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PREFACE

1. This report has been prepared for submission to the Government of Uttar Pradesh in accordance with the terms of Technical Guidance and Supervision (TGS) of the audit of accounts of Urban Local Bodies (ULBs) by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. This report has two chapters. Chapter-I contains a brief introduction of functioning of various levels of the ULBs in the state with the observations and comments on accounts and Chapter-II deals with audit comments based on compliance/transaction audit.
3. The cases mentioned in the report are those, which came to notice in the course of test audit/inspection of accounts during the year 2008-09. During the period from April 2008 to March 2009, accounting and other records of 8 Nagar Nigams, 22 Nagar Palika Parishads and 45 Nagar Panchayats were inspected.

CHAPTER-I

AN OVERVIEW OF URBAN LOCAL BODIES

1.1 Introduction

Government implemented the system of democratic governance down to grass root level in Urban Local Bodies (ULBs) through Uttar Pradesh Municipal Corporation Act, 1959 and Uttar Pradesh Nagar Palika Act, 1916. The objective was to make the ULBs self-reliant and to provide better civic facilities to the people of the areas under their jurisdiction. Further, the Seventy-Fourth Constitutional Amendment (1992) paved the way for decentralization of powers, transfer and devolution of more functions and funds to the ULBs. Consequently, more diversified responsibilities were devolved through a three-tier structure namely Nagar Nigams¹ (NNs), Nagar Palika Parishads² (NPPs) and Nagar Panchayat³ (NPs). To incorporate the provisions of the Seventy-Fourth Constitutional Amendment, the legislature of Uttar Pradesh enacted the Uttar Pradesh Urban Local Self Government Laws (Amendment) Act, 1994.

There were 627 ULBs in the State, governed by the elected board of their members with normally five years' tenure. The last election to these 627 ULBs was held in the year 2006. The population profile of the ULBs was as under:

Number and names of ULBs	Aggregate area (sq km)	Aggregate area/ULB (sq km) ⁴	Total Population (as per census 2001)	Average population	Density of population (average per sq. km)
12 Nagar Nigam	1,426.56	118.88	1,31,49,882	10,95,823	9,218
194 Nagar Palika Parishad	1,980.76	10.21	1,33,98,815	69,066	6,764
421 Nagar Panchayats	1,700.42	4.04	60,53,844	14,380	3,560
Total 627 ULBs	5,107.74	133.13	3,26,02,541	11,79,269	19,542

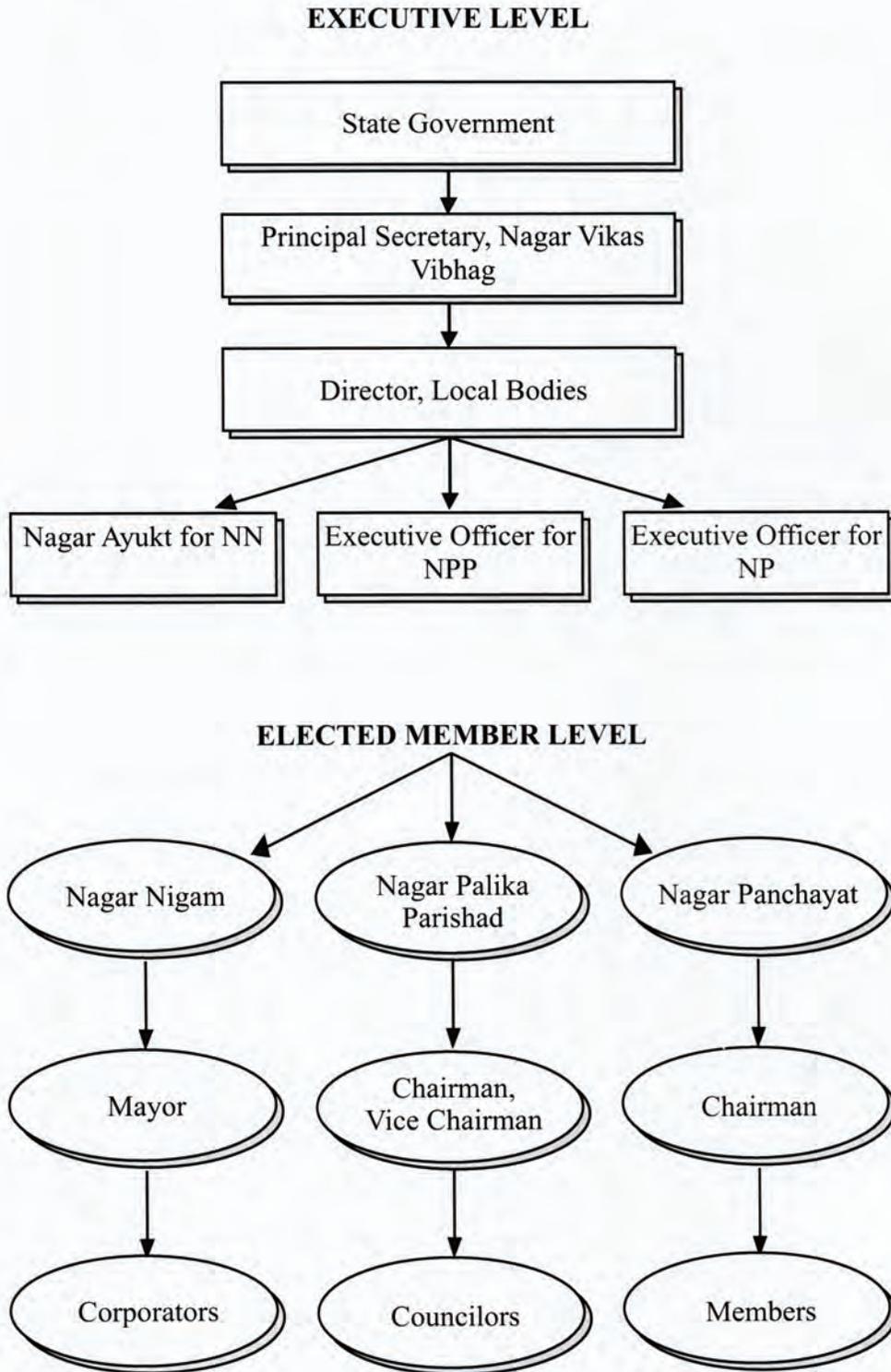
1 Represents the ULBs, having the population of more than five lakh.

2 Represents the ULBs, having the population between 20 thousand and five lakh.

3 Represents the ULBs having the population below 20 thousand.

4 Area as per census of 1991.

1.2 Administrative Organization of Urban Local Bodies



While a *Mayor* heads the Nagar Nigam, *Chairman* heads the Nagar Palika Parishads and the Nagar Panchayat. The elected representatives exercise their powers and discharge the duties through the committees of elected members. *Nagar Ayukt* in case of Nagar Nigam and Executive Officers in case of Nagar Palika Parishads and Nagar Panchayats are the administrative heads.

1.3 Database on finances

Based on the recommendation of Eleventh Finance Commission (EFC), Ministry of Finance, Government of India issued (June 2001) guidelines that a database on the finances of the ULBs should be developed at the district, State and Central Government levels and be easily accessible through computers and linking it through V-SAT⁵. The data were to be collected and compiled in standard formats prescribed (2003) by the Comptroller and Auditor General of India (C & AG). The database was to facilitate comparison of performance of local bodies among the States at the Government of India level and the Government at the State level.

The database was, however, not developed upto December 2009 even after funds to the tune of ₹ 49.41 lakh were earmarked (2000-01) for database creation as per recommendations of EFC. Action taken in this regard at the Government level was awaited (December 2009).

Due to non-availability of the database on finances of the ULBs, the Government could not assess their performance in the State. Besides, release of grants after reviewing their actual needs and fiscal performance was not possible in absence of database. This was more important in terms of the recommendation of the Twelfth Finance Commission (TFC) which observed that maintenance of the database was necessary to keep accurate information on the finances of the ULBs for need based assessment of their requirements.

⁵ Very Small Aperture Terminal

1.4 Transfer of functions

In follow up to the 74th Constitutional Amendment Act, 1992, the State Legislature enacted laws for devolving 13 functions out of 18⁶ (enshrined in Twelfth Schedule of the Constitution) on the ULBs leaving out 5⁷ functions. In addition, one function namely parking places for vehicles (beyond Twelfth Schedule of the Constitution) was also devolved. However, neither activities nor functionaries and funds in respect of six functions⁸ out of 14 devolved were transferred to the ULBs as of August 2009.

Thus partial devolution of the activities functions and funds restricted the activities of the ULBs.

1.5 Sources of revenue

1.5.1 Sources of revenue

In the mandate of the EFC, ULBs were brought within purview of the Finance Commissions for the first time. The objective was to augment Consolidated Fund of the State Government to supplement the resources of the ULBs. Accordingly, the TFC also recommended release of grants to the State Government. State Government also released grants to the ULBs as recommended by its own State Finance Commission (SFC). In all, the sources of revenues for the ULBs comprised:

-
- 6 (i) Urban planning including town planning, (ii) Regulation of land use and construction of buildings, (iii) Planning for economic and social development, (iv) Roads and bridges, (v) Water supply for domestic, industrial and commercial purposes, (vi) Public health, sanitation, conservancy and solid waste management, (vii) Fire services, (viii) Urban forestry, protection of the environment and promotion of ecological aspects, (ix) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded, (x) Slum improvement and up gradation, (xi) Urban poverty alleviation, (xii) Provision for urban amenities and facilities such as parks, gardens, playgrounds, (xiii) Promotion of cultural, educational and aesthetic aspects, (xiv) Burials and burial grounds, cremations, cremation grounds and electric crematorium, (xv) Cattle ponds, prevention of cruelty to animals, (xvi) Vital statistics including registration of births and deaths, (xvii) Public amenities including street lighting, parking lots, bus stops and public conveniences, (xviii) Regulation of slaughter houses and tanneries.
 - 7 (i) Urban planning including town planning, (ii) Regulation of land use and construction of buildings, (iii) Roads and Bridges, (iv) Fire services, (v) Promotion of cultural, educational and aesthetic aspects.
 - 8 (i) Planning of economic and social development, (ii) Urban forestry, (iii) Safeguarding the interest of weaker sections of society, (iv) Urban poverty alleviation (v) Slum improvement and upgradation, (vi) Parking places for vehicles.

- Grants assigned under the recommendations of the EFC (2000-05) and TFC (2005-10).
- Devolution of 7.5 per cent of net proceeds of total Tax Revenue of the State Government under the recommendations of the Second State Finance Commission (2003).
- Funds from other departments for functions transferred to the ULBs.
- Revenue earned by the ULBs out of their own resources such as taxes, rent, fees, *tehbazari*⁹, taxi stands, etc.

1.5.2 Aggregate receipts

The aggregate receipts of the ULBs under the recommendations of EFC, TFC and SFC and revenue realized from their own resources during the period 2004-09 were as under:

(₹ in crore)

Sl. No.	Year	EFC and TFC (per cent to total receipt)	SFC (per cent to total receipt)	Own resources (per cent to total receipt)	Total
1.	2004-05	22.79 (2%)	877.00 (67%)	412.33 (31%)	1,312.12
2.	2005-06	51.70 (4%)	911.25 (63%)	475.98 (33%)	1,438.93
3.	2006-07	103.40 (5%)	1,518.00 (73%)	448.36 (22%)	2,069.76
4.	2007-08	103.40 (4%)	1,838.43 (71%)	662.23 (25%)	2,604.06
5.	2008-09	103.40 (4%)	1,985.64 (68%)	841.95 (29%)	2,930.99
	Total	384.69 (4%)	7,130.32 (69%)	2,840.85 (27%)	10,355.86

(Source: Director, Urban Local Bodies, Lucknow)

It would be seen from the table that the prime contributor to receipts of ULBs was the grants received under the recommendations of the SFC followed by income generated through their own resources.

1.5.3 Devolution of State Finance Commission grant

Second State Finance Commission recommended that 7.50 per cent of the net proceeds of the Tax Revenue of the State Government should be devolved to the ULBs. The devolution of the funds and actual funds released by the State Government during the period 2004-09 were as under:

⁹ Tax on trades and callings carried on within the municipal limits.

(₹ in crore)

Year (1)	Net proceeds of Tax Revenue of State Government (2)	Funds to be devolved (3)	Funds actually devolved (4)	Short release (per cent) (Column no 3-4) (5)
2004-05	15,693	1,177	877	300 (25)
2005-06	18,858	1,414	911	503 (36)
2006-07	22,998	1,725	1,518	207 (12)
2007-08	24,959	1,872	1,838	34 (2)
2008-09	28,659	2149	1986	163(8)
Total	1,11,167	8,337	7,130	1,207 (14)

(Source: Director, Urban Local Bodies, Lucknow)

As would be seen from the table that the Government did not devolve 7.5 percent of the net proceeds of the Tax Revenue in any year during the period 2004-09.

The shortfall in devolution of funds deprived the ULBs at the grass root level to provide better civic amenities to the people of the areas under their jurisdiction besides denying ULBs an opportunity to be self reliant.

1.6 Utilization of funds

Utilization of grants under EFC, TFC and SFC

Based on data made available by Director, ULBs, Lucknow, the table below brings out the position of funds available under the EFC, TFC and SFC and its utilization during 2004-09 as of August 2009.

(₹ in crore)

Name of the grant	Year	Funds available	Funds utilized	Funds not utilized
EFC	2004-05	22.79	22.79	--
TFC	2005-06	51.70	51.70	--
	2006-07	103.40	51.70	51.70
	2007-08	103.40	77.55	25.85
	2008-09	103.40	16.76	86.64
Second SFC	2004-05	877.00	877.00	-
	2005-06	911.25	911.25	-
	2006-07	1,518.00	1,518.00	-
	2007-08	1,838.43	1,838.43	-
	2008-09	1,985.64	1,985.64	-

As would be seen from the table out of ₹ 310.20 crore of TFC grant released during 2006-09, ₹ 164.19 crore remained unutilized as of August 2009.

Further, data furnished by Director, local bodies, were not found realistic as the funds made available to the ULBs was treated as final expenditure in the records of the Director, ULBs and no system existed to ascertain the actual expenditure incurred by the units.

Revenue realized from own resources

The ULBs were required to generate revenues by collecting taxes, rent, fee, etc. from the people of the areas falling under their jurisdiction. Position of targets fixed for revenue realization for ULBs during 2006-09 by the Government and achievement thereagainst is given below:

(₹ in crore)

Name and Number of PRIs	2005-06		2006-07		2007-08		2008-09	
	Target	Achievement (per cent)						
12 NNs	261.52	299.88 (115)	298.93	254.41 (85)	328.82	430.98 (131)	364.16	581.31(160)
194 NPPs	158.92	132.10 (83)	161.90	116.73 (72)	175.80	157.18 (90)	193.98	216.91(113)
421 NPs	19.81	44.00 (222)	19.81	77.22 (390)	28.79	74.07 (257)	50.64	43.73 (86)
Total	440.25	475.98	480.64	448.36	533.41	662.23	608.78	841.95

(Source: Director, Urban Local Bodies)

It would be seen from the above table that in respect of NNs, the targets for 2006-07 and 2008-09 were fixed less than the revenue realized during 2005-06 and 2007-08 respectively and in respect of NPs, the targets fixed for 2006-07, 2007-08 and 2008-09 were less than the revenue realized in their preceding years.

1.7 Overall financial position of the ULBs

As mentioned in the Paragraph 1.3, the database on finances of the ULBs was not created. As a result the overall financial position of all the ULBs in the State depicting the opening balances, receipts, expenditure and closing balances could not be ascertained.

The year-wise financial positions of ULBs (2005-06: 105, 2006-07: 106 and 2007-08: 75), test-checked in audit during the period 2006-09 is detailed below:

(₹ in crore)						
Accounts Year	Number of ULBs test-checked	Opening balances	Funds received	Total Funds available	Expenditure (per cent in bracket)	Closing balances
Nagar Nigams						
2005-06	7	132.32	581.23	713.55	501.83 (70)	211.72
2006-07	7	211.72	605.50	817.22	595.48 (73)	221.74
2007-08	8	211.44	1,002.22	1,213.66	688.71(57)	524.96
Nagar Palika Parishads						
2005-06	39	34.10	122.99	157.09	113.14 (72)	43.95
2006-07	39	43.95	124.01	167.96	126.32 (75)	41.64
2007-08	22	27.62	121.36	148.98	110.75(74)	38.23
Nagar Panchayats						
2005-06	59	15.05	40.83	55.88	39.09 (70)	16.79
2006-07	60	17.20	49.63	66.83	51.37 (77)	15.46
2007-08	45	11.08	41.72	52.80	39.91(76)	12.89
Total		43.33	132.18	175.51	130.37	45.14

(Source: Inspection report of the audited unit)

The percentages of expenditure as against the available funds ranged between 57 to 73 per cent in respect of NNs, 72 to 75 in respect of NPPs and 70 to 76 in respect of NPs. Consequently, huge amount was lying unspent with them at the end of each financial year which indicated poor planning of funds utilization for achieving intended objectives in a time-bound manner.

1.8 Internal Control

- The NPPs and NPs did not have any pre-check system for bills. As such, payments were made without pre checking of the bills.
- In terms of the Rule 67 of UP Municipal Account Code, the Executive Engineers and the Assistant Engineers were to check/verify 5 and 25 per cent respectively of the measurements of the construction works entered in the measurement books. In test-check of ULBs, it was, however, noticed that measurements were not checked and verified as such.

1.9 Budgeting and budgetary procedure

In terms of Note 1 below Rule 104 of Municipal Account Code, each ULB in the State was to prepare the annual budget estimates and monthly accounts for effective control over the expenditure. Test-check of records of 46 ULBs¹⁰,

¹⁰ Nagar Panchayat

however, revealed that neither monthly nor annual accounts were prepared by them. Besides, 9 NPs out of 46 did not prepare even annual budget estimates for the year 2007-08 (*Appendix-1*). Without preparation of monthly accounts/budget estimates in these ULBs, an expenditure of ₹ 45.04 crore was incurred. Incurring of expenditure without preparation of Monthly Accounts/Budget Estimate is not a healthy financial practice as it undermines the importance of prioritization of resource allocation besides, diluting exercise of control over receipts and expenditures.

Executive Officers of the ULBs are primarily responsible for preparation of budget and assisting the Board in scrutinizing and approving the same. This responsibility was not effectively discharged by the Executive Officers.

1.10 Accounting arrangements

- **Adoption of account formats prescribed by the C&AG**

The C & AG on the recommendation of EFC prescribed the Budget and Accounting formats on accrual basis for ULBs which the Ministry of Urban Development circulated (June 2003) to the State Governments for their acceptance. The Government accepted the formats but could not implement the same as of August 2009.

Due to non-maintenance of accounts in the prescribed formats, the assessment of the assets and liabilities of the ULBs could not be done.

- **Non-reconciliation of cash balances**

Each item of receipts and expenditure as per cash book should be compared with the treasury/bank statements at the end of each month. The differences, if any, should be reconciled. However, it was noticed in test-check that 3 NNs, 8 NPPs and 11 NPs had a total difference of ₹ 10.36 crore as on 31 March 2008 in the cash book and treasury/bank statements (*Appendix-2*). On being pointed out in audit, the units stated that reconciliation would be done. The un-reconciled differences were fraught with the possibilities of misuse/misappropriation of funds.

1.11 Audit arrangements

- Director, Local Fund Audit is the primary auditor of ULBs in terms of Uttar Pradesh Local Fund Audit Act, 1984. Based on information furnished (September 2009) by Director, Local Funds Audit, the arrears in audit of ULBs occurred ranging between 6 and 7 *per cent* during the year 2006-07 to 2008-09 due to shortage of manpower. The year-wise position of the units to be audited and those actually audited have been given below:

Year	Number of units to be audited	Number of units actually audited	Units in arrear	Arrear in <i>per cent</i>
2006-07	623	582	41	7
2007-08	623	586	37	6
2008-09	623	585	38	6

(Source: Information furnished by Director, Local Fund Audit)

- Position of paragraph settled and paragraph lying outstanding at the end of March 2009 was as under:

Name of units	Upto 2006-07			Upto 2007-08			Upto 2008-09		
	No of outstanding paragraph	Settled during the year (<i>per cent</i> to the outstanding)	No. of outstanding paragraph at the end of the year	No of outstanding paragraph	Settled during the year (<i>per cent</i> to the outstanding)	No. of outstanding paragraph at the end of the year	No of outstanding paragraph	Settled during the year (<i>per cent</i> to the outstanding)	No. of outstanding paragraph at the end of the year
NNs	24,556	151 (1)	24,405	21,543	06 (NIL)	21,537	22,682	49 (NIL)	22,633
NPPs	1,41,893	5,216 (4)	1,36,677	1,48,112	859 (1)	1,47,253	1,56,277	5,386 (3)	1,50,891
NPs	1,31,300	8,487 (6)	1,22,813	1,37,627	2,206 (2)	1,35,421	1,66,407	3,098 (2)	1,63,309
Total	2,94,749	13,854	2,83,895	3,07,282	3,071	3,04,211	3,45,366	8,533	3,36,833

(Source: Director, Local Fund Audit)

It would be seen from the table that number of outstanding paragraph increased by 52,938 from 2, 83,895 (as on 31 March 2007) to 3, 36,833 (19 *per cent*) at the end of 2008-09. The Director, Local Fund Audit attributed the poor settlement to reluctance of ULBs in submission of compliance report.

Director, Local Fund Audit, in terms of section 7 (3) of Uttar Pradesh Local Fund Audit Act, 1984 was required to prepare a consolidated audit report on the accounts of ULBs and submit it to the Government for placing it before the Legislative Assembly. It was noticed that while such annual audit report was prepared up to the year 2005-06, reports up to the year 2003-04 only was placed

before the Legislative Assembly. Reason for non-preparation of annual audit reports for 2006-07, 2007-08 and 2008-09 was not furnished by Director, Local Fund Audit.

1.12 Position of entrustment of audit/Technical Guidance and Supervision to Comptroller and Auditor General of India

The EFC recommended exercising of Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of ULBs and their audit by the C & AG of India under section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service), Act 1971. The Government entrusted (October 2001) the audit of ULBs under section 20 (1) of C & AG's DPC Act, 1971.

- Audit of 8 Nagar Nigams, 22 Nagar Palika Parishads and 45 Nagar Panchayats for the year 2007-08 was conducted during 2008-09 and 1,644 paragraphs on poor financial management and irregularities resulting into infructuous and excess expenditures, diversion of funds and loss of revenue, etc. were communicated during 2006-09 to the Head of the offices of the concerned audited units of the ULBs, and Director, Local Fund Audit. However, the compliance of these paragraphs was awaited (December 2009).

1.13 Other points

Recommendation of the State Finance Commission

Second State Finance Commission, constituted in February 2000 for the period 2001-2006, made 107 recommendations mainly on the issues relating to transfer of fixed shares of the net proceeds of the State Tax Revenue to ULBs, formation of District Planning Committees (DPCs) to improve their resources through license fee, etc. and to implement e-governance and computerization in ULBs. The DPCs were also to approve the district development plan as a whole prepared by the ULBs for each financial year.

It was observed that the Government accepted 74 recommendations *in toto*, 12 partially and did not accept remaining 21 which related mainly to imposing of property tax in rural areas, revision of rates of land revenue and enhancing income of ULBs through licenses etc.

1.14 Conclusion

The Government did not devolve the Net Tax Revenue to the ULBs as recommended by SFC. The ULBs did not utilize even the available funds leading to huge accumulation of funds with them at the end of each year. Despite availability of fund, database for maintenance of finances of the ULBs were not developed, consequently, ULB-wise data was not available for assessment of their financial performance. The status of the assets and liabilities of the ULBs were also not available due to non-maintenance of accounts in the formats prescribed by the C & AG.

1.15 Recommendations

- The Government should take effective steps to develop database on finances of the ULBs for making need based assessment of their requirements at the Government level.
- The Government should adopt the achievement of norms prescribed by the Second Finance Commission for devolution of funds to the ULBs.
- The Government should ensure that ULBs prepare their budget and accounts in the formats prescribed by the C & AG of India.
- The Government should ensure that the ULBs' response to audit paragraphs raised by the Director, Local Fund Audit as well as incorporated in the Audit Inspection Reports prepared under the technical guidance and supervision of the C & AG are attended to on priority and compliance submitted to Director, Local Fund Audit and Principal Accountant General (Civil Audit), Uttar Pradesh, Allahabad.

CHAPTER-II

Audit of Transactions

2.1 Non-adjustment of Advances

Non-adherence to provisions of Accounts Code and financial rules resulted in non-adjustment of advances to the tune of ₹ 93.93 lakh.

Rule 57 (3) of Nagar Nigam Accounts Code (Accounts Code) and rule 162 (7) of Financial Handbook Volume-V (Part-I) envisaged that temporary advances made to individuals were required to be adjusted latest by the end of financial year in which advances were made and during the pendency of one such advance, no fresh advance would be given.

Test-check (February 2009) of the records of Nagar Nigam, Bareilly (NN) and information collected (September 2009) revealed that an amount of ₹ 93.93 lakh (*Appendix-3*) advanced to different officers/officials for construction / repair works and purchase of goods/services etc. during the period 1968-2009, was pending for adjustment as of March 2009. Out of this, ₹ 42.90 lakh and ₹ 51.03 lakh were outstanding for 01 to 10 years and 10 to 41 years respectively. By way of non-adjustment of advances timely, NN violated the provisions of Accounts Code as well as financial rules which was indicative of the ineffectiveness of the monitoring mechanism and poor budgetary control.

On being pointed out in audit, Nagar Ayukt stated (February 2009) that action for adjustment of advances was being taken. The reply was not tenable as non-adjustment of such heavy amounts for such a prolonged period was not only fraught with the risk of fraud and embezzlement but several officers must have retired also during this period.

Thus, violation of provisions of Accounts Code and financial rules resulted in non-adjustment of advances for such a prolonged period.

The matter was reported to the Government (August 2009); the reply had not been received (November 2010).

2.2 Diversion of fund

Diversion of ₹ 25 lakh sanctioned from Revolving Fund to other works in violation of Government Orders resulted in non-achievement of required civil amenities

With a view to develop and strengthen the infrastructural amenities of rural/urban areas, the interest free loan is sanctioned to local bodies from the Revolving Fund created at State level. These loans are sanctioned for the immediate requirements and diversion in any case is not allowed without the prior approval of the State Government.

Test-check (September 2008) of records of Nagar Palika Parishad, Nautanwan, Mahrajganj (NPP) revealed that the funds amounting to ₹ 25 lakh sanctioned from Revolving Fund (December 2005) for sanitation works (construction of four drains¹¹) were utilized on earth and soling works without obtaining prior approval of the State Government.

On being pointed out in audit, Executive Officer stated (September 2008) that the works on which expenditure was incurred were necessary and were done on the orders of Adhyaksha.

The reply was not tenable as the funds were released only for the sanctioned works which were immediately required to be done and could not be diverted for other works without prior approval of the State Government.

Thus, violation of Government order not only led to irregularity of diversion of funds but also resulted in non-achievement of immediately required sanitation work.

¹¹ (i) *tooti chauraha* to Bypass (ii) Hanuman chaowk to Bypass (iii) Old nautanwan to Daanda river and (iv) *tooti chauraha* to Mandi parishad.

The matter was referred to the Government (August 2009); the reply was awaited (November 2010).

2.3 Avoidable expenditure on construction of roads

Non-adherence to PWD's specifications in construction of Interlocking (Paver Block) Roads resulted in an avoidable expenditure of ₹ 5.45 lakh

All road construction works in Urban Local Bodies (ULBs) are executed as per specifications and norms prescribed by Uttar Pradesh Public Works Department (PWD). As per specification laid down in instructions issued (January 2007) by Chief Engineer (Central Zone) (PWD) Lucknow, Interlocking (Paver Block) roads should be constructed over Water Bound Macadam (WBM)/ Wet Mix Macadam (WMM) by laying 20 mm to 40 mm thick layer sand over WBM/WMM whereas in case of foot path, cycle track on which compaction of WBM/WMM is not possible, 8 cm to 10 cm thick cement concrete may be used before execution of Interlocking (Paver Block) roads.

Test-check (March 2009) of records of Nagar Panchayat, Fatehpur (NP), District Barabanki revealed that four painted roads (*Appendix-4*) situated in the area of NP were constructed by Interlocking Brick (Paver Block) in contravention of specifications of the UP PWD by laying 10 cm thick Plane Cement Concrete (PCC) on an area of 3,155.63 square metre (sq m) over existing WBM surface in addition to laying of 4 cm thick sand. In accordance with specification, roads should have been constructed by Interlocking Brick by laying 4 cm sand over WBM. Therefore, expenditure of ₹ 5.45 lakh incurred on laying PCC was unnecessary.

On being pointed out in audit, Executive Officer stated (February 2009) that works were executed after verification of the estimates by PWD.

Reply was not tenable as PWD had verified rates of various items used in execution of works as per its scheduled of rates. Technical sanction was not accorded by the PWD.

Thus, execution of the roads in contravention of specifications resulted in an avoidable expenditure of ₹ 5.45 lakh.

The matter was referred to the Government (September 2009); the reply was awaited (November 2010).

2.4 Avoidable expenditure

Non-adherence to specifications prescribed for construction of roads led to avoidable expenditure of ₹ 5.04 lakh

All the works in Urban Local Bodies Department are carried out as per specifications, norms prescribed by Uttar Pradesh Public Works Department (PWD). According to specifications of Ministry of Road, Transport and Highway (MORTH) adopted by the PWD by issuing circulars/instructions from time to time in this regard any one of the following three methods could be adopted for surface dressing of roads on Water Bound Macadam (WBM) top coat:

- Surface dressing [Painting-1 (P-1) and Painting-2 (P-2)]
- Mix Seal Surface (MSS)
- Premix Carpet with Seal Coat (PC with SC)

Test-check (July 2008) of the records of Nagar Palika Parishad, (NPP), Bansi, Siddharthnagar revealed that three roads¹² were constructed up to P-2 level in which PC with SC was done over P-2. It was against the specifications of PWD. Thus, expenditure of ₹ 5.04 lakh incurred on PC with SC after P-2 was avoidable.

On being pointed out in audit, Executive Officer stated (July 2008) that provisions of PC with SC after P-2 was made due to traffic density. The reply was not tenable as the work was executed against the specifications of PWD. Further, no traffic density count survey ever conducted was on record.

Thus, non-adherence to specifications resulted in an avoidable expenditure of ₹ 5.04 lakh.

The matter was reported to the Government (November 2009); the reply was awaited (November 2010).

¹² (i) Road between Akbar Nagar and Shyamnagar through Rapti Pul Hanuman Mandir and house of Dr. Abdi and Abdi Masjid to Ram Prasad's House ₹ 261430/-
(ii) Pitch Road in Ward No. 7, Pant nagar from house of Sri Moti Lal to Sri Ram Chandra Jaiswal ₹ 106850/- (iii) Pitch Road in ward No.11 Azad Nagar from house of Ram Kishun, Opendra Bahadur and Community Development Centre to house of Radhey Shyam Tiwari ₹ 90671/-

2.5 Excess expenditure

Non-adherence to consumption norms of bitumen in laying tack coat led to excess expenditure of ₹ 11.13 lakh on construction of roads

All works in Urban Local Bodies are carried out as per specification, norms prescribed by Uttar Pradesh Public Works Department (PWD). According to specifications prescribed by Ministry of Road Transport & Highway (MORTH), circulated (June 2007) by PWD, 25kg/100 sq m bitumen is prescribed in laying of tack coat before premix carpeting (PC)/Bituminous Macadam & Semi Dense Bituminous concrete (BM and SDBC) works.

Test-check (June 2009) of records of Nagar Nigam, Lucknow (NN) revealed that improvement of 11 roads (**Appendix-5**) was done with BM & SDBC in which 50kg/100 sq m bitumen was used in laying tack coat on an area of 112640.42 sq m against the prescribed consumption norms of 25kg/100 sq m which resulted in excess expenditure ₹ 11.13 lakh on construction of these roads.

On being pointed out in audit, Municipal Engineer stated (June 2009) that as per code -94 -1986 of I.R.C., 50 kg/100 sq m consumption of bitumen in laying tack coat was prescribed and works were executed accordingly. Reply was not tenable as the above specification of IRC was applicable in Dense Bituminous Macadam and not for BM & SDBC.

Thus, non-adherence of prescribed specifications resulted in excess expenditure of ₹ 11.13 lakh on construction of roads.

The matter was reported to the Government (November 2009); the reply was awaited (November 2010).

2.6 Unfruitful expenditure

Unplanned construction of shops led to unfruitful expenditure of ₹ 12.81 lakh

Ministry of Urban Affairs and Employment, Government of India approved (April 1999) a Commercial Project, viz., Jawahar Nagar Commercial Scheme for Kushinagar Town of District Padrauna under Integrated Development of Small and Medium Towns (IDSMT). A project at the estimated cost of ₹ 27.33 lakh was approved by the Chairman, Nagar Panchayat, Kushinagar under the

scheme. Test-check (June 2008) of the records of Nagar Panchayat, Kasya, Kushinagar (NP) revealed that without proper planning and without ensuring the allotment of the shops after construction, 33 shops and one restaurant were constructed by NP at the cost of ₹ 27.22 lakh during the period 2002-04. Scrutiny further revealed that even after the lapse of five years, 15 shops and restaurant constructed at the cost of ₹ 12.81 lakh could not be allotted as of August 2009. The non-allotment of shops resulted in an unfruitful expenditure incurred on the construction of shops and restaurant.

On being pointed out in audit, Executive Officer stated (August 2009) that even after the extensive advertisements, no body applied for the allotment. Reply was not tenable as the allotment of the shops was not ensured before the start of construction.

Thus, unplanned construction of shops led to an unfruitful expenditure of ₹ 12.81 lakh.

The matter was referred to the Government (August 2009); reply was awaited (November 2010).

2.7 Loss of revenue

Non-adherence to provisions of Uttar Pradesh Municipal Corporation Adhiniyam, 1959 led to incorrect assessment of house tax resulting in recurring loss of revenue worth ₹ 0.52 lakh per annum

According to the provisions of section 172 of the Uttar Pradesh Municipal Corporation Adhiniyam, 1959 (Adhiniyam), Nagar Nigams impose house tax on residential and commercial buildings as per rates prescribed for taxation from time to time by the Government on the basis of annual property valuation. The valuation of properties done on the basis of area wise rates fixed from time to time by Public Works Department (PWD). PWD fixed the rates ranging from ₹ 6000/- per square meter to ₹ 7000/- per square meter for different floors for Civil Lines area of Allahabad.

Test-check (July 2008) of the records of Nagar Nigam, Allahabad (NN) revealed that the assessment of house tax of Vishal Mega Mart, a commercial complex situated at Civil Lines, Allahabad was done at the rates of ₹ 3700/- to ₹ 4000/- per square meter for different floors against the prescribed rates fixed for the area (**Appendix-6**). This resulted in short assessment of ₹ 0.52 lakh per annum effective from October 2007. The accumulated value of loss of revenue accrued at ₹ 1.56 lakh from October 2007 to September 2009.

On being pointed in audit, Junior Engineer of NN stated (July 2008) that during the valuation of property, rates were not revised by PWD. The reply was not tenable as the rates were already revised by PWD prior to November 2006 while the valuation of the referenced property was done during October 2007.

Thus, non-adherence of provisions of Adhiniyam led to incorrect assessment of house tax resulted in recurring loss of revenue worth ₹ 0.52 lakh per annum.

The matter was referred to the Government (December 2009); the reply was awaited (November 2010).

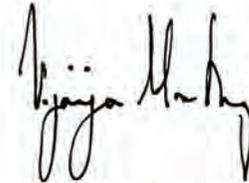
Allahabad
The



(Gulshan Relan)
Deputy Accountant General
(Local Bodies)

Countersigned

Allahabad
The



(Vijaya Moorthy)
Principal Accountant General (Civil Audit)
Uttar Pradesh

Appendix-1
(Reference: Paragraph: 1.9; Page No.9)

**Statement of non-preparation of Monthly Accounts, Annual
Accounts & Budget by the ULBs**

(₹ in crore)

Sl. No.	Name of Units	Period for which Budget estimates not prepared	Expenditure incurred without budgetary proposal	Remarks
1.	Nagar Panchayat, Mushaphrkhana, Sultanpur	2007-08	1.21	Budget Monthly and annual account not prepared
2.	Nagar Panchayat, Mahawan, Mathura	2007-08	0.73	Budget Monthly and annual account not prepared
3.	Nagar Panchayt, Kaptanganj, Kushinagar	2007-08	0.55	Budget Monthly and annual account not prepared
4.	Nagar Panchayt, Ekauna, Shrawasti	2007-08	0.70	Budget Monthly and annual account not prepared
5.	Nagar Panchayat, Achhnera, Agra	2007-08	2.03	Budget Monthly and annual account not prepared
6.	Nagar Panchayat, Bangarmau, Unnao	2007-08	2.16	Budget Monthly and annual account not prepared
7.	Nagar Panchayat, Annandnagar, Maharajganj	2007-08	0.97	Budget Monthly and annual account not prepared
8.	Nagar Panchayat, Akbarpur, Kanpur Dehat	2007-08	1.38	Budget Monthly and annual account not prepared
9.	Nagar Panchayat, Machhli Shahar Jaunpur	2007-08	1.23	Budget Monthly and annual account not prepared
10.	Nagar Panchayat, Nichlala, Maharajganj	2007-08	1.00	Monthly/Annual Accounts not prepared
11.	Nagar Panchayat, Alibazar, Deoria	2007-08	0.61	Monthly/Annual Accounts not prepared
12.	Nagar Panchayat, Amethi, Sultanpur	2007-08	0.78	Monthly/Annual Accounts not prepared
13.	Nagar Panchayat, Annandnagar, Sultanpur	2007-08	0.01	Monthly/Annual Accounts not prepared
14.	Nagar Panchayat, Bahadurganj, Ghazipur	2007-08	0.80	Monthly/Annual Accounts not prepared
15.	Nagar Panchayat, Baldeo, Mathura	2007-08	0.53	Monthly/Annual Accounts not prepared
16.	Nagar Panchayat, Banki, Barabanki	2007-08	0.90	Monthly/Annual Accounts not prepared
17.	Nagar Panchaya, Baragaon, Jhansi	2007-08	0.53	Monthly/Annual Accounts not prepared
18.	Nagar Panchayat, Bhinga, Shrawasti	2007-08	0.71	Monthly/Annual Accounts not prepared
19.	Nagar Panchayat, Bhighapur, Unnao	2007-08	0.34	Monthly/Annual Accounts not prepared
20.	Nagar Panchayat, Dostpur, Sultanpur	2007-08	0.96	Monthly/Annual Accounts not prepared
21.	Nagar Panchayat, Gajraula, J. P. Nagar	2007-08	3.22	Monthly/Annual Accounts not prepared

22.	Nagar Panchayat, Erach, Jhansi	2007-08	0.70	Monthly/Annual Accounts not prepared
23.	Nagar Panchayat, Goshaniganj, Faizabad	2007-08	1.01	Monthly/Annual Accounts not prepared
24.	Nagar Panchayat, Gulariya, Pilibhit	2007-08	0.38	Monthly/Annual Accounts not prepared
25.	Nagar Panchayat, Jahananbad, Pilibhit	2007-08	0.73	Monthly/Annual Accounts not prepared
26.	Nagar Panchayat, Jalalabad, Bijnore	2007-08	0.72	Monthly/Annual Accounts not prepared
27.	Nagar Panchayat, Jijhana, Muzaffarnagar	2007-08	0.60	Monthly/Annual Accounts not prepared
28.	Nagar Panchayat, Kabrai, Mahoba	2007-08	1.06	Monthly/Annual Accounts not prepared
29.	Nagar Panchayat, Kasiya, Kushinagar	2007-08	1.95	Monthly/Annual Accounts not prepared
30.	Nagar Panchayat, Kerakat, Jaunpur	2007-08	0.68	Monthly/Annual Accounts not prepared
31.	Nagar Panchayat, Koiripur, Sultanpur	2007-08	0.47	Monthly/Annual Accounts not prepared
32.	Nagar Panchayat, Kunda, Pratapgarh	2007-08	0.95	Monthly/Annual Accounts not prepared
33.	Nagar Panchayat, Mallawna, Hardoi	2007-08	2.93	Monthly/Annual Accounts not prepared
34.	Nagar Panchayat, Mariyahun, Jaunpur	2007-08	1.01	Monthly/Annual Accounts not prepared
35.	Nagar Panchayat, Month, Jhansi	2007-08	0.71	Monthly/Annual Accounts not prepared
36.	Nagar Panchayat, Rampur Karkhana, Deoria	2007-08	0.44	Monthly/Annual Accounts not prepared
37.	Nagar Panchayat, Rudrapur, Deoria	2007-08	0.57	Monthly/Annual Accounts not prepared
38.	Nagar Panchayat, Rura, Kanpur Dehat	2007-08	0.79	Monthly/Annual Accounts not prepared
39.	Nagar Panchayat, Sadar, Ghazipur	2007-08	0.89	Monthly/Annual Accounts not prepared
40.	Nagar Panchayat, Saidpur, Ghazipur	2007-08	1.78	Monthly/Annual Accounts not prepared
41.	Nagar Panchayat, Salempur Deoria	2007-08	1.49	Monthly/Annual Accounts not prepared
42.	Nagar Panchayat, Sewrahi, Kushinagar	2007-08	1.05	Monthly/Annual Accounts not prepared
43.	Nagar Panchayat, Shohratgarh, Siddhratnagar	2007-08	0.52	Monthly/Annual Accounts not prepared
44.	Nagar Panchayat, Sikandra, Kanpur Dehat	2007-08	0.88	Monthly/Annual Accounts not prepared
45.	Nagar Panchayat, Shishauli, Muzaffarnagar	2007-08	0.76	Monthly/Annual Accounts not prepared
46.	Nagar Panchayat, Shishwabazar, Muzaffarnagar	2007-08	0.62	Monthly/Annual Accounts not prepared
	Total		45.04	

Appendix-2

(Reference: Paragraph: 1.10; Page No.9)

Non-reconciliation of cash balances as on 31 March 2008

Sl. No.	C-NAGAR PANCHAYAT				
	Name of Units	District	As per Cash Book	As per Pass Book	Difference
1.	Musahfirkhana	Sultanpur	0.07	0.10	0.03
2.	Koiripur	Sultanpur	0.02	0.04	0.02
3.	Amethi	Sultanpur	0.35	0.62	0.27
4.	Kerakat	Jaunpur	0.17	0.19	0.02
5.	Bahadurganj	Ghazipur	0.11	0.12	0.01
6.	Sewrahi	Kushinagar	0.04	0.37	0.33
7.	Annandnagar	Maharajganj	0.65	0.68	0.03
8.	Mahawan	Mathura	0.10	0.18	0.08
9.	Baragaon	Jhansi	0.29	0.34	0.05
10.	Manikpur	Chitrakoot	0.45	0.55	0.10
11.	Gajraula	J. P. Nagar	0.58	0.82	0.24
12.	Gulariya Bhindara Majhola	Pilibhit	0.10	0.20	0.10
13.	Rudrapur	Deoria	1.41	1.42	0.01
14.	Bangarmau	Unnao	0.22	0.34	0.12
15.	Mehrauni	Lalitpur	0.68	0.69	0.01
		Total			1.42

A- NAGAR NIGAM

Sl. No.	Name of Units	As per Cash Book	As per Pass Book	Difference
1.	Nagar Nigam, Moradabad	26.88	29.28	2.40
2.	Nagar Nigam, Jhansi	39.04	41.61	2.57
3.	Nagar Nigam, Lucknow	84.77	84.97	0.20
	*Reconciliation was not prepared from 2006-07			5.17

B- NAGAR PALIKA PARISHAD

Sl. No.	Name of Units	As per Cash Book	As per Pass Book	Difference
1.	Nagar Palika Parishad, Ballia	3.53	4.15	0.62
2.	Nagar Palika Parishad, Chirgaon, Jhansi.	0.61	0.55	0.60
3.	Nagar Palika Parishad, Ghazipur	2.67	3.55	0.88
4.	Nagar Palika Parishad, Bilari, Moradabad	0.61	0.86	0.25
5.	Nagar Palika Parishad, Chitrakoot	4.25	4.35	0.10
6.	Nagar Palika Parishad, Mallawana, Hardoi	0.17	0.01	0.16
7.	Nagar Palika Parishad, Banda	1.95	2.65	0.70
8.	Nagar Palika Parishad Unnao	0.22	0.33	0.11
9.	Nagar Palika Parishad, Lalitpur	2.79	3.14	0.35
	Total			3.77

Appendix-3*(Reference: Paragraph: 2.1; Page No.13)***Wing-wise outstanding advances given to officials of NN, Bareilly during 1968-2009**

Name of Department	1968-94	1994-99	1999-09	Total
Central Office	10510.28	0	1022900.00	1033410.28
Works Department	2030614.61	2513142.00	2808604.00	7352360.61
Water Works Department	282208.70	153225.56	37544.00	472978.26
Health Department	3000.00	500.00	254777.00	258277.00
Water Tax Department	12063.50	0	10500.00	22563.50
Revenue Department	7677.20	1600.00	5000.00	14277.20
Prakash Vibhag	30595.00	37907.00	144443.00	212945.00
Horticulture Department	4631.00	6800.00	0	11431.00
Officers	8850.00	0	0	8850.00
Legal Department	0	0	6200.00	6200.00
Total	2390150.29	2713174.56	4289968.00	9393292.85

Appendix-4

(Reference: Paragraph 2.3; Page no -15)

Detail of Interlocking Roads constructed over WBM by laying Cement Concrete 1:5:10

Sl. No.	Name of work	Estimated cost	Total Expenditure	Area of PCC 1:5:10 (in square meter)	Rate (Per square meter)	Avoidable Expenditure
1.	Interlocking of road from Achhab Pan Bhandar to Roja Bazar in Brhamani Tola	7,34,700	7,40,009.08	937.73	172.62	161870.95
2.	Interlocking of road from main road to Sahadat Ali Khan Masjid in Moh. Nalapar Dakshin 4-5	5,41,600	5,45,557.00	653.69	172.62	112839.97
3.	Interlocking of Mastan road in Moh. Nalapar	7,72,700	797968.00	1000.31	172.62	172673.51
4.	Interlocking of road from Barf Ali Masjid to veterinary hospital in Bramhani Tola	4,61,700	4,66,336.00	563.90	172.62	97340.42
Total				3155.63	172.62	544724.85

Appendix-5

(Reference: Paragraph 2.5, Page no -17)

Detail of improvement of roads

Sl. No.	Name of work	Area of Tack Coat as per Bill (sq.meter)	Rate on The Basis consumption of Bitumen 50Kg/100 sq mtr. (₹/sq mtr)	Rate on the basis of consumption of 25Kg/100 sq mtr. Bitumen (₹ /sq mtr.)	Excess expenditure on bitumen/sq mtr (₹) (Col 4-col. 5)	Total excess expenditure (₹) (Col. 3x6)
1	2	3	4	5	6	7
1	Picnic spot of Parijat Guest House In Sector 14 of Indira Nagar	10781	21.4	11.52	9.88	106516
2	From B-1039 to SBD Crossing	11304.5	21.4	11.52	9.88	111689
3	Arvindo Park to RLB Road	3594.09	21.4	11.52	9.88	35510
4	Amaltash Plaza to Chandrama Supremo	6839.49	21.4	11.52	9.88	67574
5	Mahatma Gandhi Marg to Rana Pratap Marg	22080	21.4	11.52	9.88	218150
6	Kaiser Bagh Crossing to Nabiullah Road	16980	21.4	11.52	9.88	167762
7	Damaged Part of Shivaji Marg	8936.98	21.4	11.52	9.88	88297
8	Dr. V N. Verma Road	5760.5	21.4	11.52	9.88	56914
9	E-Block Mukhya Marg to Goal Chauraha	8640	21.4	11.52	9.88	85363
10	Patthar Kata Masjid to Yadav Timber(Part-B) via Rajaji Puram Tempo Stand	12140	21.4	11.52	9.88	119943
11	Mohan Road to F Block	5583.86	21.4	11.52	9.88	55169
Total		112640.42				1112887
(₹) 11.13 lakh						

Appendix-6

(Reference: Paragraph 2.7; Page no. 19)

Detail of short assessment of tax on Vishal Mega Mart, Civil Lines Allahabad

Particulars of area	Area (Sqm)	Circle rate approved for valuation of property (₹)	Rates applied for valuation ³ (₹)	Difference of rates (₹)	Short valuations (₹)
1	2	3	4	5	6
Basement	465	6000	4000	2000	930000.00
Ground floor	512	7000	4000	3000	1536000.00
1 st floor	512	6500	3700	2800	1433600.00
2 nd floor	512	6500	3700	2800	1433600.00
3 rd floor	512	6500	3700	2800	1433600.00
Total	2513				6766800.00

Annual Valuation = 7% of (₹) 6766800 = (₹) 473676.00

Annual Tax = 11% of (₹) 473676.00 = (₹) 52104.36 or (₹) 52104.00

Effective from 01.10.2007

Accumulated loss of revenue up to 30.9.2009 = (₹) 52104x 3 = (₹) 156312.00

or (₹) 1.56 lakh

