

CHAPTER – III

TRANSACTION AUDIT PARAGRAPHS

(Urban Administration & Development Department)

3.1 Non recovery of Urban Development Cess by Bhopal Nagar Nigam

Non-recovery of Urban Development Cess of Rs. 2.76 crore by Bhopal Nagar Nigam

According to the provision of section 6 of the Madhya Pradesh Upkar Adhiniyam 1981, Urban Development Cess (UDC) was to be levied on all buildings / land or both situated in Municipal Area or Urban Area at the rate of 5 percent of the Annual Letting Value (ALV) and at the rate of 2.5 percent of the ALV on all buildings/ land in the occupation of owner himself under the law relating to local authority or the Sampatti Kar Adhiniyam, as the case may be. The UDC shall be payable by the owner in the same manner as tax charged / levied on lands or buildings.

Scrutiny of records of Commissioner, Nagar Nigam, Bhopal for the period April 2006 to March 2007 revealed that as against an amount of Rs. 5.03 crore¹ of UDC was recoverable from Bharat Heavy Electrical Limited (BHEL), Bhopal for the period 1981-82 to 2006-07, only Rs. 2.27 crore was recovered as of March 2008 resulting in non recovery of Rs. 2.76 crore on account of UDC. Due to non-recovery of UDC the Development Activities were adversely affected.

On being pointed out the Commissioner replied (October 2008) that bill for depositing the residual amount of Rs. 2.76 crore was raised against BHEL, but the amount was still un-recovered.

The matter was reported to the Government (January 2009); reply was awaited (March 2009).

3.2 Non-recovery of mobilisation advance

Non-recovery of mobilisation advance and interest of Rs. 40.48 lakh from contractor.

Kolar Jal Avardhhan Yojna was sanctioned by Madhya Pradesh Government in March 1999 for providing water supply to Bhopal city. The work was divided into five groups for which Nagar Nigam, Bhopal was the implementing agency. The work of Group 3, related to Construction of rapid

¹ @ 2.5 percent; Rs. 1.97 crore on self occupied land / building, @ 5 percent Rs. 3.06 crore on other land / building.

gravity treatment plant for supplying 201 MLD water thereby increasing the installed capacity of existing treatment plant from 162 MLD to 363 MLD including supply and installation of necessary Electrical and Mechanical Equipments as required. The work was awarded (October 2002) to M/s Geo Miller and Company New Delhi. As per clause 2 of agreement, the payment of mobilisation advance may be made to contractor against bank guarantee, remaining effective for two years or until the advance has been completely repaid by the contractor. The advance was to be repaid in 10 equal instalments, which carry annual interest @ 15 percent per annum. Entire mobilisation advance was to be recovered before completion of 80 percent of work or 3/4 of the completion period.

Test check of the records of Commissioner, Nagar Nigam Bhopal for the period April 2006 to March 2007 revealed that mobilisation advance of Rs. 22.80 lakh was paid to the contractor (January 2003) against the bank guarantees of Rs. 23.29 lakh valid upto January 2004. The work was postponed in December 2003 by Government of Madhya Pradesh as the Government decided to implement another water supply scheme based on Narmada river. The Government revised the Kolar Jal Avaradhan Scheme and a revised sanction of Rs. 66.47 crore was accorded (March 2004) in which the work of M/s Geo Miller & Company was not included. The work awarded to M/s Geo Miller & Company was cancelled by the Nigam (February 2006) but no steps towards recovery of advance against bank guarantee were taken. Thus due to cancellation of work, mobilisation advance of Rs. 22.80 lakh and interest thereon Rs. 17.68 lakh (upto November 2008) could not be recovered from contractor.

On being pointed, Commissioner, confirmed (March 2009) that no work was done by the contractor and no advance was adjusted.

The matter was intimated to Government (October 2008). Reply was awaited (April 2009).

3.3 Loss of premium and rent due to wrong selection of site.

Non allotment of shops of Shopping Complex resulted in loss of premium and rent of Rs. 42.76 lakh.

Government of Madhya Pradesh, Housing and Environment Department under Integrated Development of Small and Medium Town (IDSMT) scheme sanctioned a loan of Rs. 1.10 crore to Nagar Palika, Jaora, District Ratlam during October 1995 and September 1999 for construction of commercial complexes². Out of this loan 82 shops named Subhash Chand Bose shopping complex were constructed at the cost of Rs. 96.38 lakh during the year 2003 under the scheme.

² Subhash chand Boos shopping complex opposite power house 82 shops fruit market bus stand premises 22 shops and Rajeev Nagar Tal Naka shopping complex 22 shops.

Test check of records of Chief Municipal Officer (CEO), Nagar Palika Jaora, District Ratlam (July 2008) for the period 2005-07 revealed that inspite of 12 to 15 auction notices only 12 shops could be allotted during the period 2003 to 2007 out of the 82 constructed shops. The remaining 70 shops were not allotted (till July 2008). This resulted into a loss of Rs. 42.76 lakh (premium Rs. 30.80 lakh³ and rent Rs. 11.96 lakh⁴) upto July 2008. On being pointed out, the CEO Municipal Council Jaora attributed the loss to constraints like construction of complex near nallah and slums in the area. The CEO accepted (July 2008) that site selection was not correct. He also replied that the survey of location and feasibility of return in the shape of premium and rent was not visualized before construction of shopping complex. Moreover, since the shops were vacant from the date of construction there is a possibility of damage to the shops with the passage of time and objective of addition to the financial income of Nagar Palika could not be achieved.

The matter was reported to Government (October 2008), the reply was awaited (April 2009).

3.4 Blocking of funds due to non-utilisation of water supply material

Blocking of funds due to non-utilisation of water supply material worth Rs. 54.85 lakh purchased for laying new pipe line work from Parwati River.

A resolution was passed (September 2003) in the meeting of Parishad of Nagar Panchayat Kumbhraj, District Guna for purchase of water supply material for laying new pipe line from Parwati river. The water supply material worth Rs. 54.85 lakh was purchased during April to October 2004 by the Nagar Panchayat from the government grants but the administrative / technical sanction was not obtained from the government department i.e. Dy. Director and Executive Engineer, Urban Administration and Development Department.

Scrutiny of records of Chief Municipal Officer, Nagar Panchayat, Kumbhraj, District Guna for the period April 2001 to March 2007 revealed that the above water supply material was not utilised (May 2008) even after a lapse of four years.

On being pointed out, Chief Municipal Officer accepted (May 2008) that the required sanction was not obtained from the competent authority and the material was lying in the premises of Nagar Panchayat and on filter plant. Thus purchase of material without immediate requirement was irregular. The matter was under investigation in the office of the UADD, Gwalior and reasons for non-utilisation were not intimated.

The matter was reported to Government (July 2008 and January 2009); reply was awaited (April 2009).

³ Rs. 30.80 lakh = Rs. 44,000 x 70

⁴ Rs. 11.96 lakh = Rs. 300 x 70 x 55 + Rs.300 x 3 x 45

3.5 Non-payment of loan and interest on due dates.

Non-payment of loan and interest on due dates resulted in extra burden of penal interest of Rs. 31.76 lakh.

Government of Madhya Pradesh, Housing and Environment Department under Integrated Development of Small and Medium Town (IDSMT) scheme sanctioned a loan of Rs. 1.10 crore in two equal instalments in the financial year 1994-95 and 1999-2000 for construction of commercial complexes⁵ in Nagar Palika Jaora (District Ratlam). This loan comprising of (i) central share of Rs. 66 lakh was to be repaid from sixth year of payment in 25 equal instalments with interest @ 9.75 percent p.a. failing which penal interest @ 2.75 percent p.a. was also payable and (ii) State share of Rs. 43.99 lakh of which 1st instalment of Rs. 22 lakh was to be repaid @ 9.75 percent p.a. interest and 2nd instalment of Rs. 21.99 lakh was to be repaid @ 13 percent p.a. from second year of payment in 20 equal instalments, failing which a penal interest @ 2.75 percent p.a. was also payable.

Test check of records of the Chief Executive Officer (CEO) Nagar Palika Jaora District Ratlam (July 2008) revealed that the construction of commercial complexes was completed in December 2003. But neither the shops built in these complexes were allotted due to poor planning and implementation, nor repayment of Rs. 35.36 lakh due on account of loan and Rs. 1.18 crore on account of interest upto March 2008 was made. Non payment of loan attracted penal interest of Rs. 31.76 lakh⁶.

On being pointed out, the CEO replied (July 2008) that the shops constructed under IDSMT scheme could not be allotted and rented out inspite of several auction notices. Therefore, the desired revenue could not be earned and also the financial condition of Nagar Palika was not sound to repay the loan. The CEO further replied (January 2009) that the proposal for repayment of loan instalments has been placed before the Parishad and action will be taken accordingly. The reply highlights the failure of Nagar Palika Jaora to conduct proper survey to ascertain the demand of the shops in the area before construction of shopping complexes.

The matter was reported to Government (October 2008). The reply was still awaited.

⁵ Shopping complex opposite power house 82 shops, fruit market Bus stand premises 22 shops and Rajeev Nagar Tal Naka shopping complex 22 shops.

⁶ 1st instalment Rs. 55 lakh X 2.75% X 13 years = Rs. 19.66 lakh
2nd instalment Rs. 54.99 lakh X 2.75 % X 8 years = Rs. 12.10 lakh
Total Rs. 31.76 lakh