

CHAPTER II

URBAN DEVELOPMENT DEPARTMENT

Performance Audit on utilization of funds released under Urban Infrastructure Development Scheme for Small and Medium Towns*Executive Summary*

Urban Infrastructure Development Scheme for Small and Medium Towns, a component of Jawaharlal Nehru National Urban Renewal Mission, was launched by the Government of India on 3rd December 2005 for the period of seven years beginning from 2005-06 for all the cities/towns except cities/towns covered under Urban Infrastructure & Governance. The scheme aims to encourage reforms of Urban Local Bodies and fast track infrastructure development. The sharing of funds would be in the ratio of 80:10:10 among the Government of India, State Government and Urban Local Bodies. The Government of India allocated ₹ 947.92 crore for Uttar Pradesh.

The performance audit conducted from June to September 2010 covering the period 2005-10 revealed the following:

- *Out of the 621 eligible ULBs to be covered under the scheme, only 76 ULBs were covered and 46 ULBs were sanctioned the grant for their 64 projects;*
- *Due to poor planning for availability of land, 14 projects (cost: ₹ 119.85 crore) of solid waste management could not be started as of March 2010;*
- *Detailed Project Reports of 11 projects cost ₹ 208.19 crore had been revised to ₹ 271.62 crore up to August 2010 due to project cost overrun;*
- *Irregular execution of 20 roads of inner city of Basti, estimated cost ₹ 23.77 crore, as no technical sanctions were obtained in accordance with the Government order;*
- *Contractor was paid price escalation of ₹ 7.61 lakh against the terms and conditions of the agreement;*
- *Records of test checked ULBs revealed that reforms of ULBs were not implemented in 13 ULBs out of 14, which hamper the allotment of second instalment; and*
- *Programme of training to ULBs personnel and elected representative was not organised.*

2.1 Introduction

The Government of India (GoI) launched (December 2005) Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) for the cities and town having less than 10 lakh population except towns and cities covered under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for improvement of infrastructure facilities in a planned manner and to ensure implementation of urban reforms (mandatory and optional). UIDSSMT subsumed the then existing schemes of Integrated Development of Small and Medium Towns (IDSMT) and Accelerated Urban Water Supply Programme (AUWSP).

Admissible items under this scheme are:

- Urban Renewal i.e. redevelopment of inner (old) city areas;
- Water Supply (WS) and Sanitation;
- Sewerage and Solid Waste Management (SWM);
- Construction and improvement of roads, highways/expressways (Roads & Flyovers), parking lots/spaces on Public Private Partnership basis;
- Development of heritage areas; and
- Preservation of water bodies.

Allocation of the funds to Urban Local Bodies (ULBs)¹⁰ will be on the basis of the ratio of population of the ULB to the total urban population of the eligible ULBs of the State. However, funds would be provided to only those towns and cities where elections to local bodies have been held and elected bodies are in position. The State Government may prioritise towns and cities on the basis of their local needs i.e. existing infrastructure, population of Scheduled Castes/Scheduled Tribes and special requirements. The fund share of the projects would be 80:10:10 between

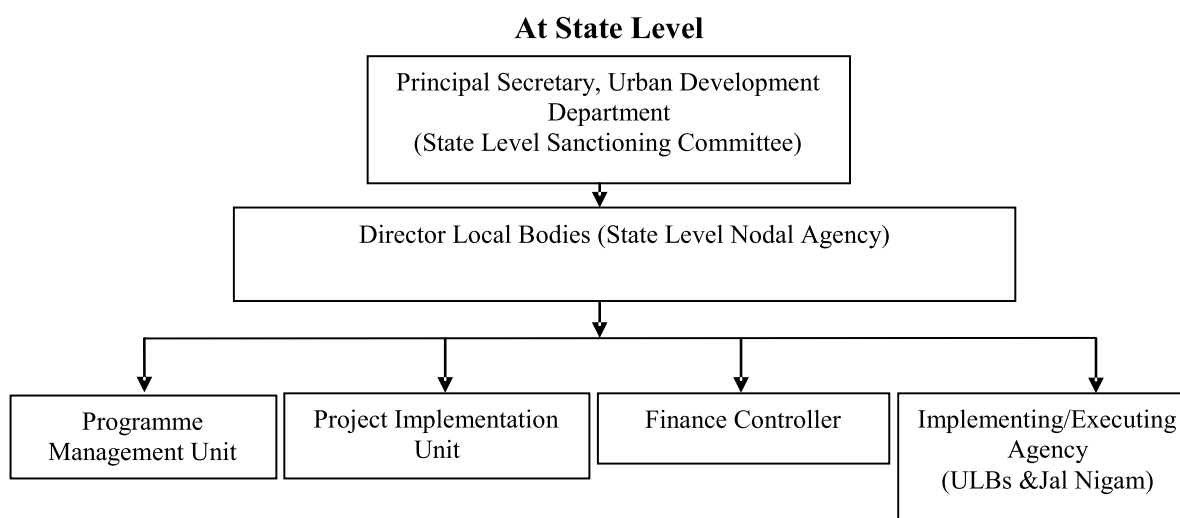
¹⁰ Nagar Nigam (NN), Nagar Palika Parishad (NPP) and Nagar Panchayat (NP).

GoI, State Government and ULBs. GoI initially allocated ₹ 947.92 crore to Uttar Pradesh as Additional Central Assistance (ACA) for seven years beginning from 2005-06 and additional ₹ 700 crore was allocated in December 2008.

2.2. Organizational set up

At the State level, a State Level Sanctioning Committee (SLSC) headed by Principal Secretary, Urban Development Department was constituted to review and prioritise projects for inclusion in the UIDSSMT. Director, Local Bodies was nominated as State Level Nodal Agency (SLNA) for scrutiny of Detailed Project Reports (DPRs) submitted by ULBs and monitoring the projects. Programme Management Unit, Project implementation Unit and Finance Controller have been established under administrative control of SLNA for scrutiny of DPRs, monitoring the projects, control over expenditure on projects and submission of utilization certificates to GoI.

ULBs were responsible for implementation of the projects through Executing Agencies nominated by the Government. The following organogram depicts the organizational set up at State Government level.



2.3. Audit objectives

The performance audit of the UIDSSMT was to assess whether:

- adequate planning for selection of eligible ULBs and projects was carried out;
- funds were made available timely for execution of the projects and utilized as per UIDSSMT guidelines/instructions;
- projects were executed in an efficient and transparent manner in accordance with guidelines of UIDSSMT and financial rules;
- reforms were implemented to improve urban governance and projects were monitored efficiently and effectively at each level; and
- evaluation of the outcomes of the scheme was done in accordance with guidelines.

2.4. Audit criteria

Audit criteria was formed and adopted as under:

- Guideline of UIDSSMT.
- Municipal Solid Waste (Management and Handling) Rules-2000.
- Sewerage Manual and Water Supply Manual.
- Nagar Nigam Act-1959 and Nagar Palika Act-1916.
- Detailed Project Reports (DPRs) approved by State Level Sanctioning Committee.
- Memorandum of Agreements (MoA), quality test reports, monthly progress reports.
- Government Orders and directions issued from time to time.

2.5 Scope of audit and methodology

The performance audit *inter alia*, covered the aspects of initial planning, funding and implementation of the scheme, effectiveness of the UIDSSMT Grants for the period of 2005-06 to 2009-10.

Records of (i) State Secretariat, Finance Department and Urban Development Department, (ii) Director, Local Bodies/SLNA were examined. Thirteen (2 NNs¹¹, 8 NPPs District level¹² and 3 NPPs Tehsil Level¹³) out of 46 ULBs where the projects were sanctioned along with nominated Executing Agencies (EAs) were selected through Probability Proportionate to Size Without Replacement (PPSWOR) method for scrutiny of records.

Audit Finding

2.6 Planning

2.6.1 Non-adherence of Guidelines in selection of ULBs

As per guidelines, all ULBs of the State were eligible to cover under UIDSSMT, except ULBs covered under JNNURM. There were 628 ULBs (12 NNs, 194 NPPs and 422 NPs) in the State, out of which 621 ULBs (six NNs, 193 NPPs and 422 NPs) were eligible to be covered under UIDSSMT.

Scrutiny of records of SLNA (September 2010) revealed that the State Government had selected (September 2005) six NNs, 39 NPPs having population more than 1 lakh and all ULBs falling under identified “*Adarsh Janpad*” (38 districts) for implementation of UIDSSMT. Accordingly, proposals of the projects were invited from selected ULBs with the direction that the proposals would be accepted within time schedule on the basis of first come-first serve. 114 projects costing ₹ 2768.96 crore of 76 ULBs were sanctioned during September 2006 to January 2009. Out of these 114 projects, only 64 projects costing ₹ 1169.63 crore of 46 ULBs were

¹¹ Ghaziabad and Gorakhpur

¹² Ballia, Basti, ,Bijnore, Deoria, Faizabad, Fatehpur, Firozabad and Rampur

¹³ Loni, Sandila and Virmdavan

approved by GoI for which it committed to release ACA of ₹ 935.70 crore. Position of remaining ULBs were not covered for sanction of projects as of September 2010 is detailed as under:

Table-1 : ULBs not covered

Name of ULBs	Total No. of ULBs	No. of ULBs Eligible	No. of ULBs covered		No. of ULBs Uncovered
			Sanctioned	Pending	
NN	12	6	5	1	NIL
NPP	194	193	41	21	131
NPs	422	422	NIL	8	414
Total	628	621	46	30	545

Thus, without prioritising the towns and cities, State Government sanctioned 114 projects of 76 ULBs on first come first serve basis, flouting the provisions of guidelines.

On being pointed out, SLNA stated (September 2010) that the selection of ULBs was based on their urban population but funds were allocated as per cost of approved DPRs. Reply was not tenable as selection of ULBs was made on First come first serve basis.

2.6.2 Non-adherence to the orders of Government of India

The order of GoI (December 2008) was communicated to the State Government in SLSC meeting (January 2009) for grant of supplementary ACA for ₹ 700.00 crore under UIDSSMT scheme. The order provided that projects of ULBs already sanctioned by the SLSC and funds not released for sanctioned projects from the initial ACA would be covered under supplementary ACA with the condition that only one project for each ULB would be sanctioned. After covering such cases, ULBs still uncovered may also be taken up by giving priority to the higher population in residual ULBs. The estimated cost of the project would be limited to ₹ 25 crore.

Scrutiny of records in SLNA also revealed that the State Government sanctioned (January 2009) 41 projects for ₹ 2039.75 crore and sent to GoI for approval and release of funds. Sixteen out of 41 projects, were

sanctioned for cost more than ₹ 25 crore (*Appendix-2.1*). Besides, the SLSC sanctioned more than one project to nine ULBs.

Thus, violating the orders of the GoI, while sanctioning the grant from supplementary ACA of ₹ 700.00 crore, 16 projects, cost of which was more than ₹ 25 crore, were sanctioned. Besides, more than one project of nine ULBs was sanctioned violating the orders of GoI, due to which other ULBs remained un-covered.

2.6.3 Preparation of DPR without proper survey and ensuring availability of land

The agencies nominated for the preparation of DPRs were required to conduct detailed survey of site and ensure the availability of land for execution of projects on the basis of basic infrastructure needs.

Scrutiny of records (June 2010) revealed that nominated agencies had submitted DPR without conducting proper survey which resulted that:

- DPR of Roads and flyover project of NPP Rampur (cost: ₹ 89.58 crore) was sanctioned (September 2006) by SLSC. The amount of ₹ 44.79 crore was released by the Government and deposited in SLNA account which released ₹ 8.45 crore to NPP Rampur (April 2008). Later, it was found that the site was under jurisdiction of National Highway (NH) Division Rampur and construction on the same site was started by the NH division. Consequently, the project was cancelled by SLSC in June 2010. Thus, total amount of ₹ 44.79 crore was blocked up to four years and cost of preparation of DPR ₹ 1.34 crore became wasteful.

On being pointed out, Executive Officer, NPP Rampur stated (June 2010) that conduction of survey by DPR preparing agency and sanction of project by the SLSC were not known to him.

- DPR of Roads & flyover project of Ghaziabad costing ₹ 90.87 crore submitted by Ghaziabad Development Authority (GDA), was

sanctioned (September 2006) by SLSC and funds of ₹ 45.44 crore were released. The Construction of (i) six lane link road from NH 24 to NH 58, (length: 3.65 KM) (ii) six lane link road from New Holland factory to NH 24, (length: 1.50 KM) could not be started as Railway Authority had not allowed the proposed construction of Road Under Bridge (RUB) on Howrah-New Delhi Railway Route and non availability of land respectively. As a result, DPR was got revised (June 2010) for ₹ 196.24 crore ¹⁴ and project cost increased due to revision of Schedule of Rates and change of drawing design of roads including Road Over Bridge (ROB) instead of RUB.

Thus, the DPR was prepared without proper survey and availability of land.

2.6.4 Delay in nomination of Executing Agency

Scrutiny of records of SLNA (September 2010) revealed that SLSC had sanctioned 29 projects for ₹ 584.70 crore¹⁵ up to November 2006 with directions that implementation of the scheme and executions of the sanctioned projects was to be done within given time frame. The State Government nominated (April 2007) UP Jal Nigam (JN) as Executing Agency after a lapse of five months from the sanction of projects resulting in cost overrun in three projects¹⁶ by ₹ 16.88 crore.

2.7 Funds management

The sharing of funds was in the ratio of 80:10:10 among GoI, State Government and ULB. The GoI was to release 50 *per cent* its share of the project cost as first instalment on signing of Memorandum of Agreement with the SLNA, after ascertaining availability of State share. Remaining 50 *per cent* of the GoI share was to be released on submission of utilization certificates by SLNA for 70 per cent of funds released earlier.

¹⁴ Original cost of DPR ₹ 90.87 crore

¹⁵ Ist SLSC Meeting 9 September 2006; 15 Projects for ₹344.77 crore and Second SLSC Meeting (November 2006) ; 14 projects ₹ for 239.93 crore

¹⁶ Ballia and Gonda for drinking water and Mainpuri for drainage.

Further, SLNA would release 25 *per cent* GoI grant on ascertaining availability of State share and balance GoI grant would be released after assessment of progress of implementation of reforms. The funds were not released by SLNA as per provisions of the guidelines as detailed below:

Table-2: Fund released and expenditure incurred by ULBs

(₹ in crore)

Year of sanction	Project Sanctioned			Funds deposited in SLNA Accounts		Funds release to ULBs (Central +State +ULB Share)		Fund Released to EA by ULBs	Period of release	Expenditure up to March 2010
	Name of Project	No	Cost	Amount	Period of receipt	Amount	Period of release			
2006-07	SWM	14	119.25	59.31	February 2007 to August 2008	59.58	October 2007 to January 2009	40.68	February– July 2008	10.84
	WS	9	104.61	77.25		52.30		74.42	January 08 – February 09	63.57
	Roads & Flyover	2	180.46	90.23		53.89		17.80	July 2007	9.35
	Sewerage	3	180.38	87.22		90.19		87.22	February 08 – June 08	86.07
2007-08	SWM	5	49.78	24.89	March 2008 to September 2008	24.73	August 2008 to October 2009	23.40	August 08 – March 10	0.00
	WS	14	251.64	125.82		125.61		126.06	June 08 – March 09	105.96
	Roads & flyover	1	23.77	11.88		11.88		11.88	February – March 09	11.73
	Sewerage	1	73.41	36.71		36.71		36.70	July 09	30.71
2008-09	WS	13	129.75	63.85	December 2008 to November 2009	62.87	February 2009 to April 2010	36.90	April 08 – March 09	23.14
	Sewerage	1	34.63	19.05		19.05		18.57		14.33
	Drainage	1	21.95	12.07		12.07		9.00		5.37
	Total	64	1169.63	608.28		548.88		482.63		361.07

It would be seen from the table that the SLNA had delayed in releasing funds to ULBs for more than eight to ten months though the funds were deposited in the Bank Account of SLNA.

The GoI, State Government and ULBs contributed funds ₹ 608.28 crore for implementation of 64 projects sanctioned by the Government as first instalment of 50 *per cent* of their share and deposited in SLNA Bank Account. However, the SLNA released only ₹548.88 crore to ULBs and ULBs, released ₹ 482.63 crore to EAs. The EAs expended only ₹361.07 crore till March 2010.

2.7.1 Non-release of Second Instalment of GoI share ₹ 343.42 crore

As per guidelines, second Instalment of GoI share was to be released on availability of State share and submission of utilization certificates within 12 months of the closure of the financial year in accordance with the provisions of General Financial Rules. Scrutiny of records of SLNA revealed that utilization certificates of 60 out of 64 projects were to be submitted till March 2010 to GoI for releasing of second instalment. As against the funds disbursed to EAs amounting to ₹ 482.63 crore by ULBs, concerned EAs submitted UCs of 44 projects for ₹ 306.14 crore up to March 2010. SLNA submitted 14 UCs for ₹ 104.18 crore to GoI as the inspection of the balance 30 projects could not be conducted till March 2010. Thus, failure in submission of UCs by SLNA in time to GoI resulted in non-release of second installment of ₹ 343.42 crore (*Appendix-2.2*) which in turn resulted in cost and time overrun of the projects.

Due to this reason second instalment of the projects were not released which resulted in cost and time overrun as well as delay in delivery of intended services.

2.7.2 Non-adherence of guidelines for depositing funds in SLNA Accounts led loss of interest ₹ 4.84 crore

Additional Central Assistances released by GoI to the State Government were to be directly deposited into the bank accounts of the SLNA as envisaged in the guidelines of UIDSSMT.

Scrutiny of records of SLNA revealed that the State Government released funds to Director, Local Bodies after matching State's share with several instructions either for depositing funds into Personal Ledger Account (PLA) of UPJN or drawl of bill from treasury in two or three phases instead of depositing directly into the account of SLNA. Accordingly, the Director, Local Bodies had transferred funds into the PLA of UP Jal Nigam and drawn funds in phases from treasury instead of depositing directly into the SLNA account. Due to delayed deposit into SLNA

accounts ranging from two to six months, the scheme deprived of the interest income of ₹ 4.84 crore (*Appendix-2.3*).

On being pointed out, the Director, Local Bodies stated (September 2010) that the funds were deposited in the bank account of SLNA in accordance with the order of the State Government. Reply is not tenable as guidelines of UIDSSMT should have been adhered to. Besides, the State Government raised its cash balance from central assistance.

2.8. Implementation of projects

2.8.1 Incomplete projects

As per guidelines of UIDSSMT and direction of SLSC, the scheme was to be implemented within given time frame to avoid cost and time overrun and to achieve the objectives of the scheme to provide infrastructure facilities to urban people.

Scrutiny of records (June - September 2010) of test checked ULBs revealed that 24 projects (WS, SWM, and Sewerage, Drainage and roads and flyover) costing ₹ 666.45 crore were sanctioned by SLSC during September 2006 and August 2009 in 12 ULBs and ₹ 372.55 crore was released to EAs for execution of work. Out of 24 projects, nine projects were scheduled to be completed up to March 2010 but these remained incomplete up to August 2010 (*Appendix-2.4*).

Further scrutiny revealed that only 10 to 60 *per cent* work had been completed as of August 2010. Six water supply projects could not be completed due to non availability of land for construction of Over Head Tanks and installation of Tube Wells. Roads projects of NPP, Basti could not be completed due to change of specifications and non release of second installment of funds. A sewerage project of NPP, Ballia was not completed for non acquisition of land.

Thus, projects were started without arrangement of land and finalization of drawing and design.

2.8.2 Revision of DPR due to delay in release of funds

The Director, Ministry of Urban Development, GoI stated in SLSC meeting (September 2006) that the scheme was to be implemented within given time frame. The additional funds due to time and cost overrun would not be released by GoI.

Scrutiny of records (June -September 2010) of SLNA revealed that DPRs of 11 projects, out of 64 sanctioned projects, had been revised up to August 2010. These revisions were due to delay in release of funds by the SLNA to ULBs and thereafter ULBs to EAs for more than six to 12 months from the date of receipt of ACA and non-availability of land in time. As GoI had already stated that additional funds due to time and cost overrun would not be released, therefore, increased cost of projects to the tune of ₹ 63.43 crore against 11 revised projects would be extra burden on the State Exchequer as detailed in table below:

Table-3: Details of revised projects

(₹ in crore)

Sl No	Name of ULBs	Name of project	Date of sanction by SLSC	Cost of project	Amount and date of received ACA	Amount released to ULBs as first instalments		Detail of revised cost of projects		Excess
						Period	Amount	Date	Amount	
1	NPP Mainpuri	Sewerage	8.9.06	48.74	19.50 (13.2.07)	21.2.08 to 7.1.09	24.37	21.5.10	57.72	8.98
2	NPP Ballia	WS	10.11.06	8.04	3.07 1.3.07	17.12.07 to 8.6.10	5.22	11.1.10	12.61	4.57
3	NPP Gonda	WS	10.11.06	9.85	3.94 (6.8.07)	21.4.08 to 14.9.10	9.58	11.1.10	13.19	3.34
4	NPP Etah	WS	10.11.06	9.62	3.68 (16.3.07)	16.4.08 to 6.4.10	4.8	23.2.10	13.36	3.74
5	NPP Muzaffarnagar	WS	16.7.07	32.14	12.86 (17.7.08)	17.12.07 to 6.4.10	3.2	25.2.10	47.62	15.48
6	NPP Laharpur	WS	16.7.07	11.78	0.71 (23.9.08)	24.2.09 to 13.8.09	0.89	30.3.10	2.87	1.09
7	NPP Faizabad	WS	16.7.07	18.80	7.52 (26.3.08)	4.8.08 to 27.3.09	9.40	17.7.10	24.53	5.73
8	NPP Hapur	WS	16.7.07	28.49	11.40 (23.9.08)	24.2.09 to 27.3.09	14.24	16.7.10	38.17	9.68
9	NPP Moradabad	WS	13.9.07	3737.19	14.88 (17.7.08)	8.8.08 to 8.2.10	18.59	15.6.10	45.34	8.15
10	NPP Bagpat	WS	13.9.07	3.18	1.278 (17.7.08)	8.8.08 to 7.1.09	1.59	16.6.10	4.27	1.09
11	NPP Bijnore	WS	5.8.08	10.36	4.15 (18.3.09)	13.8.09 to 8.2.10	5.18	9.7.10	11.94	1.58
Total				208.19			97.15		27162	63.43

On being asked regarding delay in release of funds, concerned EAs/ULBs replied that due to delayed receipt of funds, dispute at site and delay in process of tendering, resulting in the time and cost overrun which led to revision of DPRs.

2.8.3 Blockage of funds released for Solid Waste Management projects

As per financial rules DPRs should be prepared after proper survey of site and ensuring the availability of land. SLSC had also directed in meeting (September 2006) that SLNA would release funds for SWM projects to concerned local bodies only when availability of land for landfill site had been confirmed and no objection certificate obtained from UP Pollution Control Board.

Scrutiny of records (September 2010) revealed that 19 projects of SWM were sanctioned during August 2006 to July 2007. Out of these projects, the work of 14 projects of SWM costing ₹ 119.85 crore could not be started till June 2010 due to non availability of land though the funds ₹ 48.54 crore was released by SLNA to EA through ULBs during May 2008 to February 2009 as detailed below:

Table-4: Details of 14 Solid Waste Management Projects

(₹ in crore)

Sl. No.	Name of ULBs	Sanctioned Cost of project	Sanctioned date of SLSC	Amount and date of ACA released		Funds released by SLNA to ULBs		Funds released by ULBs to EAs		Expenditure
				Amount	Date	Amount	Period	Amount	Date	
1	NPP Basti	3.86	8.9.06	2.34	13.2.07	2.93	Dec-Jan 09	2.93	24.5.08	0.00
2	NN Jhansi	12.16	8.9.06	4.86	13.2.07	6.08	Dec-Jan 09	6.08	8.5.08	0.00
3	NPP.Ballia	6.82	8.9.06	2.73	13.2.07	3.40	Dec-Jan 09	3.75	28.5.08	0.00
4	NPP Badaun	5.78	8.9.06	2.31	16.3.07	2.89	Dec-Jan 09	2.89	18.5.09	0.00
5	NPP Firozabad	7.14	10.11.06	2.73	16.3.07	3.57	Dec-Jan 09	1.76	25.4.08	0.00
6	NPP Muzaffarnagar	6.58	10.11.06	2.51	16.3.07	3.29	Dec-Jan 09	3.14	21.1.08	0.00
7	NN Gorakhpur	15.64	10.11.06	6.25	6.8.07	7.82	Dec-Jan 09	1.00	31.3.08	0.00
8	NPP Mainpuri	4.28	10.11.06	1.71	6.8.07	2.14	Dec-Jan 09	0.67	14.7.08	0.00
9	NPP Etawah	5.82	10.11.06	2.33	6.8.07	2.91	Dec-Jan 09	2.92	3.5.08	0.00
10	NPP Mirzapur	11.00	16.7.07	4.40	26.3.08	5.50	Aug-08	5.50	Dec 08	0.00
11	NPP Fatehpur	9.38	16.7.07	3.75	17.7.08	4.53	Feb-Oct 09	4.38	Feb 09	0.00
12	NPP Jaunpur	12.20	16.7.07	4.88	17.7.08	6.10	Aug 08	5.62	Aug 08	0.00
13	NPP Barabanki	5.37	16.7.06	2.15	17.7.08	2.64	Aug 08	2.58	Aug 08	0.00
14	NPP Loni	11.82	16.7.06	4.73	23.9.08	5.90	Feb 09	5.32	Feb 09	0.00
Total		119.85		47.68		59.7		48.54		0.0

On being pointed out, SLNA accepted the facts. Thus, without ensuring the availability of land the funds were blocked at the level of EAs for more than two years.

2.8.4 Interest not credited to Projects Account

Guidelines of the scheme provided that funds were required to be kept in separate saving account with nationalized bank.

Scrutiny of records (September 2010) of Project Manager (PM), Drainage & Sewerage Unit, UP JN, Mathura (EA of NPP Vrindavan) revealed that the NPP Vrindavan released ₹ 24.96 crore to the EA up to March 2010 for execution of two projects (Sewerage and Drainage). EA invested ₹ 19.69 crore (between April 2009 to June 2010) in short term FDR in various Nationalized Banks (*Appendix-2.5*). Contrary to the guidelines, interest earned to the tune of ₹ 0.29 crore on these investments was remitted to their headquarters office at Lucknow to meet establishment expenses.

On being pointed out EA accepted the facts and stated (August 2010) that the funds was invested as FDR in the interest of projects.

Thus, the interest earned was transferred to Headquarters office in spite of depositing it into the project account violating the provisions of the guideline.

2.8.5 Irregular execution of project

The SLSC sanctioned (July 2007) a project for development of inner roads of Basti city (cost ₹ 23.77 crore) with the condition that execution of the project would be done by state expert agency. The project comprised of 20 inner roads. The State Government had nominated (November 2007) NPP Basti as EA with the directions that the sanction to the work would be accorded by District Magistrate, Basti in accordance with approved DPR. Technical sanction on detailed estimate would be given by the Executing Engineer, Provincial Division (PWD), Basti.

The scrutiny (September 2010) of records NPP, Basti revealed that funds ₹11.88 crore was received for implementation of the project. NPP, Basti invited (May 2009) tender for the construction of 20 inner roads (estimated

cost ₹ 21.20 crore). It was also observed that only two tenders against each roads work were received. The tendered rates were 60-70 *per cent* higher than the estimated cost. Moreover, process of tender was finalized (July 2009) and agreement were executed with contractors for ₹ 31.56 crore as against the estimated cost of ₹ 21.20 crore.

Further, scrutiny revealed that specifications of work as approved in DPR were changed during execution without prior approval of the competent authority. In all roads works as against the provision of soling coat with bricks, stone ballast (40-60mm gauge) was used and inter and top coats in place of local soil as blending material, stone dust was used. Due to change of specifications, the project cost increased to the tune of ₹ 10.36 crore and the works remained incomplete up to September 2010 due to paucity of funds.

On being pointed out, NPP, Basti stated (September 2010) that specifications of construction of roads were changed on suggestion of Engineer. In respect of incomplete work it was stated that due to paucity of funds and awaiting sanction of revised estimates the remaining works could not be completed.

The reply of the NPP was not tenable as the NPP executed the agreement for ₹ 31.56 crore as against the estimated cost of ₹ 21.20 crore which was also above the project cost limit of ₹ 25 crore.

2.8.6 Inadmissible payment to contractors on account of price escalation.

Under UIDSSMT, a project of Water Supply at cost of ₹ 9.73 crore was sanctioned by SLSC for NPP Basti. UP JN was nominated as EA for implementation the project. Under project, construction work of 1800 kilolitre Over Head Tank (OHT), 22 metre staging was awarded (December 2007) to a contractor at the cost of ₹ 67.29 lakh on the basis of lowest tender. The date of start and completion of the work was February 2008 and August 2009 respectively.

Scrutiny of the records of EA (September 2010), however, revealed that an amount of ₹ 7.61 lakh paid to contractor for price escalation, though there was no provisions of payment for price escalation in the terms and conditions of the agreement. As such, total amount of ₹ 74.90 lakh was paid to contractor for execution of contract instead of agreement cost ₹ 67.29 lakh.

On being pointed out in audit EA stated (September 2010) that payment was made on the request of contractor, wherein the contractor had expressed his inability to complete the work due to sharp increase in prices of raw material. Reply was not tenable as the payment was made beyond the terms and condition of the agreement.

Thus, inadmissible payment of ₹ 7.61 lakh was made to contractor.

2.8.7 Inadequate maintenance of records

State Level Nodal Agency was required to maintain ULB-wise and projects-wise audited accounts of funds released to ULBs under the scheme. ULBs were required to open and maintain separate bank account for each project in a bank for receipt and expenditure of all money to be received and spent. A separate register was to be maintained for utilization of funds for Central, State and ULB share as envisaged in the guidelines.

Scrutiny of records of SLNA revealed that institution-wise and projects-wise audited accounts were not being maintained by SLNA. Besides, test-checked ULBs had also not maintained project-wise separate register for utilization of funds received and spent.

On being pointed out, SLNA stated (September 2010) that accounts were maintained in computerized systems whereas Executive Officer of test checked ULBs stated (May - September 2010) that the accounts could not be maintained in separate register as no instructions were given. The replies were not tenable as separate register and audited accounts of receipt

and expenditure should have been maintained by SLNA along with computerized systems. The instructions for maintenance of accounts at ULBs level have already been given in guidelines

Thus, due to non-maintenance of the prescribed records, accuracy and transparency of accounts could not be ensured.

2.8.8 Non-implementation of the reforms

The State Government and ULBs were required to implement 13 mandatory reforms and 10 optional reforms within period of 2005-12 to ensure improvement in urban governance. Further, any two optional reforms to be implemented together by the State Government and ULBs in each year and second installment of central share would be released to ULBs only after assessment of progress of implementation of reforms.

Scrutiny of records (September 2010) of SLNA and test checked ULBs revealed that mandatory and optional reforms, to be implemented at state level, had been adopted by the State Government and its implementation was under process whereas mandatory and optional reforms in ULBs i.e GIS Survey, Computerization of Property Tax, Online bills and deposits, double entry system of accounting were not properly implemented. Programme Implementation Unit was also not constituted in time aimed for implementation of projects, no benchmark was fixed by the State Government except any two optional reforms were to be implemented each year together by the State Government and ULBs. The progress of implementation of reforms in ULBs was unsatisfactory as 13 out of 14 test-checked ULBs implemented one to three mandatory reforms and one optional reform.

2.8.9 Absence of Training and Capability Building programme

As per guidelines of UIDSSMT, the Central and State Government will make continuous efforts for training and up-gradation of the skills of the personnel responsible for implementing the projects and elected representatives. State Government may organize suitable training as well as capacity building programmes through reputed institutions in the field

and the same will form part of DPR to be submitted by implementing agencies.

Scrutiny of records of test checked ULBs revealed that training to ULBs personnel and elected representatives for capacity building was not organized despite of provision of funds for such trainings in the sanctioned DPRs. The State Government, however, submitted (April 2010) proposal of ₹ 12.20 crore to GoI for capacity building to train officials and technical staff of ULBs and project executing agencies, sanction of which was awaited (September 2010).

On being pointed out in audit, SLNA stated (September 2010) that programme for imparting training and capacity building was not organized so far.

2.9. Ineffective Monitoring

As per guidelines, SLSC would ensure quarterly monitoring of various projects sanctioned under the programme. A Programme Implementation Unit was to be constituted to ensure completion of the projects within stipulated time. SLNA was responsible for management and disbursement of funds received from Central and State Government and furnishing of Utilisation Certificates along with quarterly Physical and Financial Progress Reports to Ministry of Urban Development. Guidelines also provided that SLSC should meet as often as required but at least thrice a year without fail.

Scrutiny of records of SLNA (September 2010) revealed that SLSC has conducted 13 meetings during the period from 2005-06 to 2009-10 against the required 15 and only one meeting during 2009-10. Programme implementation unit was not constituted till March 2010.

Thus, ineffective monitoring system was one of the factors which slowed down the implementation of projects.

2.10. Conclusion

UIDSSMT was launched by GoI to improve infrastructure facilities in cities and towns and quality of life of inhabitants of the small and medium towns. The performance review conducted on the scheme revealed that only 76 ULBs were covered out of the eligible 621. Out of the 76 ULBs, projects of only 46 ULBs were approved to whom all the funds were allocated. SLSC did not adhere to the GoI instruction in allocation of additional ACA of ₹ 700 crores. Funds were released without ensuring availability of land and finalization of design. Internal control system was insufficient and implementation of reforms was not ensured.

Thus, due to inefficient planning, ineffective monitoring and slow progress in implementation of projects, inhabitants of concerned ULBs was so far deprived of the benefits of targeted infrastructure facilities.

2.11. Recommendations

- The State Government should allocate the funds to eligible ULBs by prioritizing the towns and cities in terms of programme guidelines;
- DPRs should be prepared after the required survey;
- Funds to ULBs and EAs should be released after ensuring the availability of land for implementing the projects;
- ULBs should implement the committed reforms within time schedule.

The matter was referred to the Government (August 2010); replies were awaited (May 2011).