

Chapter-IV

Results of audit of Urban Local Bodies

4.1 Blockade of funds

Department of Local Government, Punjab (Department) released (November 2011) a grant of ₹ 50 lakhs as first instalment to Municipal Corporation, Hoshiarpur from the Urban Infrastructure Development Fund for the construction of Swami Vivekananda Auditorium at Hoshiarpur and directed to send the utilization certificate after its utilization.

Examination of records of Municipal Corporation, Hoshiarpur showed that Corporation paid (December 2012) ₹ 3.50 lakhs as fee for architect services to M/s Architects Atelier, Chandigarh for the construction of Swami Vivekananda Auditorium at Hoshiarpur. However, the work could not be started as MC, Hoshiarpur was not in possession of land on which the auditorium was to be constructed. Further examination of records showed that despite non-receipt of utilization certificate of first instalment of ₹ 50 lakh and non-availability of land with MC, the Department released the second instalment of ₹ 50 lakhs (December 2013) to MC. However, MC could not initiate the project due to non-availability of land.

MC, Hoshiarpur stated (March 2016) that some of the land belonged to Punjab Water Supply and Sewerage Board and in the last meeting with Political Adviser to CM Punjab, it had been decided to send detailed proposal of transfer of that land to the Board. Thus, failure of the department to ensure availability of land prior to release of funds resulted in blockade of ₹ one crore for the last more than three years.

4.2 Non-deduction/remittance of labour cess

(a) In order to regulate employment and conditions of service including providing basic amenities and welfare facilities to workers engaged in construction activities throughout the country, the GOI enacted (August 1996) the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and the Building and Other Construction Workers Welfare Cess Act, 1996 which provide for levy and collection of cess at source at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by employers. Subsequently, the Punjab Government framed (October 2008) the Punjab Building and Other Construction Workers (Regulation of Employment and Conditions of Service)

Rules, 2008 and implemented (November 2008) the collection of labour cess at the rate of one *per cent* of the cost of construction. Government of Punjab, Department of Labour's letter dated 11 November 2008 laid down that henceforth no building plan should be approved by local authorities without collecting one *per cent* cess of the cost of construction estimated at ₹ 10 lakh or more.

Examination of records of Town Council, Maloudh showed that labour cess at the rate of one *per cent* of the estimated cost was not collected while approving (between March and November 2012) six building plans. This resulted into non-collection of labour cess of ₹ 0.60 lakh as given in **Table 4.1.**

Table 4.1: Statement showing non-collection of labour cess

(Amount in ₹)

Sr. No.	Name of the applicant	B.A. No.	Date	Estimated cost	Labour Cess due	Labour Cess deducted	Difference
1	Lakhvir Singh	34 R	14-03-12	19,26,500	19,265	9,265	10,000
2	Rashpal Singh	4R	24-05-12	16,25,000	16,250	6,250	10,000
3	Navjot Sharma	5R	18-06-12	14,25,000	14,250	4,250	10,000
4	Kulwant Singh	11/R	17-09-12	15,34,000	15,340	5,340	10,000
5	Gurjant Singh	12/12	19-09-12	11,41,500	11,415	1,415	10,000
6	Dev Raj	1/12	30-11-12	13,31,500	13,315	3,315	10,000
	Total			89,83,500	89,835	29,835	60,000

Source: Departmental records

The Department stated (April 2016) that notices had been issued to the concerned to recover the labour cess.

(b) Section 3(1) of the Building and Other Construction Workers' Welfare Cess Act, 1996 provides that cess would be collected at the rate of one *per cent* of the construction cost. Further, Rule 5(3) of the Building and Other Construction Workers' Welfare Cess Rules, 1998 provides that the cess collected should be remitted to the Building and Other Construction Workers' Welfare Board (Board) within 30 days after deducting the collection charges at the rate not exceeding one *per cent* of the cess collected.

Examination of records of five ULBs showed that ₹ 3.38 crore¹ collected (between April 2011 and March 2015) as cess from the applicants for approval of their layout plans for the construction of buildings and other construction works was not remitted to the Board within 30 days of collection of cess in contravention to the provisions *ibid*.

No reply was given by MCs of Hoshiarpur, Maur Mandi and Pathankot whereas MC SBS Nagar (December 2015) and MC Amritsar (May 2016) stated that labour cess would be deposited.

4.3 Non-deposit of cancer and culture cess

Department of Housing and Urban Development (Housing-II Branch), Government of Punjab, in order to bring unauthorized colonies under the umbrella of planning framework and to provide basic facilities to the residents of these colonies, notified (October 2014) that out of the total proceeds of composition fee, one *per cent* was to be deposited as Cancer Cess and one *per cent* as Culture Cess.

Examination of records of Municipal Corporation, Hoshiarpur showed (February 2015) that ₹ 15.21 crore were collected as composition fee by regularizing 6,807 unauthorized plots/buildings and 147 unauthorized colonies as on 5 February 2015. However, Cancer and Culture Cess at the rate of one *per cent* each amounting to ₹ 30.42 lakh was not deposited, for which no reason was given by the department.

MC, Hoshiarpur while admitting the audit observation stated (December 2015) that amount would be deposited as early as possible.

4.4 Short deduction of Value Added Tax

Section 27 of the Punjab Value Added Tax Act, 2005 provides that every contractee responsible for making payment to any person for discharge of any liability on account of valuable consideration, exceeding ₹ five lakh in a single contract payable for the transfer of property in goods in pursuance of a works contract shall at the time of making such payment to the contractor deduct a sum towards the tax payable under this Act. Government of Punjab amended Section 27 of Punjab Value Added Tax Act, 2005 (November 2011) and increased the rate of deduction of VAT at source from the bills of the

¹ (i) Amritsar: ₹ 2.01 crore; (ii) Hoshiarpur: ₹ 1.01 crore; (iii) Maur Mandi: ₹ 0.02 crore; (iv) Pathankot: ₹ 0.33 crore; and (v) SBS Nagar: ₹ 0.01 crore.

contractors from four *per cent* to five *per cent* and to six *per cent* (March 2013).

Examination of the records of five ULBs (September 2014 to February 2015) showed that in 93 cases, while making payments to the contractors during the period between April 2011 and August 2014, VAT was deducted at the rate of four and five *per cent* instead of five and six *per cent* resulting in short deduction of VAT of ₹ 18.77 lakh as given in **Table 4.2** for which no reasons were given by the department.

Table 4.2: Statement showing short deduction of Value Added Tax

(₹in lakh)

Sr. No.	Name of ULB	Period	No. of cases	Short deduction of VAT
1	Municipal Corporation, Hoshiarpur	01/13 to 03/13	11	5.44
2	Municipal Council, Dinanagar	04/12 to 04/14	30	6.77
3	Municipal Council, Maur	04/11 to 03/14	18	1.35
4	Municipal Council, Sahnewal	08/11 to 08/14	-	3.79
5	Municipal Council, SBS Nagar	10/13 to 11/13	34	1.42
TOTAL			93	18.77

Source: Departmental records

The concerned authorities of the ULBs stated that efforts would be made to recover the amount.

4.5 Unauthorized construction of shops

Department of Local Government, Punjab issued (October 1998) a policy regarding periodical increase in the rent of Municipal properties in the State. As per guidelines, in case of violation, the ULBs are to have the right to get the property vacated under the law. Sub-letting is to be made a ground for eviction and cases should be filed under the Public Premises Act, 1971, in the court of Regional Deputy Directors, Local Government immediately. Guidelines further provide that when an individual is allotted a property to be used for specific purpose and if he makes use of it for the purpose other than specified in allotment letter/rent lease deed /agreement, the allottee will have to vacate the premises.

Examination of records of Municipal Corporation, Bathinda showed that MC, Bathinda leased land (1,840 square yards) for a public library in the year 1965

for five years which was extended from time to time. MC, Bathinda in March 2003 after receiving a request of library authorities to extend the lease period after 31 March 2003, noticed that library authorities had constructed 33 shops on the land given on lease exclusively for library purpose and were collecting rent of ₹ 3.54 lakh per annum. The entire construction, except the library premises, was raised without prior consent and approval of MC, Bathinda. Subsequently, MC, Bathinda filed (June 2004) a case under Public Premises Act in the court of Collector-sub-Division, Bathinda.

The Hon'ble Court directed (April 2006) MC, Bathinda to first solve the issue regarding extension of lease applied by library authority in three months in public interest and also to reach an agreement after consulting representatives of library authorities with regard to issue of 33 shops and if the issue was not sorted out within three months, the MC could file a case again. However, MC, Bathinda after a period of more than two years in February 2009, extended the lease period from April 2003 to 31 March 2015 in respect of land being used as public library only. On being enquired (September 2015) about the current status, MC, Bathinda stated (October 2015) that the case with regard to constructions of shops was put up to the General House of MC in June 2015 but the same was kept pending by MC, Bathinda. It was further stated that rent of of 33 shops was also not being deposited with MC, Bathinda.

4.6 Incomplete work

Examination of records of Municipal Corporation, Ludhiana showed that MC Ludhiana awarded (February 2011) the work of providing and laying of interlocking tiles and construction of footpath on sides of Gill Road to Campa Cola Chowk to Sidhwan Canal Ludhiana to M/S Captain Enterprises against the tendered cost of ₹ two crore. The work which was to be completed within six months i.e. by August 2011, was extended up to November 2011.

Examination of records showed that despite allowing extension of time period and issuing five notices during February-July 2012, the contractor completed only 40 *per cent* of work and thereafter left the work on the grounds of non-availability of sand in the market. In the meantime, MC made a payment (June 2013) of ₹ 87.86 lakh to the contractor against 8 Running Bills for the 40 *per cent* of completed work. MC, citing other similar works being executed by other contractors, again directed (January 2014) the contractor to start the work within a week. However, the contractor did not start the work. The MC again issued a notice (August 2014) to the contractor to complete the work within two months but the work was yet to be completed (May 2016).

4.7 Irregular payment of electricity bills

Examination of records of Municipal Council, Kotkapura showed that MC paid the electricity bills (A/c no. F46/GC46/0024W) of ₹ 4.08 lakh for the period April 2011-July 2014 against the meter installed in its own name in the campus (i.e. Community Centre Viz. Indira Marriage Palace) under occupation of SDM office, Kotkapura. The premises was not being used by the MC, Kotkapura.

The MC stated (December 2015) that payment of electricity bills had been stopped and action was being initiated to recover the payment already made. No further reply has been received from the department regarding the current status of recovery (May 2016).

4.8 Wasteful expenditure

Rule 2.89 of Punjab Public Works Department Code (PWD Code) provides that no work shall be commenced unless a properly detailed design and estimate have been sanctioned; allotment of funds made, and orders for its commencement issued by competent authority.

(a) Examination of records of Municipal Council, Kurali showed that Deputy Director, Urban Local Bodies, Patiala accorded (May 2011) an administrative approval for construction of basement hall-cum-store near MC office at an estimated cost of ₹ 23.50 lakh. The work was awarded (May 2011) to the Kurali Co-operative Society for construction of the hall with a time limit of one year. However, after incurring expenditure of ₹ 17.95 lakh (upto January 2012), the work was stopped without assigning any reason resulting into wasteful expenditure.

Municipal Council, Kurali stated that the work could not be completed due to shortage of funds. However, efforts would be made to complete the project within a short period. The reply of the MC was not tenable as the MC should have ensured availability of funds before awarding the work. On being enquired (May 2016) about the current status of the project, no reply was furnished by the Department.

(b) Examination of records of Municipal Corporation, Jalandhar showed that 11 works (such as construction of building, supply of material, service lane, footpath, laying mix-seal carpet and construction of community centre) at an estimated cost of ₹ 4.30 crore were allotted to nine contractors/agencies between August 2010 and September 2011 with a time limit of two to

six months. In respect of these, three works were completed with an expenditure of ₹ 48.58 lakh. Of the remaining eight works, MC decided (October 2014) to stop/cancel the works after incurring an expenditure of ₹ 1.18 crore which led to wasteful expenditure and denying the intended benefits such as, providing service lanes on GT Road, roads and footpaths facilities, development of green belt and construction of community centre for general public.

MC, Jalandhar stated that the works could not be continued due to paucity of funds. The reply of the department was not tenable as the works should have been allocated/awarded only after ensuring the availability of the required funds.

The contents of this report were referred to Government in March 2016; reply was awaited (May 2016).



CHANDIGARH
The : 22 July 2016

(JAGBANS SINGH)
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