

**CHAPTER – V**  
**COMPLIANCE AUDIT**



## Chapter – V Compliance Audit

### Urban Development and Housing Department

#### 5.1 Irregular/Unfruitful expenditure

**Nagar Parishad, Sultanganj made irregular payment of ₹ 50 lakh on training component of SJSRY due to lack of observance of Scheme guidelines. In eight ULBs, NGOs failed to provide employment to trained beneficiaries despite an expenditure of ₹ 3.91 crore over their training.**

The *Swarna Jayanti Shahari Rozgar Yojana* (SJSRY), a centrally sponsored scheme was launched (December 1997) with the objective to provide gainful employment to the urban unemployed or underemployed through Skill Training for Employment Promotion amongst Urban Poor (STEP-UP) to enable them to access the employment opportunities opened up by the market or undertake self-employment. SJSRY was restructured and renamed as National Urban Livelihoods Mission (NULM) in September 2013 and the Employment through Skills Training and Placement (EST&P) was introduced in place of STEP-UP under SJSRY.

Under STEP-UP, the agencies selected for imparting training were responsible for 30 *per cent* placement of beneficiaries through employment or self-employment whereas, in NULM, the ratio for placement of successfully trained candidates was increased to a minimum 50 *per cent*.

Audit observed the following irregularities in implementation of the Scheme:

(i) A test-check (July 2015) of records of Nagar Parishad (NP) Sultanganj revealed that allotment of ₹ 75 lakh was received (December 2012) by the NP for all the five components under SJSRY out of which 40 *per cent* (₹ 30 lakh) was earmarked for STEP-UP component. The physical target against the said allotment under STEP-UP was 350 beneficiaries and target for placement of trained beneficiaries was 105 (30 *per cent* of 350). For the purpose, the NP executed an agreement with a Non-Governmental Organisation (NGO) 'Sambodhit' and issued (October 2012) work order for imparting training in four trades and paid advance of ₹ 14 lakh (during February-March 2013).

However, it was observed that the NP intimated (May 2013) the NGO that no documents relating to the training were submitted by the NGO. Despite that, the Executive Officer (E.O), NP paid an additional amount of ₹ 14 lakh to the NGO (between July and August 2013). Subsequently, the NGO submitted a final bill of

₹ 69 lakh for imparting training to 690 beneficiaries (September 2013) instead of the target of 350 beneficiaries.

The E.O of the NP intimated (September 2013 and November 2014) the NGO that the bills submitted by them were fake and therefore, the claim regarding training imparted was not accepted by the NP and issued (December 2013) warning to the NGO for submission of fake bills of ₹ 69 lakh and for recovery of the amount paid to them. Instead of initiating further action against the NGO for furnishing fake bills, the E.O of the NP made (February 2014) additional payment of ₹ 22 lakh to the NGO. Thus, the amount of ₹ 50 lakh<sup>82</sup> paid to the NGO by the NP was irregular as it was made without proof of training imparted by the NGO.

The present EO of the NP replied (February 2016) that no records were available in the NP to prove that training was imparted by the NGO and advance paid to the NGO was in contrary to Government's instruction. It was also stated that the payment was made without checking the compliance of the conditions laid down by the Government.

The matter was reported (March 2016) to the UD&HD and Principal Secretary, UD&HD directed (May 2016) the District Magistrate (DM) Bhagalpur to investigate the matter and take action accordingly. Principal Secretary, UD&HD intimated (September 2016) that the necessary documents regarding imparting of training were made available by the NGO (June 2016) to NP office and audit may check the documents.

An audit team visited the NP office (October 2016) to verify the documents and noticed that the bills were not passed by the E.O, BPL status of the beneficiaries was not verified, approval of imparting training to 690 beneficiaries instead of approved target of 350 was not given, receiving of the beneficiaries on bill of tool kits distribution etc. were not available. The E.O, NP also stated (November 2016) that the records submitted by the NGO were not genuine and action for recovery of the amount paid to the NGO was being initiated.

ii) The target set by the State Government to eight ULBs for imparting training to beneficiaries under STEP-UP during 2012-13 and NULM for the period 2013-16, the achievement thereof and the amount paid to NGO for training are given in **Table 5.1** below:

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<sup>82</sup> ₹14 lakh + ₹14 lakh + ₹22 lakh

**Table- 5.1: Targets and achievement of test checked ULBs**

Component	Year	Target (number of beneficiaries)	Achievement (number of beneficiaries)	Amount paid to the NGO (₹ in crore)	Percentage of achievement
STEP-UP	2011-12	No target set	No achievement	3.14	Nil
	2012-13	3350	4168		124
EST&P	2013-14	8400	Nil	0.77	Nil
	2014-15	No target set	No achievement		Nil
	2015-16	9720	4860		50
<b>Total</b>		<b>21470</b>	<b>9028</b>	<b>3.91</b>	

(Source: Government letters and information furnished by ULBs)

Of the total eight ULBs<sup>83</sup> two ULBs<sup>84</sup> failed to achieve the desired target (achievement ranged from 28 - 45 per cent) under STEP-UP and all the eight ULBs failed to achieve the desired target under EST&P mainly due to delay in selection of agencies for providing training.

Further, it was also observed that placement was not provided to 3681 beneficiaries to whom training was imparted by the NGO though the payment of ₹ 3.91 was released to them on the condition that placement would be given to the trained beneficiaries. This rendered the expenditure of ₹ 3.91 crore incurred for providing training to beneficiaries, unfruitful.

The matter was reported to the Government (November 2016); their reply was awaited.

## 5.2 Loss of tax revenue

**Annual Rental Value of holdings was not revised by minimum 15 per cent every five years and Property Tax was levied at a rate below the prescribed minimum rate which led to a loss of tax revenue of ₹ 36.56 lakh.**

Section 127 (13) (i) of the Bihar Municipal (Amended) Act (BM Act), 2011, stipulates that the Municipality shall carry out upward revision of rental value of holdings<sup>85</sup> once in every five years and Section 127(7) (iii) of BM Act (Amended), 2013 states that the rental value per square feet of the built-up area for different classes of holdings<sup>86</sup> shall be increased by minimum 15 per cent

<sup>83</sup> Ara, Banka, Bhagalpur, Chhapra, Jamui, Purnea, Sasaram and Sheohar

<sup>84</sup> Ara and Banka

<sup>85</sup> Holdings mean land held under one title or agreement and surrounded by one set of boundaries.

<sup>86</sup> Residential, Commercial; Pucca, Asbestos buildings; Self-occupied, tenant occupied buildings etc.

after every five years. Further, Section 127(8) of the Act *ibid* provides that Property Tax shall be levied by the Municipality within a minimum 9 *per cent* and a maximum 15 *per cent* of Annual Rental Value (ARV)<sup>87</sup> of lands and buildings and no Municipality shall reduce the rate of tax already in use between the minimum and maximum provided for without the prior approval of the State Government.

Audit observed that ARV of the holdings was not revised by the Patna Municipal Corporation (PMC) and the Jamalpur Nagar Parishad after every five years, whereas the Amarpur Nagar Panchayat levied Property Tax at a rate below the minimum prescribed rate nine *per cent* of ARV as detailed below:

(i) Scrutiny of records (March 2016) of the PMC for the period 2014-15 revealed that ARV of holdings was last revised in 1995-96 and thereafter not revised till March 2016, though fourth revision was due in the year 2015-16<sup>88</sup>. In PMC, ARV of 1033 test checked holdings<sup>89</sup> was ₹ 6.42 crore as per the revision done in the year 1995-96. Due to this low ARV of the test checked holdings, the PMC sustained minimum loss of ₹ 17.32 lakh during 2014-16.

On this being pointed out in audit (March 2016), the Additional Municipal Commissioner, PMC replied (March 2016) that ARV was not increased in the light of instructions (October 2013) of the Urban Development and Housing Department (the Department). He further stated that the Department was requested (August 2015) for approval of the revision of the ARV and the matter was pending with the Department. The reply was not tenable as the Department had already issued (December 2013) instructions and notified (January 2014) the revision of ARV of the holdings by 15 *per cent* in every five years. Moreover, records showed that the PMC did not request the department (October 2013) for approval of revision of the ARV of holdings.

(ii) In Jamalpur Nagar Parishad (Nagar Parishad), it was observed (May 2016) that the last assessment of ARV of holdings was done in the year 2007-08 and since then the Property Tax was being realised on that basis till March 2016, though the revision was due in 2012-13. As a result, the Nagar Parishad sustained minimum loss of Property Tax of ₹ 13.27 lakh during 2014-16.

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<sup>87</sup> ARV = Carpet area X Rental value X Occupancy factor X Multiplying factor

<sup>88</sup> First revision was due in 2000-01, second in 2005-06, third in 2010-11

<sup>89</sup> Demand of only 1033 holdings was made available to audit.

On this being pointed out, the Executive Officer of the Nagar Parishad replied (May 2016) that revaluation of holdings were under process. The reply was not acceptable as the revision in ARV was due in the year 2012-13 and should have been revised since then.

(iii) In Amarapur Nagar Panchayat (Nagar Panchayat), it was observed that instead of minimum nine *per cent* of the ARV, Property Tax was levied arbitrarily at the rate of six *per cent* of the ARV and realised Property Tax accordingly since April 2006. As a result, Nagar Panchayat sustained loss of Property Tax of ₹ 5.97 lakh for the period 2014-16.

The Executive Officer of the Nagar Panchayat replied that since April 2016 the tax was being collected at the rate of nine *per cent* of ARV. The reply was not tenable as the Department had already issued instructions regarding levy of Property Tax at minimum nine *per cent* of ARV.

Thus, the failure of Municipal Bodies to follow the provisions of the BM Act and instructions of the Department regarding revision of Property Tax at the interval of every five years and levy of tax not below the rate of nine *per cent* of ARV resulted in loss of property tax amounting to ₹ 36.56 lakh<sup>90</sup>.

The matter was reported to the Government (July 2016); reminder issued (November 2016), their reply was awaited.

### 5.3 Irregular payment of advances

**Relevant financial rules were not observed by Nagar Parishad, Siwan in payment of advance for maintenance of solar lights that led to irregular payment of ₹ 80.87 lakh to the agency.**

Rule 131(P), (Q) (1) of the Bihar Financial Rules (BFR) stipulates that, ordinarily, payments for services rendered or supplies made should be released only after the services have been rendered or supplies made. Further, while making advance payments, adequate safeguards/Performance Security in the form of Demand draft, Bank Guarantee etc., (five to ten *per cent* of the value of the contract) should be obtained from the firm to ensure due performance of the contract.

Scrutiny (February 2016) of records of Nagar Parishad (NP), Siwan revealed that in a meeting of the Purchase Committee, the work for procurement and installation of solar lights was awarded to an agency (February 2012) at a rate of ₹ 26,684 per unit under an agreement. Further, on the suggestion of the Chairman of the NP to the Purchase Committee, a clause for maintenance of the solar lights

<sup>90</sup> ₹13.27 lakh + ₹17.32 lakh + ₹5.97 lakh = ₹ 36.56 lakh

for the period of 10 years inclusive free maintenance of two years at a rate of 10 *per cent* per unit per year was included in the said agreement.

NP Siwan procured (February-April 2012) 330 solar lights from the agency and the same were installed at specified places of the NP wards at a total cost of ₹ 88.06 lakh. As per agreement, the solar lights were to be maintained free of cost for two years and thereafter paid maintenance had to be commenced from February-April 2014. By ignoring the condition of the agreement, the NP Siwan paid (September to December 2012) ₹ 41.08 lakh to the agency as maintenance charges for 330 solar lights for five years in advance. Also, the test and trial of the solar lights procured was not done before installation. Thus, an opportunity to assess the performance of the agency during free maintenance period of two years was lost by the NP due to payment of maintenance charges in advance and financial interest was not saved.

Further, the NP executed an agreement with the same agency (20 December 2012) for procurement of 400 more solar lights at a rate of ₹ 23,000 per unit wherein, a clause for maintenance of solar lights for five years inclusive of two years free maintenance period was included. But, again, by ignoring the condition of the agreement, NP Siwan paid (July- September 2013) ₹ 39.79 lakh to the agency as maintenance charge of 400 solar lights for five years in advance.

On complaint of public, the NP Siwan issued (October - December 2013) notices to the agency as most of the solar lights installed were not functioning and instructed to maintain the same but the agency did not respond. The NP also carried out (December 2013) an inspection to assess the status of functioning of solar lights and found that a number of solar lights were not functioning due to lack of maintenance and therefore, an explanation was sought (January 2014) from the agency as to why the entire maintenance charge paid to him should not be recovered as the solar lights were not maintained. But, the contractor neither responded nor carried out the maintenance work.

When the matter was raised by audit, the Executive Officer, NP Siwan stated (September 2016) that approval of the Chairman was taken before payment to the agency. Reply was not acceptable as the NP not only paid full amount of maintenance charges for two years before the commencement of the paid maintenance period without obtaining Performance Security but also failed to protect financial interest of the NP. Moreover, the Chairman did not have the authority to sanction deviation from the provision of the financial rules.

Thus, it was evident that NP Siwan made an irregular payment of ₹ 80.87 lakh to the agency by paying full amount of maintenance charges of 730 solar lights in advance.

As the contractor failed to maintain the solar street lights since February 2012, the lights became dysfunctional rendering the expenditure of ₹ 80.87 lakh unfruitful.

The matter was reported to the Government (August 2016); reminder issued (November 2016), their reply was awaited.

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