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 Nagarpalikas[2] (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 Nagarpalikas[3] (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 bigrades, 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
Devgadh 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 scheme[5] 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 lakh[6].
- 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 three[7] 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	Expen-diture	Number of SCs approved	Status of Construction work			Status of auction of SCs		
	(₹ in lakh)			Not com-menced	In prog-ress	Com-pleted	Com-pletely auc-tioned	Partially auc-tioned	Not auc-tioned
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
DevgadhBaria	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 lakh[9] 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.

- Dhari[10] 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 places[11] 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 lakh[12]. 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 lakh[13] 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 Blanket[14] (UASB) process. The DPR of the STP estimated revenue saving of ₹ 1.18 crore[15] 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 agency[16] at a tendered cost of ₹ 22.48 crore[17]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 Zones[18] for a period of three years to an agency[19] 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 agency[20] 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 approached[21] 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 approached[22] 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 Byepass Road" to an agency[24] 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 Power[25] (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, which ever 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.

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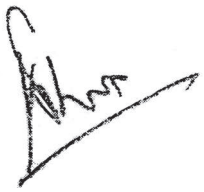

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