

## **Chapter – IV**

### **4.1 Infertuous expenditure of ₹17.94 lakh**

#### **Due to surrender of 630 dwelling units, expenditure on preparation of Detail Project Report and Biometric Study on these units rendered infertuous**

The Government of India launched (December 2005), the Integrated Housing and Slum Development Programme (IHSDP) with the intention of ameliorating the condition of the urban poor and slum dwellers, who do not possess adequate shelter to live in.

Accordingly, Government in Housing and Urban Development Department (HUDD) accorded (February 2009) administrative approval for ₹22.44 crore for construction of 891 dwelling units at ₹1.20 lakh each and associated infrastructure like water supply, sewerage, drain, concrete road etc. for slum dwellers of Keonjhar Municipality. These funds included ₹2.03 crore towards preparation of Detailed Project Report (DPR) and incidental expenses. The dwelling units were required to be completed by February 2010.

It was however seen (March 2011) that, as the Municipal authorities though prepared DPR and biometric study for all 891 dwelling units at a cost of ₹25 lakh though a consultant, yet executed only 261 dwelling units as of June 2010. Work orders were issued to individual beneficiaries during January 2010 to September 2010 for 261 units with delay ranging from 11 to 20 months. Consequently, HUDD instructed (July 2010) the municipal authorities to surrender the dwelling units which were not physically commenced. Accordingly, the Executive Officer, Keonjhar Municipality surrendered (January 2011) 630 dwelling units. As a result, only 261 units were constructed out of 891 units sanctioned as of January 2011. Thus, proportionate expenditure of ₹17.94 lakh incurred on preparation of Detailed Project Report and Biometrics Study of 630 units surrendered proved to be infertuous. Besides, 630 poor slum dwellers of this municipality were deprived of getting the intended benefit out of it.

On this being pointed out, the Executive Officer stated that the dispute on Record of Rights (RoR) and inability to pay the margin money by the beneficiaries attributed to non-commencement of the project leading to ultimate surrender.

#### **4.2 Unfruitful expenditure Of ₹40.32 lakh.**

**Purchase of Hook Loader lorries with bins despite narrow road width and non-utilisation of the same rendered expenditure of ₹40.32 lakh unfruitful.**

The E O Balasore Municipality had purchased (31 January 2010) one Hook loader lorry with eight number of 9MT capacity bins at a cost of ₹40.32 lakh from TPS Infrastructure Limited, Bhubaneswar and paid ₹31.45 lakh on 31 March 2010 out of Solid Waste Management (SWM) component of Twelfth Finance Commission (TFC) grants. The remaining dues would be paid after expiry of guarantee period of one year. However, it was seen that the vehicle remained idle without any use as of April 2011 and entire expenditure of ₹40.32 lakh incurred thereon rendered unfruitful. It was further noticed that all the wards of Balasore Municipality except unit one and two were privatized for collection, segregation and transportation of the solid waste/garbage. The private contractors were not willing to use the heavy vehicle provided by the Municipality due to presence of narrow roads in the town.

On this being pointed out in Audit (February 2011), the EO stated that the vehicle was purchased as per the instruction of the Government and admitted that the vehicle could not be used due to narrow road of the township. However, the reason for not intimating this difficulty to Government before purchase of the vehicle could not be stated by the EO. Thus, unplanned procurement of the hook loader rendered the entire expenditure of ₹40.32 lakh unfruitful.

#### **4.3 Loss of Revenue of ₹70.19 lakh**

**Loss of Revenue of ₹70.19 lakh due to non-realization of license Fees / renewal Fees / penalties from the Telecom Agencies towards installation of telecom towers within CMC area.**

Section-194 of Orissa Municipal Corporation Act 2003 stipulates that the Corporation shall have the power to levy fees and fines in exercise of the regulatory powers vested in it for generation of internal revenue. Besides, the Commerce and Transport (Commerce) Department issued (August 2007) model Guidelines for issue of no objection certificates (NOC) for establishment of Telecommunication Infrastructure Towers (TIT), Ground Based Towers (GBT)/Roof Top Towers (RTT)/Roof Top Poles etc, levy of uniform license fee for installation of Telecom Towers and for laying optical fibre cables in different Urban Local Bodies. As per the said guidelines, the structures already constructed before the date of publication of the notification of August 2007 without obtaining NOC from the concerned Urban Local Bodies were to be regularized on payment of prescribed fees within a period of two months from the date of publication of the notification.

The fee structures in respect of issue of NOC in favour of the Telecom Agencies, were prescribed as below:

Sl. No.	Type of ULB	License Fee(₹)	Annual Renewal Fee(₹)
1	Municipal Corporation	10000.00	1000.00
2	Municipalities	10000.00	1000.00
3	N.A.C.	10000.00	1000.00

On scrutiny of records of Cuttack Municipal Corporation (CMC), it was noticed that various Telecom Agencies erected 407 GBT/RTT in different wards of the CMC. Out of the total GBT/RTT erected, NOC was issued against 96 and remaining 311 were un-authorisedly erected by the different Telecom Agencies against which no such NOC was issued (January 2011).

As per Para-6 of the guidelines , the structures already constructed without NOC from the concerned ULB prior to effective date of the guidelines were to be regularized on payment of ₹5000 plus the requisite fee(₹10000) for issue of NOC provided all other conditions are fulfilled. It was further noticed that a survey was conducted (August 2009) by the CMC where in 311 unauthorized erection of GBT/RTT were detected. However, no action was taken for regularisation of the unauthorised erection through issue of NOC. Consequently, revenue of ₹46.65 lakh remained unrealized from the concerned Telecom Agencies (March 2011).

Besides, as per para-7 of the guidelines, the licenses were to be renewed every year on submission of prescribed application with required documents and annual renewal fee of ₹1000 before one month of scheduled expiry date of the license. In case the service provider fails to apply for renewal of license in time, penalty at the rate of ₹100 per each month of delay was to be levied in addition to the renewal fee. However, not a single Telecom Agency applied for renewal of the license (January 2011), for which the CMC sustained a loss of revenue of ₹23.55 lakh towards non collection of outstanding renewal fees ₹12.35 lakh along with the penalties of ₹11.20 lakh from the Telecom Agencies.

Thus, due to non-regularization of issue of licenses along with non- renewal licenses etc., the CMC sustained a loss of revenue of ₹70.20 lakh<sup>12</sup>. On this being pointed out in Audit (February 2011), the Municipal Commissioner stated that steps would be taken to raise demand notice to all the Telecom Tower Companies for payment of the License fees before March 2011. Action in this regard is awaited (April 2011).

#### **4.4 Undue favour to a contractor.**

#### **Delayed finalization of tender led to award of work at higher cost without calling tender resulting in extra cost of ₹71.15 lakh.**

H&UD Department entrusted (October 2003) CMC for construction of Fly over bridge from Pravat Cinema hall to N.H-5 via Chatrabazar and Bajrakabati Road at a cost of ₹144.55 crore by availing HUDCO loan and the loan was to be repaid by Cuttack Municipal Corporation.

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<sup>12</sup> License Fees: ₹46.65 lakh plus Renewal Fees & Penalties: ₹23.55 lakh)

Tender for Consultancy Service for selection of site, conducting survey and investigation, preparation of drawings and design, preparation of Detailed Project Report (DPR) and estimate for the project was invited in June 2004 in two parts. In response, three firms participated in the tender and the Technical Bids and financial bid of the firms were opened in July 2004. However, the Bid Evaluation Committee constituted by Government after six meetings approved (June 2006) the offer of ₹39.00 lakh of the lowest bidder ( Gherzi Eastern Limited, Kolkata) which was reduced on negotiation to ₹38.85 lakh. The validity period of tender was extended up to July 2006. However, after expiry of the validity period by over two months, the CMC intimated (5 September 2006) the party about acceptance of the offer and called it for executing the agreement. The contractor however, did not execute the agreement on the plea that the validity of the offer has already been expired since July 2006 and expressed his inability (November 2006) to execute the work at the quoted price of 2004. The firm also set certain pre- conditions for extension of validity of his offer which included payment of service tax by CMC, stage payment linked to completion as per mile stone, payment within 15 days of submission of bills and free accommodation at Cuttack etc. CMC, however, rejected (July 2007) such pre-conditions.

The work, without inviting tender was, however, awarded (November 2008) in favour of RITES Limited (A Govt. of India Enterprise) at ₹ 1.10 crore based on its suo-moto offer (February 2007) and subsequent recommendation of the Expert Committee (April 2007) constituted by the Municipal Commissioner.

Thus, due to abnormal delay in finalizing the bids, there was avoidable extra cost of ₹71.15 lakh. On this being pointed out in Audit (February 2011), the Municipal Commissioner did not furnish the reason for delay in finalisation of the tender.

#### **4.5 Irregular payment of incentive allowance**

**Without obtaining specific sanction of the Government, incentive allowances of ₹85.56 lakh were paid to the employees of Cuttack Municipal Corporation during 2009-10**

As per the clarification (May 2008) of Government in HU&D Department, employees of Municipal Corporations / municipalities are to be treated at par with Government employees. Further, Section 129 of Orissa Municipal Corporation Act 2003 requires that salary, leave and leave allowance, house rent allowance, carriage / hire, travelling allowance or any other allowances, gratuity or pension granted under the by-law of the Corporation/ Municipalities should in no case, without the special sanction of the Government, exceed what would be admissible to Government employees. It was however noticed that Cuttack Municipal Corporation had paid incentive allowance to the Corporation staff from 1 January 1995<sup>13</sup>, without specific sanction of the Government. Such incentive allowance for ₹85.56 lakh (713 x

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<sup>13</sup> Per employee per month: At ₹300 per month from 1 January 1995 to 31 December 1995, ₹600 from 1 January 1996 , ₹800 from 1 January 1999 and then ₹1000 from 1 April 2009

₹1000 x 12) were also paid to 713 staffs borne on Nominal Muster Rolls (NMR) at ₹1000 per month per employee during 2009-10 without any Government approval. Drawal of such incentive allowance without approval of Government continued even after repeated audit observations and ₹85.56 lakh was irregularly paid during 2009-10 to the employees of the Corporation.

On this being pointed out in Audit (January 2011), the Municipal Commissioner noted the observation without offering any comment.

#### **4.6 Nugatory expenditure of ₹87.94 lakh on idle staff**

**Even after privatization of cleaning and sweeping work of all the wards in two municipalities, the services of sweepers were not gainfully utilized resulting in nugatory expenditure of ₹87.94 lakh**

Government in H&UD Department released ₹78.00 lakh to Keonjhar Municipality and Barabil Municipality at ₹14.60 lakh per year for the period 2005-06 to 2009-10 under Solid Waste Management Programme which envisaged door to door collection of solid waste, use of advanced technology in collection, transportation, segregation and disposal of garbage. Government had also stipulated (November 2008) that cleaning operation could be undertaken by outsourcing required manpower.

It was seen that the Executive Officer, Keonjhar Municipality handed over (October 2009) cleaning and management of Municipal Solid Waste of all the 20 wards to a private operator at ₹3.11 lakh per month. Consequently, 31 sweepers borne under the permanent establishment of the ULB who were paid salary at ₹3.10 lakh per month, became idle and ₹52.70 lakh was utilized towards pay and allowances of these idle sweepers for 17 months from October 2009 to February 2011. During this period, the services of these idle sweepers were not gainfully utilised. Similarly, in Barbil Municipality the services 50 Daily Labour Roll (DLR) workers were not gainfully utilized after privatization of cleaning work in all the wards since April 2008 and ₹35.24 lakh spent on pay and allowances of these idle DLRs during April 2008 to February 2009 proved nugatory.

In reply, both the EOs stated that the sweepers and DLRs were engaged in cleaning work of wards. The replies are not tenable as the entire cleaning works of these municipalities have already been privatized and the services of these sweepers and DLRs were not gainfully utilized during the period.

#### **4.7 Avoidable expenditure of ₹42.12 lakh**

**Due to non handing over of the teaching establishment to Government, undue financial burden of ₹42.12 lakh towards pay and allowances of teachers were borne by Deogarh Municipality .**

For improvement of the service condition of the staff of primary and secondary schools, the School and Mass Education Department had taken over

the management of the primary and secondary (ME) schools of the ULBs (February 2004) and paid salaries from the State budget from 2004-05 onwards. This taking over process was made in phases based on submission of the requisite information by the ULBs to the Government.

Scrutiny of records revealed that two upper primary schools of Deogarh Municipality and one Primary School of NAC Hirakud were not taken over by the Government due to non-submission of required information by the respective ULBs. As a result, payment of salary to the teaching staffs was continued by the concerned ULBs and ₹49.12 lakh was spent thereon during 2004-10, which could have been avoided had required information been submitted to Government in the first instance.

On these being pointed out in Audit (March 2011), the EOs of concerned ULBs stated that the matter was under correspondence with Government. Further development is awaited (April 2011).

#### **4.8 Non-recovery of service tax ₹181.23 lakh**

##### **Undue benefit of ₹181.23 lakh was extended to service providers engaged for cleaning and sweeping work by 10 ULBs due to non-deduction of service tax**

Section 65 (105) of Finance Act 1994 provides for recovery of service tax from service providers at the rate of 12.36 *per cent* of the total bill. This tax being a statutory deduction was required to be deducted at the time of releasing payment to the service providers.

Scrutiny of records of 10 ULBs revealed that service tax amounting to ₹181.23 lakh (*Appendix-4.1*) were not recovered from the final bills of the service providers for cleaning and sweeping work resulting in extending undue benefit to contractors with consequential loss of revenue to the Government.

On this being pointed out, the ULBs stated (March 2011) that the taxes will be recovered from the forthcoming bills of service providers. However, recovery of the same is awaited (April 2011).


#### **4.9 Non deduction of liquidated damage ₹18.18 lakh**

##### **Non deduction of penalty from the supply bills of solid waste management materials resulted a loss of ₹18.18 lakh.**

Government of Orissa, Housing and Urban Development Department issued instructions (October 2007) to all ULBs for procurement of Solid Waste Management (SWM) materials with a model purchase order specifying the name of the firm, cost of the items. The ULBs placed the purchase orders to the selected firm and paid the bills on receipt of the materials. As per conditions of the purchase order in case of delayed delivery, liquidated damage at one percent of the cost of goods was to be deducted from the supply bills for every week of delay subject to maximum 10 percent of the contract price.

Test check of record of five ULBs revealed that the SWM materials though were supplied by the suppliers much after 11 to 144 weeks of the stipulated date(s) of delivery, liquidated damage of ₹18.18 lakh leviable as per conditions of the purchase order was not deducted from the bills of the suppliers. No extension of time for delayed supply of materials were applied and approved. As a result, the concerned ULBs sustained a loss of ₹18.18 lakh (**Appendix-4.2**) due to non deduction of liquidated damage from the suppliers' bills.

In reply, the Executive Officers stated (January 2011) that steps will be taken to recover the liquidated amount from the suppliers. Action in this regard is awaited (April 2011).



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The----- day of-----2011**