (2011-12), ₹ 96.18 crore⁷ (2012-13) and ₹ 133.99 crore⁸ (2013-14) allocated by GoI for the State was forfeited due to non-compliance of conditions stipulated by the ThFC. In accordance with the orders of the ThFC, the State Government received only ₹ 9.51 crore (2011-12), ₹ 17.77 crore (2012-13) and ₹ 0.20 crore (2013-14) as GPG from the forfeited grant. This resulted in loss of central assistance of ₹ 241.85 crore to the State Government.

3.5 Devolution of Functions

3.5.1 Transfer of Functions

Twelfth Schedule (Article-243 W) of the Constitution of India envisages 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 institutions of self-government.

⁵ Ahmedabad, Rajkot, Surat and Vadodara

⁶ ₹ 38.72 crore as GPG + ₹ 0.44 crore as special area performance grant

⁷ ₹ 95.16 crore as GPG + ₹ 1.02 crore as special area performance grant

⁸ ₹ 132.98 crore as GPG + ₹ 1.01 crore as special area performance grant

As per Section 87 to 92 of the Gujarat Municipality Act 1963 and Section 63 of Gujarat Provincial Municipal Corporations Act, 1949, State Government devolved all the 18 functions envisaged in the Twelfth Schedule to the NPs and MCs to enable them to function as institutions of self-governance.

3.6 Accountability framework

3.6.1 Accounting arrangements

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. However, Audit observed that the draft Municipal Accounts Manual was pending for approval with the Government (November 2014). Further, the annual accounts for the year 2013-14 in respect of all 159 NPs have not been finalised (November 2014).

3.6.2 Audit mandate

The Examiner Local Fund Audit (ELFA) is the primary Auditor of ULBs in terms of Section 7 of the Gujarat Local Fund Audit (GLFA) Act, 1963. The Commissioner/Chief Officer is responsible for rectification of defects or compliance to the irregularities pointed out in the report of the ELFA.

The State Government entrusted (May 2005) the Audit of accounts of all NPs to the Comptroller and Auditor General of India under Section 20(1) of CAG's Duties, Powers and Conditions of Service (DPC) Act, 1971 with Technical Guidance and Supervision (TGS). The State Government further entrusted (April 2011) the Audit of accounts of all MCs to CAG under Section 20(1) of CAG's (DPC) Act, 1971 with TGS. The provision of laying of Audit Report of ELFA alongwith the Report of CAG before the State Legislature was made by amending (May 2011) the relevant Acts.

3.6.3 Arrears in Primary Audit of ULBs

Out of total 159 NPs, Audit of accounts of 157 NPs for the period up to 2010-11 and 72 NPs for the period 2011-12 has been completed by ELFA (October 2014). The Audit of 87 and 159 NPs was in arrears for the financial year 2011-12 and 2012-13 respectively. Audit of accounts of only four MCs for the period 2010-11 has been completed by ELFA (October 2014) out of total eight MCs.

3.6.4 Response to Audit observations

The Commissioners/Chief Officers are required to comply with the observations contained in the Inspection Reports (IRs) issued by ELFA and rectify the defects or omissions and report their compliance to ELFA within four months from the date of issue of IRs. The ELFA informed (October 2014) that there were

1,53,087 audit paragraphs⁹ outstanding as at the end of September 2014 relating to the period up to 2011-12.

3.7 Responsiveness of Government to Audit

3.7.1 Inspection Reports outstanding

The Hand Book of Instructions for prompt Settlement of Audit Objections/ Inspection Report issued by the Finance Department in 1992 provides for prompt response by the Executive to the Inspection Reports (IRs) issued by the Accountant General to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies, omissions, *etc.*, noticed during the inspections. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report their compliance to the Accountant General within four weeks of receipt of the IRs. Periodical reminders are issued to the Heads of the Department requesting them to furnish the replies expeditiously on the outstanding paragraphs in the IRs.

As on 31 December 2014, 166 IRs (2,331 paragraphs) were outstanding in respect of Nagarpalikas and Municipal Corporations. Year-wise details of IRs and paragraphs outstanding are given in **Table 3** below -

Table 3: Outstanding IRs and Audit paragraphs

Year	Number of Inspection Reports	Number of Paragraphs	Money Value (₹ in crore)
Upto 2007-08	20	289	25.74
2008-09	32	417	2.88
2009-10	21	245	0.52
2010-11	26	332	4.74
2011-12	23	359	0.19
2012-13	26	319	0.41
2013-14	08	162	3.83
2014-15 (Upto December 2014)	10	208	2.23
TOTAL	166	2,331	40.54

3.8 Conclusion

A review of finances of ULBs revealed that their total expenditure increased against total receipt during the year 2013-14; however, the collection of own revenue of ULBs decreased by seven *per cent* in 2013-14 as compared to the own revenue collected by them in 2012-13. As of March 2014, an unspent grant amount of ₹ 246.14 crore of ThFC was lying with the NPs and MCs. Non-compliance of conditions stipulated by the ThFC resulted in loss of central assistance (General Performance Grant) of ₹ 241.85 crore as against the allocated grant for the period 2010-14. State's Municipal Accounts Manual has also not been finalised. The Audit of ELFA was found to be in arrears. The Department failed to ensure prompt and timely action by executives of ULBs to the Audit objections raised by ELFA and the CAG.

⁹ Upto 2002-03 – 1,08,169 paras, 2003-07 – 25,597 paras and 2007-12 – 19,321 paras

CHAPTER-IV

**URBAN DEVELOPMENT AND URBAN
HOUSING DEPARTMENT**

CHAPTER-IV

This Chapter contains findings of one Compliance Audit of “Construction and Utilisation of shopping complexes by Nagarpalikas under Integrated Development of Small and Medium Towns (IDSMT) Scheme” and four individual paragraphs on Audit of transactions.

COMPLIANCE AUDIT

Urban Development and Urban Housing Department

4.1 Construction and Utilisation of shopping complexes by Nagarpalikas under Integrated Development of Small and Medium Towns (IDSMT) Scheme

4.1.1 Introduction

The Government of India (GoI) launched (1979-80) a Centrally Sponsored Scheme (CSS) “Integrated Development of Small and Medium Towns (IDSMT)” to develop small and medium towns. The objectives of the scheme were to improve infrastructural facilities and help in creation of durable public assets having potential to emerge as regional centres of economic growth and employment, thereby reducing migration; promoting resource-generating schemes for the Urban Local Bodies (ULBs) to improve their overall financial position and ability to undertake long-term infrastructure development programmes on their own.

In Gujarat, the IDSMT scheme was implemented from sixth Five Year Plan (FYP) and 73 towns were covered till ninth FYP. In the 10th FYP, 42 more towns were covered under the scheme. The components of assistance under scheme included works as per city/town development plans *viz.* Commercial shops; Traffic and Transport; Street lights; Development of Parks and Miscellaneous work. The scheme continued upto 10th Five Year Plan (FYP) (2004-05) and thereafter merged with “Urban Infrastructure Development Scheme in Small and Medium Towns (UIDSSMT)” a CSS launched (December 2005) by GoI. The projects taken up between 2000-01 and 2004-05 under IDSMT were to be funded under UIDSSMT as per existing guidelines of IDSMT till completion of the projects. No new projects of shopping complexes were taken up under UIDSSMT in the State.

The Principal Secretary, Urban Development and Urban Housing Department (UD&UHD) was responsible for the implementation of the scheme in the State. The Gujarat Municipal Finance Board (GMFB)¹ was appointed as a State Nodal Agency and was responsible for funds management and reporting the progress of the scheme to the Town Country Planning Organisation (TCPO) a Central Nodal Agency. The projects approved under the scheme were to be executed

¹ An autonomous body established under Gujarat Municipal Finance Board Act, 1979. Its main function includes providing grants and loans for basic infrastructure facilities to ULBs through various departmental schemes

by the Chief Officer of the Nagarpalikas² (NPs). An organogram is depicted as below –



Audit was conducted (January to February 2015) to assess the implementation of “Construction and utilisation of shopping complexes in NPs” being one of the components as it was directly linked with a major objective of the scheme to promote resource-generation for the urban local bodies. Audit test-checked the records of UD&UHD, GMFB and 14 out of 42 Nagarpalikas³ (selected by adopting Simple Random Sampling Without Replacement Method) which was covered during 10th FYP. Care was taken to ensure selection of a town from each region of the State for getting a comprehensive and holistic picture of the scheme implementation.

Audit Findings

The findings are grouped as under :

- Financial Management;
- Construction and utilisation of shopping complexes; and
- Non-commencement of work.

4.1.2 Financial Management

4.1.2.1 Financing pattern

For the purpose of financial assistance, the towns were classified in five categories based on their population. The financing pattern of the scheme is as shown in **Table 1** as follows –

² An urban local body constituted in Small and Medium Towns governed under Gujarat Municipalities Act, 1963. Its main functions were generation of revenue by collection of tax, providing basic infrastructure (Road, Water Supply, Drainage, etc.) and public services (Hospitals, Fire brigades, Registration of birth and death, etc.)

³ Central Region- two out of six NPs (Devgadh-Baria and Kalol), North Region- Three out of nine NPs (Chansama, Harij and Vijapur). Saurashtra Region- six out of 20 NPs (Bantwa, Dhari, Gadhada, Jafrabad, Ranavav and Thangadh) and South Region- three out of seven NPs (Jambusar, Navsari and Vapi)

Table 1: Financing pattern under IDSMT scheme

(₹ in lakh)

Category of town (Population)	Project cost	GoI share	State share	NP share (Percentage share)
A (<20,000)	100	48	32	20 (20 per cent)
B (20,000-50,000)	200	90	60	50 (25 per cent)
C (50,000-1,00,000)	350	150	100	100 (29 per cent)
D (1,00,000-3,00,000)	550	210	140	200 (36 per cent)
E (3,00,000-5,00,000)	750	270	180	300 (40 per cent)

(Source: IDSMT Revised Guidelines 1995)

The scheme guidelines provide that the implementing agencies have to adopt a basket-type approach so that the expenses incurred on non-remunerative projects are compensated through adequate returns from remunerative components such as markets, shopping complexes, etc. The indicative ratio amongst commercial, cost recovery and non-remunerative project was 40:30:30.

4.1.2.2 Funds received and expenditure incurred

In tenth FYP, GoI provided funds for 321 projects with an approved cost of ₹ 72.65 crore for 42 NPs. Out of ₹ 72.65 crore, ₹ 28.84 crore was approved for construction of 89 shopping complexes, ₹ 25.21 crore for traffic and transport component and ₹ 18.60 crore for miscellaneous works such as development of parks, lighting, construction of community halls, etc.

The details of funds received and expenditure incurred under the scheme in 14 test-checked NPs is as shown in Table 2 below –

Table 2: Funds received and expenditure incurred in test-checked NPs as of December 2014

(₹ in lakh)

NPs	Approved cost				Funds received from				Expenditure incurred	Savings (Col. 9-Col. 10)
	GoI share	State Government share	NP share	Total	GoI	State Government	NP (*)	Total		
1	2	3	4	5	6	7	8	9	10	11
Bantwa	48.00	32.00	22.96	102.96	48.00	32.00	0.70	80.70	59.50	21.20
Chansama	48.00	32.00	51.31	131.31	48.00	32.00	2.63	82.63	79.23	3.40
Devgadhi Baria	43.96	29.31	24.20	97.47	43.96	25.65	3.00	72.61	72.32	0.29
Dhari	87.99	58.66	48.88	195.53	87.75	58.66	3.00	149.41	149.21	0.20
Gadhada ⁴	90.00	60.00	51.63	201.63	90.00	60.00	43.30	193.30	193.30	0.00
Harij	48.00	32.00	52.23	132.23	48.00	32.00	0.70	80.70	64.29	16.41
Jafrabad	48.00	32.00	29.85	109.85	48.00	32.00	2.26	82.26	82.26	0.00
Jambusar	90.00	60.00	75.76	225.76	90.00	60.00	3.00	153.00	132.85	20.15
Kalol	42.53	28.36	85.70	156.59	21.00	14.00	3.00	38.00	38.00	0.00
Navsari	187.00	140.00	260.66	587.66	187.00	140.00	162.00	489.00	488.99	0.01
Thangadh	90.00	60.00	108.12	258.12	90.00	60.00	4.36	154.36	154.36	0.00
Ranavav	48.00	32.00	22.91	102.91	48.00	32.00	3.00	83.00	40.57	42.43
Vapi	88.71	59.14	49.28	197.13	88.71	59.14	8.32	156.17	156.17	0.00
Vijapur	90.00	60.00	61.61	211.61	90.00	60.00	3.00	153.00	152.97	0.03
Total	1,050.19	715.47	945.10	2,710.76	1,028.42	697.45	242.27	1,968.14	1,864.02	104.12

(Source : Information furnished by the test-checked NPs)

(*) includes interest earned, funds received under Central Urban Infrastructure Support scheme⁵ and institutional loans.

⁴ Sale proceed of ₹ 40.00 lakh was utilised by the NP for construction work.

⁵ Under the scheme, GoI and State Government release grants of ₹ 3.00 to ₹ 6.00 lakh, depending on population of NP in ratio of 60:40 to enable the NP to prepare the project report under IDSMT.

The table on prepage shows that -

- The approved GoI and State share were released to the test-checked NPs except for NP, Kalol. On scrutiny of records at NP, Kalol, it was observed that GoI had not released the second instalment of ₹ 35.89 lakh, as the NP had failed to utilise 70 per cent of the funds released in the first instalment, at the time of submission (January 2006) of demand for second instalment. Subsequently, NP submitted (July 2007) the proposal for second instalment with details of expenditure to the Collector. However, the request was not forwarded by the Collector, as the last date of completion of work was August 2007. This resulted in failure to receive Government share of ₹ 35.89 lakh⁶.
- As of December 2014, an amount of ₹ 1.04 crore was lying unutilised with nine out of 14 test-checked NPs. There was a substantial saving of grant of ₹ 21.20 lakh, ₹ 16.41 lakh, ₹ 20.15 lakh and ₹ 42.43 lakh in Bantwa, Harij, Jambusar and Ranavav NPs respectively due to non-execution of approved projects. On one hand, NPs were facing financial crunch and on the other hand, they could not utilise the grant received for developmental activities. This indicated poor financial management by the NPs.
- As per scheme guidelines and project report of test-checked NPs, as against the project cost of ₹ 2,710.76 lakh, the NPs were required to contribute funds of ₹ 945.10 lakh from own source or by raising institutional finance for completing the approved projects. Audit observed that State Government launched (2006) “Srinidhi Scheme” for providing loan up to ₹ 1.00 crore to NPs with low interest rate of five per cent per annum on easy repayment schedule of 10 years to enable NPs to contribute their share for execution of approved projects under different schemes. However, none of the NPs, except Navsari NP, contributed their share fully either from own sources or by availing institutional finance or getting loans under “Srinidhi Scheme”. Thus, non-contribution of funds by NPs resulted in projects remaining incomplete as discussed in Paragraph 4.1.3.4.

The Chief Officer of NPs attributed (January-February 2015) the reason of poor financial position of NPs for non-contribution of NP share and also accepted that execution of work was kept limited to the available funds. The NPs could have availed loans under “Srinidhi Scheme” to complete the approved projects. Auction of shops could, in turn, lead to recurring rental income for NPs.

4.1.2.3 Revolving Fund

The scheme guidelines envisage creation of a Revolving Fund at the NP level so as to enable them to support the infrastructural projects on a continuous basis. A part of receipts in the form of rents, premium/deposits, sale proceeds, user charges, impact fees, etc. collected from assets created under the scheme was to be credited into the Revolving Fund. However, Audit observed that none of the test-checked NPs had created a Revolving Fund and the income realised in the form of sale proceeds, rent, deposits, etc. were being credited into a common account by the NPs.

⁶ GoI share - ₹ 21.53 lakh and State Government share - ₹ 14.36 lakh

The Chief Officer of NPs (January-February 2015) accepted the Audit observation. Creation of Revolving Fund would have helped in supporting the infrastructure created on continuous basis instead of utilising the proceeds for non-plan expenditure of NPs. It is recommended that the NPs take suitable action for creation of Revolving Fund, as envisaged in the scheme guidelines.

4.1.2.4 Separate Bank Account

The scheme guidelines provide that the funds should be credited into a separate bank account, which may be operated jointly by the Chief Executive of the NP or an officer designated by the State Government. It further provided that the scheme funds should not be mixed with any other funds.

Audit observed that separate bank account was not maintained in three⁷ out of 14 NPs test-checked and the funds received were being deposited into a common account by the NPs. Resultantly, Audit could not ascertain the interest accrued on the scheme funds and its utilisation for the scheme.

The Chief Officer of concerned NPs accepted (January-February 2015) the audit observation.

4.1.3 Construction and Utilisation of Shopping Complexes

Eighty nine projects of shopping complexes were approved between 2001-02 and 2004-05 in 42 NPs at a cost of ₹ 28.84 crore. Out of these, 32 projects were for 14 test-checked NPs with an estimated cost of ₹ 11.87 crore. The status of construction and utilisation of Shopping Complexes (SCs) in 14 test-checked NPs are as shown in **Table 3** below -

Table 3: Status of construction and utilisation of Shopping Complexes in test-checked NPs as of December 2014

NPs	Approved cost of all SCs (₹ in lakh)	Expenditure	Number of SCs approved	Status of Construction work			Status of auction of SCs		
				Not commenced	In progress	Completed	Completely auctioned	Partially auctioned	Not auctioned
1	2	3	4	5	6	7	8	9	10
Bantwa	37.50	33.98	2	0	0	2	0	0	2
Chansama	45.11	0	1	1	0	0	0	0	0
DevghadhBaria	54.80	61.39	2	0	0	2	0	2	0
Dhari	58.81	23.46	2	1	0	1	0	0	1
Gadhada	69.49	86.22	2	0	0	2	1	1	0
Harij	47.41	45.60	2	0	0	2	1	1	0
Jafrabad	53.60	31.17	2	1	0	1	1	0	0
Jambusar	126.78	85.17	3	0	0	3	1	1	1
Kalol ⁸	68.00	0	1	1	0	0	0	0	0
Navsari	236.66	210.90	4	0	0	4	4	0	0
Thangadh	141.66	125.61	3	0	0	3	1	2	0
Ranavav	43.14	0	1	1	0	0	0	0	0
Vapi	107.52	98.73	3	1	0	2	1	0	1
Vijapur	96.07	64.03	4	3	0	1	0	0	1
Total	1,186.55	866.26	32	9	0	23	10	7	6

(Source : Information furnished by test-checked NPs)

⁷ Bantwa, Kalol and Navsari

⁸ One project of shopping complex was principally approved but no funds were released as the project was subsequently cancelled

Audit observed instances of unfruitful expenditure due to non-auctioning/partial auctioning of shops and non-commencement of work, as discussed in succeeding paragraphs -

4.1.3.1 Shopping complexes not auctioned

On completion of the construction of the shopping complexes, the NPs were required to fix the minimum amount (upset price) for auction of each shop on lease after considering the cost of land and cost of construction. Thereafter, the NPs were required to decide the monthly rent of each shop. After fixing the upset price and the monthly rent, the proposal was to be sent to the Government for obtaining permission for auction of the shops on lease. On receipt of the permission, the NPs were required to auction the shops by giving wide publicity in the local newspapers.

The shops were allotted to the highest bidder for a lease period of nine to 15 years as decided by the NPs on payment of auction amount within one month from the date of auction and registration of agreement. The lessee was responsible for payment of monthly rent, taxes and maintenance of the shop. The monthly rent was to be revised at regular intervals as decided by the NPs and included in the agreement. The lessee could transfer the shops to other person with prior permission of the NP and on payment of transfer fee decided by the NP. On or before expiry of the lease period, the lessee was required to renew the lease period.

Audit observed that out of 23 shopping complexes constructed in test-checked NPs, six shopping complexes were not auctioned and seven were partially auctioned which resulted in unfruitful expenditure and recurring loss of rental income as discussed below –

- Jambusar NP constructed two shopping complexes having 21 shops (October 2008) and 30 shops (July 2012) at a cost of ₹ 30.10 lakh and ₹ 46.64 lakh at CS Number 2963 and City Survey (CS) Number 88 respectively. The NP had fixed (May 2013) upset price of ₹ 83.25 lakh and ₹ 60.00 lakh for all 21 shops and 30 shops respectively. However, Audit observed that out of total 51 shops, only six shops have been auctioned (upto January 2015) at a price of ₹ 54.75 lakh while the remaining 45

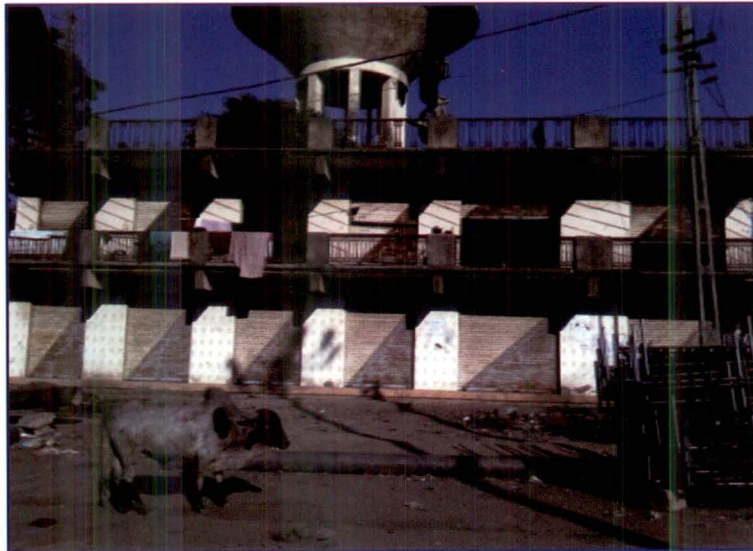


Picture 1: Shops lying idle at CS Number 88 at Jambusar NP (03.02.2015)

shops were lying idle (**Picture 1**). It was further observed that the auction was held after five years from the date of completion of construction in respect of shops constructed in 2008. As regards 30 shops constructed in 2012, Audit observed that the NP made three attempts (two attempts in February 2014 and one in February 2015) to auction the shops; however, no bidders had participated in the auction as the shopping complex was constructed in a backward area of the town. This resulted in non-realisation of minimum revenue in the form of deposits to the tune of ₹ 117.75 lakh⁹ as compared to the upset price and also non-realisation of monthly rent to the NP.

The Chief Officer stated (February 2015) that an advertisement for conducting auction on 19 and 20 February 2015 had been given in the newspapers. However, the shops had remained idle for more than two to five years due to failure on part of NP to hold the auction even though the shops were ready.

- Bantwa NP completed construction of two shopping complexes consisting of 24 shops and six shops at a cost of ₹ 25.73 lakh and ₹ 8.25 lakh respectively in November 2006. However, Audit observed that the shops were not auctioned for allotment on lease till January 2015 (**Picture 2**). Even the upset prices for the shops have not been decided by the NP as of January 2015.



Picture 2: Shops constructed by Bantwa NP lying idle (31.01.2015)

The Chief Officer stated (January 2015) that land on which shopping complexes had been constructed was allotted to the NP by Gujarat Water Supply and Sewerage Board for maintenance of water supply in 1980; however, due to oversight, NP had failed to obtain permission for change of use of land from Revenue Department. As a result, the proposal for fixing the upset price of the shops was not approved by the Collector. This indicated that the shopping complexes were constructed without proper survey of land which led to unfruitful investment of ₹ 33.98 lakh, as the shopping complexes were lying idle since last eight years. Further,

⁹ CS Number 2963 - ₹ 57.75 lakh (₹ 4.25 lakh x 9 shops and ₹ 3.25 lakh x 6 shops) and CS Number 88 - ₹ 60.00 lakh (₹ 2.25 lakh x 15 shops and ₹ 1.75 lakh x 15 shops)

this resulted in non-realisation of revenue to the NP and defeated the very purpose of resource generation for the NP as envisaged in the scheme guidelines.

- Thangadh NP constructed (April 2005) a Shopping complex and Vegetable market consisting of 51 shops and 140 stalls at a cost of ₹ 78.25 lakh. The NP had fixed the upset price of ₹ 141.50 lakh for auction of all shops and stalls on lease. Audit observed that out of 51 shops and 140 stalls, the NP could auction (2006) only 12 shops and 135 stalls for ₹ 25.39 lakh and ₹ 24.28 lakh respectively. The remaining 39 shops and five stalls were lying idle as of January 2015. The NP had not taken any action for the auction of the assets since last eight years. This resulted in non-realisation of minimum revenue of deposit to the tune of ₹ 82.65 lakh in terms of upset price and also non-realisation of monthly rent for unauctioned shops and stalls to the NP.

The Chief Officer stated (January 2015) that the market could not develop as there was another unlicensed vegetable market in the centre of the town. Efforts were made to vacate unlicensed hawkers from the town; however, due to huge protest, it did not succeed. It was further stated that efforts would be made to vacate the market and auction process would be restarted.

- Dhari¹⁰ NP constructed (October 2005) one shopping complex comprising of 16 shops at a cost of ₹ 23.47 lakh. The NP had fixed (October 2005) ₹ 33.93 lakh as the upset price for all 16 shops. Audit observed that the shops had not been auctioned on lease as of January 2015 for want of permission from the Government. It was further observed that the NP had taken up the matter with the Government for grant of permission to auction between May 2009 and May 2011; however, thereafter no follow-up efforts were made by the NP which resulted in shops lying idle though more than nine years have elapsed since completion of construction of the shops (**Picture 3**).



Picture 3: Shops lying idle at Dhari NP (05.02.2015)

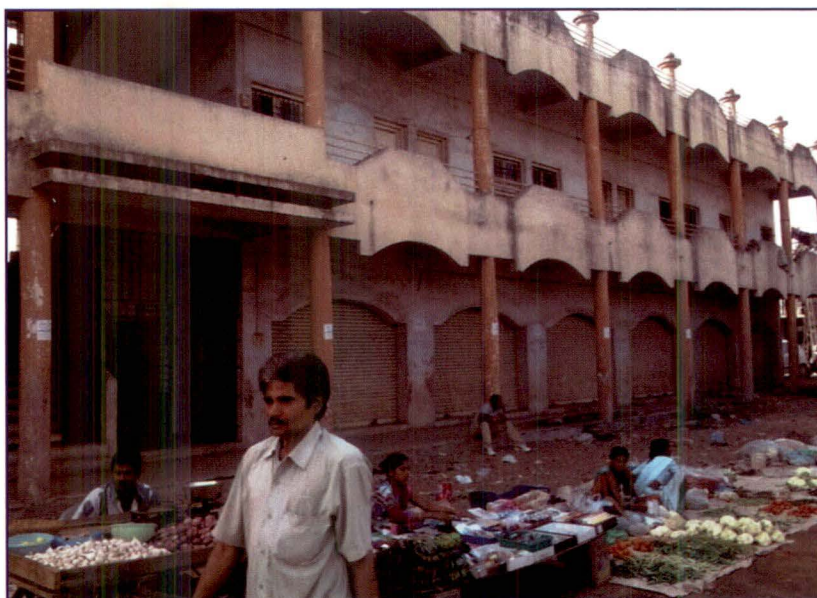
¹⁰ Now it is a village panchayat

The Talati-cum-Mantri stated (February 2015) that permission for auction on lease was awaited from the Government.

- Devgadh Baria NP constructed (December 2007) two shopping complexes consisting of 20 shops and 25 shops at two different places¹¹ at a cost of ₹ 33.23 lakh and ₹ 28.16 lakh respectively. The NP had fixed (between January 2008 and April 2013) upset prices of ₹ 62.00 lakh for 20 shops and ₹ 36.83 lakh for 25 shops. Audit observed that out of 45 shops, NP could auction only 26 shops at a price of ₹ 54.92 lakh¹². The remaining 19 shops were lying idle as of January 2015 despite fixing of upset price. This resulted in non-realisation of minimum revenue of ₹ 43.91 lakh¹³ as deposits for unauctioned shops and also non-realisation of monthly rent to the NP.

The Chief Officer stated (February 2015) that auction was not held in anticipation of realisation of higher price in future. However, 19 shops have remained idle since April 2013 after last auction and further lapse of time would result in deterioration of the constructed building.

- Vapi NP constructed (August 2008) a shopping complex consisting of 22 shops at a cost of ₹ 32.46 lakh. Audit observed that the shops had not been auctioned as of January 2015 (**Picture 4**). Even the upset prices of the shops have not been fixed by the NP though more than six years have elapsed since completion of the construction of the shops. The City Engineer stated (February 2015) that the permission for auction of shops was pending with the Collector due to non-payment of premium of ₹ 1.10 crore by the NP to the Revenue Department for the said land as it was allotted by the Collector in 1983. It was further stated that the NP had requested (July 2014) the Collector to reduce the premium to ₹ 31.00 lakh; however, the matter was yet to be resolved (January 2015).



Picture 4: Shops constructed by Vapi NP lying idle (02.02.2015)

¹¹ CS Number 2055 (20 shops) and CS Number 2056 (25 shops)

¹² ₹ 27.00 lakh (10 shops of CS Number 2055) + ₹ 27.92 lakh (16 shops of CS Number 2056)

¹³ CS Number 2055 - ₹ 35.00 lakh (₹ 3.50 lakh x 10 shops) + CS Number 2056 - ₹ 8.91 lakh (₹ 99,000 x nine shops)

This indicated that the shopping complex was constructed without obtaining prior clearance which led to unfruitful investment of ₹ 32.46 lakh as the shops were lying idle since last six years.

- Gadhada NP constructed (August 2010) a shopping complex consisting of 12 shops and 24 stalls at a cost of ₹ 26.18 lakh. The NP had auctioned (March 2010) all 12 shops at a price of ₹ 39.09 lakh; however, Audit observed that the NP could realise only ₹ 20.97 lakh as seven lessees had not deposited the full auctioned amount. Further, it was observed that NP had entered (September 2014) into agreement with only one lessee after lapse of four years from the date of auction. As per the general conditions of the auction, the successful lessees were required to deposit the full auctioned amount and take possession of the shops within one month from the date of auction. In case of any failure on the part of the lessee, the deposit amount was to be forfeited by the NP and proceed for re-auction. However, no action has been initiated by the NP against the defaulters resulting in shops lying idle and non-realisation of revenue by the NPs.

The Chief Officer stated (February 2015) that action would be taken against the defaulters.

Audit is of the view that immediate action may be taken by the NPs to auction the remaining shops and stalls for generation of funds and to provide organised shopping amenities to the public.

4.1.3.2 Best practice adopted by Navsari NP

The GoI approved four projects for construction of shopping complexes at four places in Navsari NP with a total project cost of ₹ 2.37 crore. The NP constructed all four shopping complexes having 180 shops at a cost of ₹ 2.11 crore. NP fixed an upset price of ₹ 4.55 crore for auction of all shops and subsequently received ₹ 11.04 crore as proceeds from auction of 180 shops. Thus, proceeds from sale of shops were more than five times the expenditure incurred on its construction. Besides, the NP was earning ₹ 8.34 lakh *per* year as rental income from these shops. It was also observed that unlike other test-checked NPs, Navsari NP mobilised funds of ₹ 1.59 crore from own resources and completed the sanctioned project.

Availability of clear title of land, timely completion of construction of Shopping complexes and timely conduct of auction of shops were the main factors for the exemplary achievement of Navsari NP as compared to other test-checked NPs.

4.1.3.3 Non-commencement of work

Out of 32 projects of shopping complexes approved in test-checked NPs, nine projects of seven NPs having approved cost ₹ 304.29 lakh (**Table 3**) could not commence due to problems of land/site clearance or paucity of funds as discussed as follows -

- Ranavav NP was sanctioned (2004-05) a project of Vegetable Market-cum-Shopping centre comprising of 41 shops at a cost of ₹ 43.14 lakh. However, the complex could not be constructed even after a lapse of more than nine years from the date of sanction of the project despite availability of funds. The Chief Officer stated (January 2015) that the shopping complex was planned for construction on the land owned by the NP; however, at the time of initial work of survey, mapping *etc.*, local vegetable/fruit sellers protested against the proposed construction and did not agree to vacate the place. Thus, the work of construction of shopping complex could not be started. An amount of ₹ 56.72 lakh (including interest of ₹ 13.58 lakh) was lying unutilised with the NP as of January 2015.

Audit is of the view that the NP could have explored the possibilities to identify an alternative piece of land for construction of the shopping complex.

- Vapi NP and Jafrabad NP could not construct shopping complexes, one each, with approved cost ₹ 29.82 lakh and ₹ 27.60 lakh respectively.

The City Engineer of Vapi NP and Chief Officer of Jafrabad NP stated (February 2015) that project of shopping complexes could not be started due to paucity of funds. However, Audit observed that the NP failed to contribute its own share of funds or arrange for institutional finance though it was envisaged in the project report and though the institutional finance was available at low interest rate from “Shrinidhi Scheme” as discussed in Paragraph 4.1.2.2

- Vijapur NP was sanctioned four projects of shopping complexes at different places with approved cost of ₹ 96.07 lakh. Audit observed that NP constructed (February 2014) only one shopping complex having 30 shops at the cost of ₹ 64.03 lakh as against the approved cost of ₹ 42.42 lakh and the shops were yet to be auctioned as of January 2015. The construction of remaining three shopping complexes with approved cost of ₹ 53.65 lakh were not taken up due to dispute on ownership of land.

The Chief Officer attributed (January 2015) the reason of non-clearance of title of the land for non-commencement of the works.

- Chanasama NP, Kalol NP and Dhari NP could not construct shopping complexes, one each, with approved cost of ₹ 45.11 lakh, ₹ 68.00 lakh and ₹ 36.97 lakh respectively due to non-availability of land. Audit observed at Kalol NP that the approved project was subsequently cancelled by GMFB due to non-submission of land use certificate by the NP which resulted in non-release of central assistance and non-construction of shopping complex. Chanasama NP and Dhari NP had utilised the funds for other approved works of the scheme and had not explored for utilising the funds for construction of shopping complexes for which GoI and State Government funds had been received.

The Chief Officer of Chanasma NP and Secretary of Dhari VP stated (February 2015) that shopping complexes could not be constructed due to non-availability of land.

As GoI has allowed the carry over of works under the earlier scheme of IDSMT to UIDSSMT, concerted efforts may be made by the NPs to identify suitable land and arrange for funds by obtaining institutional finances to complete the approved projects.

4.1.4 Outstanding proceeds from auction and rent

Thangadh NP leased (2006) 12 shops and 135 stalls constructed at Bhagat Singh chowk at an auctioned price of ₹ 25.39 lakh and ₹ 59.40 lakh respectively. The occupants of the shops and stalls deposited ₹ 47.83 lakh at the time of auction and the remaining amount was required to be paid in instalments. However, Audit observed that the NP failed to recover the remaining amount of ₹ 36.96 lakh from the occupants till date (January 2015). Audit further observed that the NP failed to recover monthly rent from the occupants which resulted in non-realisation of rent to the tune of ₹ 25.92 lakh as of December 2014. Except serving notice to the defaulters, no other action have been taken by the NP to recover the outstanding dues from the occupants.

The Chief Officer stated (January 2015) that notices have been served to the defaulters; however, necessary action would be taken in future.

4.1.5 Monitoring and Evaluation

The Gujarat Municipal Finance Board (GMFB) was the nodal agency for monitoring of IDSMT scheme and Gujarat Urban Development Mission was the nodal agency for monitoring of UIDSSMT scheme. Audit observed that the monitoring of the implementation of the scheme in the State was neither done by GMFB nor GUDM after June 2007 as the information on physical and financial achievement of 321 projects sanctioned for the State was not available with GMFB and GUDM. Thus, the Audit findings were confined to the observations made in respect of test-checked Nagarpalikas only.

The Deputy Director, GMFB and Chief Executive Officer, GUDM accepted (January 2015) that updated status of scheme implementation was not available with them. GMFB assured that the same would be called for from all implementing agencies. This indicated there was lack of monitoring at any level in the State Government, though huge expenditure was being incurred under the scheme. Further, as per the scheme guidelines, the State Government was required to appraise quarterly progress report to Town Country Planning Officer (GoI), however, no such progress report was ever sent by the State Government to GoI.

4.1.6 Outcome

Audit observed that, out of 32 shopping complexes approved at a cost of ₹ 1,186.55 lakh for the test-checked districts, construction of 23 shopping complexes have been completed at a cost of ₹ 866.26 lakh as of January 2015. Out of 23 completed shopping complexes, all the shops have been auctioned

in only 10 complexes, a few shops have been auctioned in seven complexes and not a single shop has been auctioned in remaining six complexes. This indicated that the objective of the implementation of the scheme was partially met as the shops constructed were lying idle from one to nine years resulting in non-realisation of revenue to the NPs.

4.1.7 Conclusion

The scheme was intended to improve infrastructural facilities as well as augment financial resources by creating commercial projects to carry out developmental activities on continual basis. Audit observed that the objective of internal resource generation for NPs as envisaged under the scheme was not achieved due to deficient planning and execution. While construction in a number of shopping complexes was not taken up, in others, shops/stalls remained unutilised due to a combination of factors like non-finalisation of upset price, auction process not initiated and permission for auction not received from authorities, *etc.* Lack of monitoring by the nodal agencies also contributed to the scheme not meeting its desired outcomes.

The matter was reported to Government (February 2015); but reply is awaited (March 2015).

4.2 Loss of revenue to Vadodara Municipal Corporation of ₹ 1.97 crore due to failure of the agency to deliver guaranteed power generation

Failure to deliver guaranteed power generation by the agency during the O&M period resulted in loss of revenue to Vadodara Municipal Corporation of ₹ 1.97 crore

Under the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) launched in December 2005, Government of India approved (January 2007) the Detailed Project Report (DPR) of Sewerage System Project submitted by Vadodara Municipal Corporation (VMC) at a cost of ₹ 105.14 crore which included construction of three Sewerage Treatment Plants (STPs). One of these STPs was to be constructed at Atladara with Upflow Anaerobic Sludge Blanket¹⁴ (UASB) process. The DPR of the STP estimated revenue saving of ₹ 1.18 crore¹⁵ per annum by power generation through proposed Gas Turbine Engine of 300 KVA.

VMC invited (March 2007) tender for the work of “Designing, Constructing, Testing and Commissioning of 43 million litres per day (MLD) Sewage Treatment Plant” at Atladara on Turnkey basis including providing process guarantee and guarantee for the power generation through Gas Turbine Engines, to operate the plant for a period of 12 months after the trial run and its Operation and Maintenance (O&M). Extension of O&M for further four years was subject to approval by the VMC.

¹⁴ It meets the basic necessities for a sustainable operation of wastewater treatment plants like low investment cost, low maintenance demand, good performance, low sludge production and net energy production

¹⁵ 19.60 lakh Kilowatt hour *per annum* (KWH) x ₹ 6.00

As per the tender documents, the bidder had to specify the guarantee for the net power generation during the O&M period, in terms of Kilowatt hour per annum (KWH/annum). In the event of failure of the agency to deliver the guaranteed power generation, the shortfall was recoverable at the rate of ₹ 24 per KWH falling short of the guaranteed quantum of power generation, subject to maximum 10 per cent of the contract value during the first year of the O&M period. The VMC in the pre-bid meeting held on 5 April 2007 decided to award the O&M of the plant including the gas turbine engines for further four years to the successful bidder.

VMC awarded (August 2007) the work of STP to an agency¹⁶ at a tendered cost of ₹ 22.48 crore¹⁷ including O&M for five years. The agency guaranteed generation of 15,24,000 KWH/annum. The agency completed the commissioning of the plant on 16 August 2009 and completed the three months trial run on 15 November 2009. The O&M period of five years commenced from 16 November 2009.

On scrutiny of records, Audit observed (April 2014) that the agency could deliver the guaranteed quantum of power generation during the first year of O&M only and failed to deliver the guaranteed generation for next four years of O&M period, as detailed as below –

Year	Guaranteed power generation (in KWH)	Actual power generated (in KWH)	Shortfall (per cent)	Revenue loss @ ₹ 6.00 per KWH of shortfall
26 November 2009 to 25 November 2010	15,24,000	15,52,848	--	--
26 November 2010 to 25 November 2011	15,24,000	4,53,872	10,70,128 (70)	64,20,768
26 November 2011 to 25 November 2012	15,24,000	5,31,000	9,93,000 (65)	59,58,000
26 November 2012 to 25 November 2013	15,24,000	3,05,490	12,18,510 (80)	73,11,060
Grand total				1,96,89,828

The shortfall in generation of guaranteed power by the agency was mainly due to non-working of gas turbine engines, low retention time and chocking/leakage of gas pipe line, etc. during the subsequent years. This entailed loss of revenue to VMC of ₹ 1.97 crore, besides, defeating the purpose of saving expenses on electricity as envisaged in DPR. Audit also observed that the VMC had failed to incorporate penalty clause for non-performance during extended O&M period.

VMC stated (September 2014) that the agency was bound to generate guaranteed power during the first year of O&M period only. However, as per the minutes of the pre-bid meeting, the VMC had clarified that the guaranteed quantum of power was to be generated by the agency during the O&M period of one plus

¹⁶ M/s. Rajkamal Builders Infrastructure Private Limited, Ahmedabad

¹⁷ ₹ 18.68 crore for plant commissioning and ₹ 3.80 crore O&M for five years

four years, which formed a part of tender documents and agreement. This fact was also mentioned in the agreement executed with the agency. It is also to be noted that even though the agency was charging an average ₹ 76.00 lakh every year towards O&M, its performance of generating guaranteed power nosedived by 70, 65 and 80 *per cent* in 2nd, 3rd and 4th year respectively, subsequent to the first year of commissioning of project. This could have been arrested with invoking of the penalty clause, which the VMC failed to enforce.

The matter was reported to Government (February 2015); but reply is awaited (March 2015).

4.3 Loss of Non-Tax Revenue to the tune of ₹ 64.54 lakh to Vadodara Municipal Corporation

Imprudent action on the part of Vadodara Municipal Corporation for awarding the contract for display of advertisement on kiosk boards fixed on electric poles in the city resulted in loss of non-tax revenue to the tune of ₹ 64.54 lakh

Vadodara Municipal Corporation (VMC) was generating revenue from display of advertisements on kiosk boards fixed on electric poles in the city. The city has been divided into four Zones (Zones I, II, III and IV) for this purpose.

VMC awarded (2009-10 to 2011-12) the four contracts for display of advertisements on kiosk boards in all the four Zones¹⁸ for a period of three years to an agency¹⁹ with the condition that annual license fee would be increased by 10 *per cent* every year, exclusive of service tax.

The agency failed to comply with the terms of payments, as a few cheques bounced, the amount was paid belatedly and the amount paid was less than the contracted. VMC, therefore, issued a show cause notice on 26 July 2012 followed by terminating all the four contracts on 17 August 2012 and blacklisted the agency for three years on 13 September 2012. A fresh tender for all four Zones was invited by VMC on 14 September 2012 and another agency²⁰ had quoted the highest offer of license fee at ₹ 16.52 lakh *per month* for display of advertisements on kiosk boards in all the four Zones; however, due to imposition of code of conduct (04 October 2012) on account of Gujarat Assembly election, awarding of contract was kept in abeyance.

Meanwhile, aggrieved with the decisions of VMC for termination of contract, blacklisting the agency and invitation of fresh tenders, the first agency approached²¹ the Honorable High Court of Gujarat and obtained (9 November 2012) stay order till the VMC heard them. After hearing the agency, VMC stuck (10 December 2012) to its earlier decision of cancelling the contracts.

¹⁸ Zone-I: 782 poles for the period from 27.10.2009 to 26.10.2012 (₹ 6,000 *per annum per pole*), Zone-II: 614 poles for the period from 18.03.2010 to 17.03.2013 (₹ 4,500 *per annum per pole*), Zone-III: 1,036 poles for the period from 17.10.2011 to 16.10.2014 (₹ 4,500 *per annum per pole*) and Zone-IV: 872 poles for the period from 14.09.2011 to 13.09.2014 (₹ 4,500 *per annum per pole*)

¹⁹ M/s Sun Communications, Vadodara

²⁰ M/s. Sujal Advertiser Pvt. Ltd., Vadodara

²¹ Special Civil Petition Number 14541 of 2012

The agency again approached²² the Honorable High Court of Gujarat against the decision of VMC in respect of Zones III and IV. Therefore, Zones I and II were free from litigation.

Audit observed (April 2014) that though there was no litigation involving award of work for Zones I and II, VMC did not initiate any action on the offers received with reference to tenders invited on 14 September 2012 for awarding new contracts for these two zones. The contract for all zones had been awarded to the second agency only in September 2013. Had the VMC awarded the contract for Zone I from 21 December 2012 *i.e.* after Gujarat Assembly election and Zone II from 18 March 2013 *i.e.* date of expiry of contract, it could have generated additional non-tax revenue therefrom as detailed below -

Zone	Period of revenue loss	Number of days of revenue loss	Per day rate ²³ as per new contract (license fee only) (in ₹)	Loss of revenue (in ₹)
Zone I	21-12-2012 to 30-09-2013	284	16,140	45,83,760
Zone II	18-03-2013 to 30-09-2013	197	9,494	18,70,318
Total non-tax revenue loss				64,54,078

Thus, imprudent action on the part of VMC resulted in loss of non-tax revenue to the tune of ₹ 64.54 lakh.

State Government endorsed (September 2014) the contention of VMC (September 2014) that (i) the new contract could not be awarded due to imposition of code of conduct on account of State Legislative Assembly election; (ii) the loss of revenue is not actual loss but it was decrease in the revenue; and (iii) the dealing officer and the clerk had been suspended and disciplinary action was in progress against them. However, Audit is of the view that decrease in non-tax revenue itself was loss of revenue, as award of tender for Zones I and II in time would have resulted in accrual of revenue of ₹ 64.54 lakh.

4.4 Excess payment of ₹ 43.37 lakh towards price variation due to adoption of incorrect star rate

Non-adherence to Government directions resulted in excess payment of ₹ 43.37 lakh towards price variation for asphalt used in the construction of a road work executed by Vadodara Municipal Corporation

The Roads and Buildings (R & B) Department circular of November 1998 and October 2005 stipulated that the base rate of asphalt for the calculation of price variation would be the rate prevalent in the month of approval of Draft Tender Papers (DTPs) which was to be specified as “star rate”. The ex-refinery rate of asphalt of Indian Oil Corporation Limited (IOCL), Koyali, Vadodara prevailing

²² Special Civil Application Numbers : 16742 of 2012, 16743 of 2012 and 16744 of 2012

²³ Dividing the rate of ₹ 16.52 lakh per month for all zones in the ratio adopted in previous contract, the rate for Zone I and II comes to ₹ 16,140 and ₹ 9,494 per day respectively.

at the time of approval of DTP was to be fixed as star rate. As per the tender conditions, the difference between the prevailing ex-refinery rate as per the purchase bill produced by the contractor and the star rate shown in the tender agreement was to be paid/recovered for the quantity of asphalt actually used in the works.

The Executive Engineer, Road Project Branch, Vadodara Municipal Corporation (VMC) awarded (May 2008) contract for “Construction of road from Sardar Estate to Ajwa Bypass Road” to an agency²⁴ at their tendered cost (TC) of ₹ 3.84 crore. For execution of the work, the contractor procured total quantity of 559.67 Metric Tonnes (MT) of asphalt of 60/70 grade between October 2009 and November 2011.

On scrutiny of records (January 2014), it was noticed that the Executive Engineer adopted incorrect star rate of ₹ 22,047.33 in the tender document, by adopting the rate prevailing on the date of preparation of estimates (July 2007) instead of adopting the rate of ₹ 29,796.80 prevailing in the month of approval of DTP. This was in deviation to the above circular.

As such the price variation became payable to the contractor with respect to the price of asphalt prevailing at the time of preparation of the estimate instead of the price prevailing at the time of approval of DTP. The difference between the star rate adopted in the tender agreement and the rate prevailing in the month of approval of DTP was ₹ 7,749.47 as shown in **Appendix-XI**. The price variation for 559.67 MT of asphalt used in the work was thus paid on incorrect star rate which resulted in excess payment of ₹ 43.37 lakh.

The Executive Engineer (Road Projects Branch), VMC stated (January 2014) that they were adopting the star rate based on the rates prevailing at the time of approval of estimates and not the rates prevailing at the approval of DTP. However, this was contrary to the applicable Government instructions issued by R & B Department.

On being pointed out, Government endorsed (September 2014) the contention of VMC that (i) the administrative procedures of the Government in Roads and Buildings Department were not being followed by VMC in each and every respect, and (ii) VMC had been adopting star rate of asphalt prevailing on the date of estimate and not on the date of approval of DTP. The reply was in contradiction to the tender document issued by VMC itself, in which the applicability of R & B department circular of November 1998 was confirmed.

²⁴ M/s Shivam Construction Company, Vadodara

4.5 Avoidable expenditure due to excess contracted demand

Improper assessment of High Tension Power contract demand and non-revision of contract demand based on actual requirement of load resulted in avoidable expenditure of ₹ 36.45 lakh

On applying for High Tension Power²⁵ (HTP) line, the consumer has to specify the contract demand based on the load requirement and execute an agreement with the power supplier. The contract demand could be increased or decreased subsequently, depending on the actual requirements. The charges leviable by the power supplier as per tariff fixed by the Gujarat Electricity Regulatory Commission (GERC) were –

- (i) Fixed demand charges at 85 per cent of contract demand or actual maximum demand during the billing cycle, whichever was higher; and
- (ii) Energy charges on actual units of electricity consumed.

Jamnagar Municipal Corporation (JMC) had obtained one HTP connection (March 1962) for Filtration Plant Pump House and three HTP connections (June 2008 and July 2008) for ESRs at Gulabnagar, Samarpan and Shankar Tekri from Paschim Gujarat Vij Company Limited (PGVCL) with contract demand of 850 KVA, 350 KVA, 650 KVA and 400 KVA respectively. Contract demand was estimated by the JMC on the basis of working and stand by machineries installed at pumping stations and filter plants. The JMC was paying fixed demand charges at the rate of 85 per cent of contract demand.

On scrutiny of the records of above HTP connections for the period 2010-14 (upto June 2013), it was observed that the actual demand was consistently less than the contracted demand as detailed as below –

(₹ in lakh)

HTP connection number	Contract demand (KVA)	Actual maximum demand and percentage against contract demand during the period from 2010-14 (KVA)					85 per cent of contract demand	Fixed demand charges paid at 85 per cent of contract demand during 2010-14	Contract demand actually required (KVA)	Amount payable on the revised contract demand	Avoidable expenditure
		2010-11	2011-12	2012-13	2013-14	Maximum during 2010-14					
1	2	3	4	5	6	7	8	9	10	11	12
27060	350	177(51)	170(49)	141(40)	139(40)	177(51)	298	13,41,000	200	9,00,000	4,41,000
27314	400	187(47)	181(45)	188(47)	184(46)	188(47)	340	15,30,000	200	9,00,000	6,30,000
27059	650	252(39)	260(40)	272(42)	275(42)	275(42)	553	29,61,360	300	13,50,000	16,11,360
27009	850	644(76)	594(70)	490(58)	538(63)	644(76)	723	45,17,760	650	35,55,000	9,62,760
Total								1,03,50,120		67,05,000	36,45,120

The above table showed that despite clear indication of actual demand being less than the contracted demand, no efforts were made by the Executive Engineer, Water works branch to get the contracted demand reduced from PGVCL. Non-reduction of contracted demand during 2010-14 resulted in avoidable expenditure of ₹ 36.45 lakh on demand charges during the period.

²⁵ The power supply of 3.3 KV and above, 3-phase 50 Hertz

The Government stated (October 2014) that the contract demands for HTP connections was calculated by the JMC on the basis of working and stand by machineries installed at filter plants and pumping stations. The stand by machineries are utilised on break down of working machineries. Non-utilisation of stand by machineries has resulted in less utilisation of load. However, PGVCL have been informed (August 2014) by JMC Water Works Branch for reduction of contract demands of above stated connections.



(BIBHUDUTTA BASANTIA)

**Rajkot, Accountant General (General and Social Sector Audit),
The 26 JUN 2015 Gujarat**

Countersigned

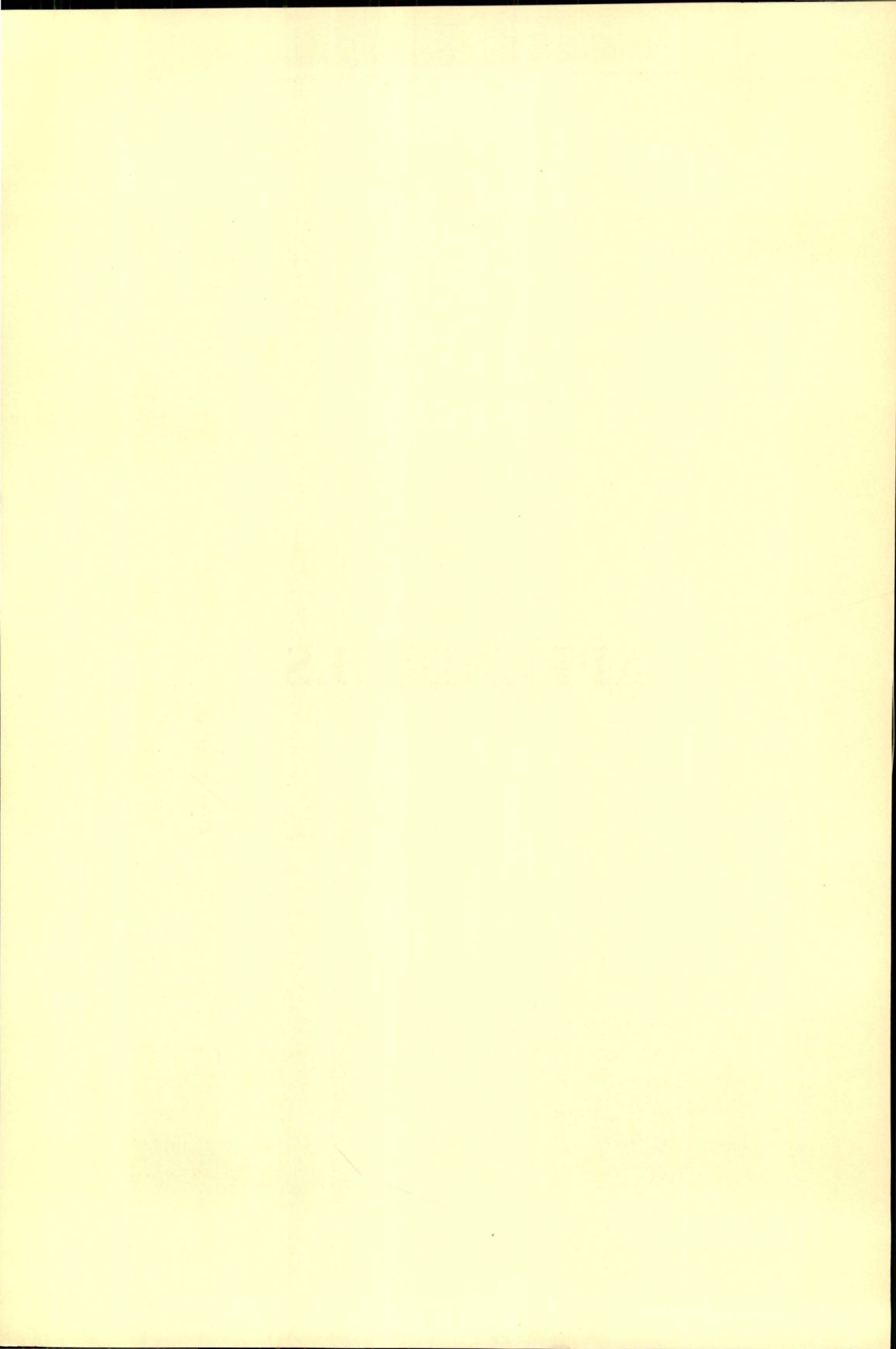


(SHASHI KANT SHARMA)

New Delhi Comptroller and Auditor General of India

The 03 JUL 2015

APPENDICES



APPENDIX – I

Statement showing status of devolution of functions to Panchayati Raj Institutions

(Reference : Paragraph 1.4; Page 3)

Sr. No.	Functions as per 11 th Schedule of the Constitution	Status
1	Agriculture, including Agriculture Extension	Fully devolved
2	Minor Irrigation	Fully devolved
3	Animal husbandry	Fully devolved
4	Rural Housing	Fully devolved
5	Drinking water – water distribution	Fully devolved
6	Roads, culverts, bridges, ferries, waterways	Fully devolved
7	Fuel (Energy) and fodder	Fully devolved
8	Minor forest projects	Fully devolved
9	Poverty alleviation programmes	Fully devolved
10	Fair and markets	Fully devolved
11	Health and sanitation, including PHCs dispensaries	Fully devolved
12	Family welfare	Fully devolved
13	Women and child development	Fully devolved
14	Welfare of weaker sections particularly of the SCs and STs	Fully devolved
15	Primary and Secondary Education	Partially devolved
16	Adult and non-formal education	Partially devolved
17	Cultural activities	Partially devolved
18	Social welfare, including welfare of handicapped and mentally retarded	Partially devolved
19	Maintenance of community assets	Partially devolved
20	Land improvement, implementation of land reforms	Yet to be devolved
21	Fisheries	Yet to be devolved
22	Social forestry and farm forestry	Yet to be devolved
23	Small scale industry	Yet to be devolved
24	Khadi, village and cottage industries	Yet to be devolved
25	Rural electrification including distribution of electricity	Yet to be devolved
26	Non-conventional source of energy	Yet to be devolved
27	Technical training and vocational education	Yet to be devolved
28	Libraries	Yet to be devolved
29	Public distribution system	Yet to be devolved

APPENDIX – II

Details of watershed projects sanctioned during 2009-10 (Batch-I and Batch-II) and projects selected for Audit

(Reference : Paragraph 2.1.5; Page 17)

Name of the district	Number of projects sanctioned (Project Numbers)		Number of Projects selected (Project Numbers)
	2009-10	2010-11	
Ahmedabad	06 (IWMP-1 to IWMP-6)	05 (IWMP-7 to IWMP-11)	06 (IWMP-1,2,3,7,9 and 11)
Banaskantha	06 (IWMP-1 to IWMP-6)	07 (IWMP-7 to IWMP-13)	06 (IWMP-5,6,7,9,11 and 13)
Bhavnagar	06 (IWMP-1 to IWMP-6)	06 (IWMP-7 to IWMP-12)	06 (IWMP-4,5 and 7 to 10)
Dahod	05 (IWMP-1 to IWMP-5)	05 (IWMP-6 to IWMP-10)	05 (IWMP-2 to 6)
Kheda	04 (IWMP-1 to IWMP-4)	04 (IWMP-5 to IWMP-8)	04 (IWMP-1,2,6 and 8)
Kachchh	18 (IWMP-1 to IWMP-18)	10 (IWMP-19 to IWMP-28)	14 (IWMP-1,4,10,12,14,15, 17, 20, 22, 24 to 28)
Narmada	05 (IWMP-1 to IWMP-5)	05 (IWMP-6 to IWMP-10)	05 (IWMP-1,3,5,6 and 10)
Navsari	05 (IWMP-1 to IWMP-5)	05 (IWMP-6 to IWMP-10)	05 (IWMP-1,4,5,8 and 9)
Surendranagar	08 (IWMP-1 to IWMP-8)	06 (IWMP-9 to IWMP-14)	07 (IWMP-1,2,5,6,8,13 and 14)
Vadodara	07 (IWMP-1 to IWMP-7)	05 (IWMP-8 to IWMP-12)	06 (IWMP-1, 7,8,9,11 and 12)

APPENDIX - III

Statement showing improper maintenance of measurement books at
test-checked districts

(Reference : Paragraph 2.1.13; Page 40)

Name of the district	Project Number	Audit Comments	Reply of DWDUs
Ahmedabad	IWMP-1	Measurement books were not signed by the Nodal officer. Work commencement date and completion dates were not recorded in the MBs.	This happened by mistake and would be implemented from now onwards.
	IWMP-2	Measurement books were not signed by the Nodal officer. Work commencement date and completion dates were not recorded in the MBs	Signatures of nodal officers would be obtained on MBs.
Kachchh	IWMP-12	Detailed recordings were not there; only final quantity of works was recorded in the MB.	Works has been done as per the estimates and same has been recorded in the MBs. However, from now onwards detailed measurements would be recorded.
Kheda	IWMP-1	MBs for EPA works were not signed by the WDT engineer.	Proper care would be taken in future.
	IWMP-1,2,6,8	MBs for work phase were not signed by the President of the WC and the Nodal officer.	Proper care would be taken in future.
	IWMP-2	Details of EPA works were recorded in the MB after completion of works, as the MB was signed by an Engineer who was recruited after completion of the work.	It was prepared fresh as the details written earlier was not clear.
	IWMP-1,6,8	Work commencement and completion dates were not mentioned in the MBs.	Proper care would be taken in future.

Name of the district	Project Number	Audit Comments	Reply of DWDUs
Narmada	IWMP-3	Expenditure of ₹ 23.97 lakh was done under EPA; however, MBs were not maintained.	There was no engineer at the project level, so measurement was not recorded.
	IWMP-5	Expenditure of ₹ 22.25 lakh was done under EPA; however, MBs were not maintained.	There was no engineer at project level, so measurement was not recorded.
	IWMP-1	Quantity of work executed was not recorded in the MB and it was not signed by any authority, though payment of ₹ 1.07 lakh was made.	There was no engineer at project level, so measurement was not recorded.
		Expenditure of ₹ 22.63 lakh was done under EPA; however, MBs were not maintained.	There was no engineer at project level, so measurement was not recorded.
	IWMP-5	Expenditure of ₹ 99.38 lakh were made during 2012-13 and 2013-14; however, the details of the work executed was not recorded in the MB.	There was no engineer at project level, so measurement was not recorded.
Vadodara	IWMP-1	MBs were not signed by the President of the WC and nodal officer.	Deficiencies in the MBs would be rectified.

APPENDIX – IV

Statement showing the details of village *haats* sanctioned in test-checked districts and those jointly visited

(Reference : Paragraph 2.2.1; Page 44)

Sr. No.	Name of the District	Name of the village for which <i>haats</i> sanctioned	Village <i>haats</i> jointly visited (Completed/Under progress) (As on June-August 2014)
01	Navsari	Limzar	Completed
02		Fadvel	Completed
03		Ubharat	Not jointly visited
04	Bharuch	Zadeswar	Completed
05		Rajparadi	Not jointly visited
06		Gumandev	Not jointly visited
07	Ahmedabad	Jetalpur	Completed
08		Pirana	Completed
09		Bhimnath	Not jointly visited
10	Anand	Vasana (Borsad)	Completed
11		Lingda	Under progress
12		Asodar	Not jointly visited
13	Sabarkantha	Punsari	Completed
14		Jadar	Completed
15		Lambadia	Completed
16	Surendranagar	Sayla	Completed
17		Dasada	Completed
18		Sara	Completed
19	Patan	Khali	Completed
20		Kungher	Completed
21		Shankheswar	Not jointly visited
22	Rajkot	Madhapar	Completed
23		SaparVeraval	Under progress
24		Atkot	Not jointly visited
Total	08	24	17

APPENDIX – V

Details of non-release of second instalment of grant to village *haats* in test-checked districts as on March 2014

(Reference : Paragraph 2.2.3.3; Page 45)

Sr. No.	Name of the District	Name of the Village	Expenditure (₹ in lakh)	Date of Completion of construction	Date of proposal for second instalment	Remarks
1	Ahmedabad	Jetalpur	09.58	05.08.2010	27.11.2011	Construction of third <i>haat</i> has not been started.
		Pirana	06.68	05.08.2010		
		Bhimnath	--	--		
2	Anand	Lingda	08.90	--	14.02.2014	Construction of third <i>haat</i> has not been started due to paucity of funds. Work of Lingda <i>haat</i> remained incomplete.
		Vasna (Borsad)	14.95	15.06.2013		
		Asodar	--	--		
3	Navsari	Limzar	09.99	03.08.2013	25.04.2013	Construction of third <i>haat</i> has not been started due to paucity of funds. Electrification works were pending for Limzar and Fadvel village <i>haats</i> .
		Fadvel	12.50	14.08.2013		
		Ubharat	--	--		
4	Sabarkantha	Punsari	09.49	31.05.2012	20.11.2012	Ancillary works in all <i>haats</i> had not been taken up due to paucity of funds. Possession of one <i>haat</i> (Lambadia) was not given due to non-payment of contractor's bill.
		Jadar	08.47	31.05.2012		
		Lambadia	07.49	31.03.2012		
		Total	88.05			

APPENDIX – VI

Statement showing physical progress of village *haats* as on September 2014

(Reference: Paragraph 2.2.4.1; Page 46)

Sr. No.	Name of the District	Name of the village <i>haats</i>	Village <i>haats</i> completed	Village <i>haats</i> under progress	Village <i>haats</i> not started
1	Ahmedabad	Jetalpur	Yes	-	-
		Pirana	Yes	-	-
		Bhimnath	-	-	Yes
2	Amreli	Bhurakhiya	-	-	Yes
		Vijapadi	-	-	Yes
		Dadva	-	-	Yes
3	Anand	Vasna (Borsad)	Yes	-	-
		Asodar	-	-	Yes
		Lingada	-	Yes	-
4	Banaskantha	Pilucha	-	Yes	-
		Hadad	Yes	-	-
		Akhol	Yes	-	-
5	Bharuch	Zadeshwar	Yes	-	-
		Rajpardi	-	-	Yes
		Gumandev	-	-	Yes
6	Bhavnagar	Bagdana	Yes	-	-
		Dadva	-	-	Yes
		Gopnath	Yes	-	-
7	Dahod	Sanjeli	-	-	Yes
		Bandibar	-	-	Yes
		Dabwa	-	-	Yes
8	Dang	Gadhvi	-	-	Yes
		Not identified	-	-	Yes
		Not identified	-	-	Yes
9	Gandhinagar	Mahudi	Yes	-	-
		Nardipur	Yes	-	-
		Daboda	-	-	Yes

Sr. No.	Name of the District	Name of the village haats	Village haats completed	Village haats under progress	Village haats not started
10	Jamnagar	Sidsar	-	-	Yes
		Lalpur	-	-	Yes
		Aamran	-	-	Yes
11	Junagadh	Mandavi	-	-	Yes
		Prachi	-	-	Yes
		Adri	-	-	Yes
12	Kheda	Salun	-	-	Yes
		Galteshwar	-	-	Yes
		Chipadi	-	-	Yes
13	Kachchh	Narayan Savovar	-	Yes	-
		Bhadreshwar	-	Yes	-
		Nirona	-	-	Yes
14	Mehasana	Nani Hirvani	Yes	-	-
		Kukarvada	-	-	Yes
		Bhalusana	-	-	Yes
15	Narmada	Gora	Yes	-	-
		Vishalkhadi	Yes	-	-
		Sagai	Yes	-	-
16	Navsari	Limzar	Yes	-	-
		Fadvel	Yes	-	-
		Ubharat	-	-	Yes
17	Panchmahal	Morva (Hadaf)	-	-	Yes
		Jambughoda	-	Yes	-
		Ghoghamba	-	-	Yes
18	Patan	Kungher	Yes	-	-
		Khali	Yes	-	-
		Shankheshwar	-	-	Yes
19	Porbandar	Madhavpur	-	-	Yes
		Vishavada	-	-	Yes
		Rana kandorana	-	-	Yes

Sr. No.	Name of the District	Name of the village haats	Village haats completed	Village haats under progress	Village haats not started
20	Rajkot	Atkot	-	-	Yes
		Madhapar	Yes	-	-
		Shapar (Veraval)	-	Yes	-
21	Sabarkantha	Lambadiya	Yes	-	-
		Punsari	Yes	-	-
		Jadar	Yes	-	-
22	Surat	Valvada	Yes	-	-
		Karcheliya	-	-	Yes
		Not identified	-	-	Yes
23	Surendranagar	Sayla	Yes	-	-
		Dasada	Yes	-	-
		Sara	Yes	-	-
24	Vadodara	Savli	-	-	Yes
		Karjan	-	-	Yes
		Dabhoi	-	-	Yes
25	Valsad	Kaprada	-	-	Yes
		Valsad	-	-	Yes
		Pardi	-	-	Yes
Total	25	75	26	06	43

APPENDIX – VII

Details of non-operational/partially operational village *haats* of test-checked districts
(June-August 2014)

(Reference: Paragraph 2.2.4.2; Page 47)

Sr. No.	Name of the district	Name of the village	Expenditure (₹ in lakh)		Date of Completion of construction	Remarks
			On non-operational village <i>haats</i>	On partially operational village <i>haats</i>		
1	Navsari	Limzar	09.99	--	03.08.2013	Electrification work pending.
2		Fadvel	12.50	--	14.08.2013	Electrification, doors of toilet blocks and shutter of store room, etc. works yet to be completed.
3	Bharuch	Zadeshwar	21.85	--	30.10.2010	Work done damaged (FRP sheet blown up in monsoon) and new slab work executed (September 2013). Electrification work has not been taken up.
4	Ahmedabad	Jetalpur	--	09.58	05.08.2010	Out of four shops, two were allotted to non-targeted beneficiaries and two were lying vacant. Hall was constructed on first floor, which is not permissible as per the scheme guideline.
5		Pirana	--	06.68	05.08.2010	Out of two shops, one allotted to non-targeted beneficiary and another one was lying vacant. Hall was constructed on first floor, which is not permissible.
6	Anand	Vasana (Borsad)	14.95	--	15.06.2013	Electrification work pending.
7	Sabarkantha	Punsari	--	09.49	31.05.2012	Eight shops were constructed of which one was allotted to a non-targeted beneficiary and four were allotted to Sakhi Mandals.
8		Jadar	08.47	--	31.05.2012	Eight shops had been constructed but not allotted till September 2014.
9		Lambadiya	07.49	--	31.03.2012	The contractor did not give possession due to pending 50 per cent payment.
10	Surendranagar	Sayla	10.96	--	30.11.2012	Not allotted to any beneficiaries due to dispute in construction.
11		Dasada	12.89	--	09.12.2013	Open platforms were constructed on highway and kept idle due to non-availability of beneficiaries.
12		Sara	10.18	--	30.09.2012	Kept idle due to non-availability of beneficiaries.
13	Patan	Khali	--	14.76	15.09.2011	Out of eight shops constructed, five were allotted and three were kept vacant.
14		Kungher	12.25	--	25.05.2011	Due to non-availability of beneficiaries, shops remained vacant.
Total			121.53	40.51		

APPENDIX – VIII

Statement showing the details of basic infrastructural facilities not provided in the village *haats* (June-August 2014)

(Reference: Paragraph 2.2.4.3; Page 48)

Name of the basic facility	Ahmedabad		Bharuch	Sabarkantha			Surendranagar			Patan	
	Pirana	Jetalpur	Zadeshwar	Jadar	Punsari	Lambadia	Dasada	Sara	Sayla	Khali	Kungher
Open Raised Platforms	No	No	No	No	No	No	Yes	Yes	Yes	No	No
Toilets (for Women and Men)	One	No	Yes	Yes	One	One	Yes	Yes	Yes	One	One
Drinking Water	No	No	Yes	No	No	No	No	No	No	No	No
Drains	No	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Brick soling in moving space	No	No	No	No	No	No	No	No	No	No	No
Garbage pits	No	No	No	No	No	No	No	No	No	No	No
Office block	No	No	No	No	No	No	No	No	No	No	No
Warehouse for storage	Yes	Yes	No	No	No	No	Yes	Yes	Yes	No	No
Boundary Wall	No	No	No	No	No	No	Yes	No	No	No	No
Parking space	No	No	No	No	No	No	No	No	No	No	No
Covered platforms	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes

APPENDIX - IX

Statement showing excess payment of price variations due to incorrect adoption of star rate of asphalt

(Reference: Paragraph 2.4; Page 54)

Sr. No.	Name of work	Agreement Number	Month of approval of DTP	Tender Cost (₹ in crore)	Rate of asphalt prevailing in the month in which DTP's approved (in ₹ per MT)	Rate of asphalt included in the agreement for the purpose of price variation (in ₹ per MT)	Less star rate shown in the agreement (in ₹ per MT) (Col. 6 -7)	Quantity of asphalt used in the work as per final bill (in MT)	Excess payment of price variations due to incorrect adoption of star rate (₹ in lakh) (Col. 8 * 9)
1	2	3	4	5	6	7	8	9	10
1	Improvement to various Roads of Devgadbaria Package No.7 under NABARD RIDF-14	B-2/5 of 2008-09	September 2008	2.59	38,379	28,882	9,497	406.639	38.62
2	Construction and Improvement to various Roads of Limkheda Taluka under SCSP-2, Dahod	B-2/19 of 2008-09	October 2008	0.63	40,619	28,882	11,737	72.229	8.48
3	Improvement of various Roads of Devgadbaria under NABARD RIDF-14 Package No.8	B-2/2 of 2008-09	September 2008	1.67	38,379	28,882	9,497	265.562	25.22
4	Improvement to various Roads of Dahod/Garbada Taluka under NABARD RIDF-14 Package No.1	B-2/13 of 2008-09	September 2008	3.59	38,379	28,882	9,497	567.280	53.87
5	Improvement to various Roads of Limkheda and Dhanpur Taluka under NABARD RIDF-14 Package No.6	B-2/4 of 2008-09	September 2008	2.43	38,379	28,882	9,497	355.316	33.74
6	Improvement to various Roads of Jhalod taluka under NABARD RIDF-14 Package No. 3	B-2/16 of 2008-09	September 2008	3.11	38,379	28,882	9,497	451.043	42.84
7	Improvement to Zalod Garadu Bara Fatepura Road	B-2/21 of 2008-09	October 2008	13.23	40,619	34,204	6,415	1212.364	77.77
8	Construction to various Roads of Limkheda Taluka under Budget lump sum provision 2009-10 Package No.4	B-2/14 of 2009-10	October 2009	1.15	33,559	26,600	6,959	207.799	14.46

Sr. No.	Name of work	Agreement Number	Month of approval of DTP	Tender Cost (₹ in crore)	Rate of asphalt prevailing in the month in which DTP's approved (in ₹ per MT)	Rate of asphalt included in the agreement for the purpose of price variation (in ₹ per MT)	Less star rate shown in the agreement (in ₹ per MT) (Col. 6 -7)	Quantity of asphalt used in the work as per final bill (in MT)	Excess payment of price variations due to incorrect adoption of star rate (₹ in lakh) (Col. 8 * 9)
1	2	3	4	5	6	7	8	9	10
9	Construction to various Roads of Devgadhbariya Taluka under Budget lump sum provision 2009-10 Package No.1	B-2/16 of 2009-10	October 2009	0.99	33,559	26,600	6,959	104.138	7.25
10	Construction/Improvement to various Roads of Dahod/Garbada Taluka under Kishan Path Yojana 2009-10 Package No.1	B-2/19 of 2009-10	November 2009	1.03	32,149	26,600	5,549	206.170	11.44
11	Improvement to Dhudhiya Zaliapada Road Limkheda under Kishan Path Yojana 2009-10	B-2/3 of 2010-11	November 2009	2.00	32,149	26,600	5,549	238.899	13.26
12	SR to various Roads of Limkheda and Dhanpur Taluka Package No.SR -2, Dahod	B-2/40 of 2010-11	July 2010	1.11	31,675	31,165	510	180.964	0.92
13	SR (2010-11) to various Roads of Dahod and Garbada Taluka Package No.SR-1	B-2/39 of 2010-11	July 2010	2.92	31,675	31,165	510	495.215	2.53
	Total							4,763.618	330.40

APPENDIX - X

Boards and Authorities under the Department¹

(Reference : Paragraph 3.2.2; Page 58)

Sr. No.	Details of Boards/ Authorities	Functions
1	Gujarat Municipal Finance Board	To provide grants and loans for basic and infrastructure facilities through various development schemes for ULBs.
2	Gujarat Urban Development Mission	Established as State Level Nodal Agency for the purpose of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and other State sponsored schemes.
3	Gujarat Urban Development Company Limited	To facilitate urban development by assisting state government and existing agencies in formulation of policy, institutional capacity building and project implementation, and to assist in the funding and implementation of projects. The Company is appointed as Nodal Agency for implementation of Gujarat Urban Development Projects (GUDP) programme, Municipal Solid Waste Management project for the ULBs of the state of Gujarat, Infrastructure Facilities in the Towns identified under Tribal Sub Plan and for implementing the drainage projects under Swarnim Jayanti Mukhya Mantri Shaheri Vikas Yojana (SJMMSVY).
4	Gujarat Housing Board	The Board constructs houses for Economically Weaker Section (EWS), Lower Income Group (LIG), Middle Income Group (MIG) and Higher Income Group (HIG).
5	12 Urban Development Authorities and 13 Area Development Authorities	Preparation and execution of town planning schemes, acquire, hold, manage and dispose of property, executive works in connection with supply of water, disposal of sewerage and provision of other services and amenities, etc.

¹ Urban Development and Urban Housing Department

APPENDIX - XI

Statement showing the excess payment made for price variation for asphalt (60/70 grade)

(Reference : Paragraph 4.4; Page 83)

Price variation paid in RA Bill Number	Date of purchase of asphalt by the agency	Purchase quantity of asphalt (in MT)	Amount paid for purchase of asphalt as per purchase bills (in ₹)	Rate paid by the agency as per purchase bills (₹ per MT) (Col.4/Col.3)	Star rate adopted in tender documents based on the rates prevailing on 01.07.2007 (₹ per MT)	Price variation actually paid based on incorrect star rate (in ₹) (Col.5 - Col.6)	Total Difference amount actually paid based on the incorrect star rate adopted (in ₹) (Col.3*Col.7)	Rate prevailing in the month of approval of DTP (March 2008) to be adopted as star rate (₹ per MT)	Difference in the rate needed to be paid based on correct star rate (₹ per MT) (Col.5 - Col.9)	Amount needed to be paid based on the correct star rate (in ₹) (Col.3*Col.10)	Excess amount paid due to adoption of incorrect star rate (in ₹) (Col. 8- Col.11)
1	2	3	4	5	6	7	8	9	10	11	12
2 nd	08.10.2009	25.13	878872.75	34973.05	22047.33	12925.72	324823.35	29796.80	5176.25	130079.16	194744.19
2 nd	09.10.2009	24.39	852992.69	34973.05	22047.33	12925.72	315258.31	29796.80	5176.25	126248.74	189009.57
2 nd	10.10.2009	25.05	876074.90	34973.05	22047.33	12925.72	323789.28	29796.80	5176.25	129665.06	194124.22
2 nd	12.10.2009	15.38	537885.51	34973.05	22047.33	12925.72	198797.57	29796.80	5176.25	79610.73	119186.84
2 nd	12.10.2009	5.235	183083.92	34973.05	22047.33	12925.72	67666.147	29796.80	5176.25	27097.67	40568.48
3 rd	12.10.2009	10.215	357249.71	34973.05	22047.33	12925.72	132036.23	29796.80	5176.25	52875.39	79160.84
3 rd	15.10.2009	15.53	543131.39	34973.05	22047.33	12925.72	200736.43	29796.80	5176.25	80387.16	120349.27
3 rd	23.10.2009	15.49	527682.03	34065.98	22047.33	12018.65	186168.89	29796.80	4269.18	66129.60	120039.29
3 rd	26.10.2009	15.55	529726.00	34065.98	22047.33	12018.65	186890.01	29796.80	4269.18	66385.75	120504.26
3 rd	27.10.2009	25.12	855737.42	34065.98	22047.33	12018.65	301908.49	29796.80	4269.18	107241.80	194666.69
3 rd	28.10.2009	14.34	488506.16	34065.98	22047.33	12018.65	172347.44	29796.80	4269.18	61220.04	111127.40

Price variation paid in RA Bill Number	Date of purchase of asphalt by the agency	Purchase quantity of asphalt (in MT)	Amount paid for purchase of asphalt as per purchase bills (in ₹)	Rate paid by the agency as per purchase bills (₹ per MT) (Col.4/Col.3)	Star rate adopted in tender documents based on the rates prevailing on 01.07.2007 (₹ per MT)	Price variation actually paid based on incorrect star rate (in ₹) (Col.5 - Col.6)	Total Difference amount actually paid based on the incorrect star rate adopted (in ₹) (Col.3*Col.7)	Rate prevailing in the month of approval of DTP (March 2008) to be adopted as star rate (₹ per MT)	Difference in the rate needed to be paid based on correct star rate (₹ per MT) (Col.5 - Col.9)	Amount needed to be paid based on the correct star rate (in ₹) (Col.3*Col.10)	Excess amount paid due to adoption of incorrect star rate (in ₹) (Col. 8- Col.11)
1	2	3	4	5	6	7	8	9	10	11	12
3 rd	29.10.2009	25.14	856418.74	34065.98	22047.33	12018.65	302148.86	29796.80	4269.18	107327.19	194821.67
3 rd	29.10.2009	25.08	854374.78	34065.98	22047.33	12018.65	301427.74	29796.80	4269.18	107071.03	194356.71
3 rd	30.10.2009	25.15	856759.40	34065.98	22047.33	12018.65	302269.05	29796.80	4269.18	107369.88	194899.17
3 rd	30.10.2009	14.12	481011.64	34065.98	22047.33	12018.65	169703.34	29796.80	4269.18	60280.82	109422.52
3 rd	03.11.2009	15.14	497296.76	32846.55	22047.33	10799.22	163500.19	29796.80	3049.75	46173.22	117326.97
3 rd	03.11.2009	4.838	158911.61	32846.55	22047.33	10799.22	52246.627	29796.80	3049.75	14754.69	37491.94
6 th	12.10.2011	25.12	1021573.30	40667.73	22047.33	18620.40	467744.45	29796.80	10870.93	273077.76	194666.69
6 th	13.10.2011	24.98	1015879.80	40667.73	22047.33	18620.40	465137.59	29796.80	10870.93	271555.83	193581.76
6 th	13.10.2011	25.08	1019946.60	40667.73	22047.33	18620.40	466999.63	29796.80	10870.93	272642.92	194356.71
6 th	14.10.2011	14.96	608389.21	40667.73	22047.33	18620.40	278561.18	29796.80	10870.93	162629.11	115932.07
6 th	15.10.2011	15.18	617336.12	40667.73	22047.33	18620.40	282657.67	29796.80	10870.93	165020.72	117636.95
6 th	17.10.2011	13.779	567809.99	41208.36	22047.33	19161.03	264019.83	29796.80	11411.56	157239.89	106779.94
7 th	18.10.2011	16.611	684512.07	41208.36	22047.33	19161.03	318283.87	29796.80	11411.56	189557.42	128726.45
7 th	09.11.2011	14.40	596168.47	41400.59	22047.33	19353.26	278686.94	29796.80	11603.79	167094.58	111592.36

Price variation paid in RA Bill Number	Date of purchase of asphalt by the agency	Purchase quantity of asphalt (in MT)	Amount paid for purchase of asphalt as per purchase bills (in ₹)	Rate paid by the agency as per purchase bills (₹ per MT) (Col.4/Col.3)	Star rate adopted in tender documents based on the rates prevailing on 01.07.2007 (₹ per MT)	Price variation actually paid based on incorrect star rate (in ₹) (Col.5 - Col.6)	Total Difference amount actually paid based on the incorrect star rate adopted (in ₹) (Col.3*Col.7)	Rate prevailing in the month of approval of DTP (March 2008) to be adopted as star rate (₹ per MT)	Difference in the rate needed to be paid based on correct star rate (₹ per MT) (Col.5 - Col.9)	Amount needed to be paid based on the correct star rate (in ₹) (Col.3*Col.10)	Excess amount paid due to adoption of incorrect star rate (in ₹) (Col. 8- Col.11)
1	2	3	4	5	6	7	8	9	10	11	12
7 th	10.11.2011	14.97	619766.81	41400.59	22047.33	19353.26	289718.30	29796.80	11603.79	173708.74	116009.56
7 th	11.11.2011	14.37	594926.47	41400.59	22047.33	19353.26	278106.34	29796.80	11603.79	166746.46	111359.88
7 th	12.11.2011	25.19	1042880.80	41400.59	22047.33	19353.26	487508.62	29796.80	11603.79	292299.47	195209.15
7 th	12.11.2011	25.09	1038740.80	41400.59	22047.33	19353.26	485573.29	29796.80	11603.79	291139.09	194434.20
7 th	14.11.2011	19.92	824699.71	41400.59	22047.33	19353.26	385516.94	29796.80	11603.79	231147.50	154369.44
7 th	16.11.2011	9.121	376190.26	41244.41	22047.33	19197.08	175096.56	29796.80	11447.61	104413.65	70682.91
Total		559.67					8625329.17				4337138.10

