

CHAPTRE - II

**TRANSACTION AUDIT PARAGRAPHS
(Urban Administration & Development Department)**

2.1 Non-crediting of Urban Development Cess by Nagar Nigams.

Non-crediting of Urban Development Cess to Government account amounting to ` 16.78 crore.

According to the provisions of section 6 (1) of the Madhya Pradesh Up-kar Adhiniyam 1981, Urban Development Cess (UDC) was to be charged & levied every year on all buildings / lands or both situated in Municipal area or Urban Area at the rate of 5 percent of the Annual Letting Value (ALV) or Annual Value. Further, where the lands or buildings or both are in occupation of the owner himself, the rate of cess shall be one half of the rate afore said i.e. 2.5 percent. The proceeds of cess collected by a local authority shall after deducting therefrom such sum of money on account of collection charge as the State Government may fix, be credited to the account of State Government and shall be used for Urban Development Scheme particularly to slum clearance.

Scrutiny (04/2004 to 03/2007) of records of three Nagar Nigams i.e. Jabalpur, Ratlam & Satna and later on information collected (January 2010) revealed that ` 16.78 crore as UDC was recovered from owners on the property during 2004-07 as shown in **Appendix- XI**, but contrary to the provisions, the cess was not credited into Government accounts.

On being pointed out in audit, Commissioner replied that due to shortage of funds in the Nigam, the amount of UDC was not credited into Government accounts and instructions were also not received from the Government in this regard. Thus the amount of UDC was not credited to Government account and at the same time the amount collected was diverted irregularly on other activities without obtaining prior permission of the Government.

The matter was reported to the Government (April 2009); but no reply has been received as of December 2009.

2.2 Blockage of funds worth ` 1.17 crore on the construction of shops

Blockage of funds worth ` 1.17 crore on the construction of 104 shops in Subhash Chandra Bose shopping complex.

According to rule 3 of the M.P. Nagar Palika Nigam (Transfer of immovable properties) Rule, 1994 any revenue earning immovable property, shall be sold or transferred to the highest bidder through public auction or by inviting sealed cover, if otherwise intended a prior permission of the Government was essential.

In Nagar Nigam, Ratlam 104 shops including 02 shops reserved for electrification work were constructed in “Subhash Chandra Bose Shopping Complex” at bus stand (1999) at a cost of ` 1.17 crore (costing ` 1.121 lakh per shop) from Nigam’s own funds.

It was observed that neither the shops were allotted nor registration fee was refunded to any of these 112 applicants even after a lapse of 10 years, which led to unfruitful expenditure of ` 1.17 crore on construction of 104 shops at Bus stand, Ratlam.

On being pointed out in audit Commissioner, Nagar Nigam Ratlam replied (July 2008 and December 2009) that since there was no provision of “first come first get” in the Adhinyam (Transfer of immovable properties) Rule, 1994, the Nagar Nigam has sought the guidelines from the Government (October 2009) in this regard and action to allot the shops will be taken after the Government decision.

Thus, shops could not be allotted even after a lapse of 10 years. Hence expenditure of ` 1.17 crore incurred remained unfruitful.

The matter was reported to Government (December 2008); but no reply has been received so far (December 2009).

2.3 Allotment of plots at the lower rates than fixed by Collector’s guidelines resulted in loss of revenue of ` 78.10 lakh.

There was a loss of revenue of ` 78.10 lakh to Nagar Nigam on account of allotment of plots at lower rates than fixed by Collector.

According to rule 3(a) of the M.P. Nagar Palika Nigam (Transfer of immovable properties) Rule, 1994 prior permission of the Government is essential for the Nagar Palika Nigam to transfer immovable property to public institutions for educational, religious or public purposes at the lower than scheduled rates,

Scrutiny of records of Commissioner, Nagar Nigam, Ratlam for the period April 2004 to March 2007 (August 2008) revealed that 212 (192 registered and 20 not registered) plots costing ` 1.91 crore were allotted on lease contract basis (during February 95 to April 2000) to individuals for residential purposes (which was not a public purpose but a private purpose) at rates lower than the rates fixed by the Collector without obtaining prior approval of the Nagar Nigam Parishad or the Government of M.P. The Commissioner and the Mayor made the allotments, which were against the provisions of rule 3 (a).

On being pointed out the Commissioner replied (August 2008 and December 2009) that the parishad is not empowered to transfer the plots at lower rates. The Nagar Nigam has sought guidance from the Government (October 2009) in this regard which is awaited.

Thus transfer of plots to individuals for residential purpose which was not a public purpose, as shown in **Appendix -XII** at rates lower than those fixed by the Collector resulted in a total loss of ` 78.10 lakh against 212 plots allotted.

The matter was reported to Government (December 2008); but no reply has been received so far (December 2009).

2.4 Loss of ` 26.68 lakh on account of interest and processing charges on loan from HUDCO.

As the clear site was not made available to the contractor, the Nagar Nigam, Dewas paid an amount of ` 23.99 lakh as an interest in addition to ` 2.69 lakh on account of processing fee without utilization of loan amount.

Due to acute water scarcity in Dewas town, Nagar Nigam, Dewas initiated a "Stop Dam Project (1998)" on river Kshipra to meet out the water supply demands of the town for present & next coming 30 years. The estimated cost of the project was ` 29.80 crore, out of which 70 percent i.e ` 20.88 crore was to be financed by Housing and Urban Development Corporation Ltd. (HUDCO) as a loan on Government bank guarantees and rest of the amount was to be managed by the Nigam from its own resources. The Urban Development Department accorded an Administrative sanction (August 2000) and revised administrative sanction for ` 27.99 crore (June 2002) to the project. An agreement was executed in August 2002 between Municipal Corporation, Dewas and M/s Larsen and Toubro Ltd. (L&T) Chennai. As per clause No. 4 of the agreement the clear site was to be made available to the contractor as per the design requirements. The design was accepted in June 2003, according to which Nigam had to obtain No Objection Certificate (NOC) from the Railway and National Highway authorities. Technical sanction was accorded in June 2003 and accordingly the work order was issued to L&T in July 2003 with the condition that the work was to be completed within 15 months from the date of handing over of site or date of issue of work order to the contractor whichever is later. Consequently, the HUDCO released (December 2003) a sum of ` 1.51 crore as first installment of loan to the Nagar Nigam, Dewas.

A scrutiny of records of Nagar Nigam, Dewas for the period April 2006 to March 2008 (July 2009) revealed that the work was never started as the site was not handed over to the contractor and the required NOC could not be obtained till November 2004. The contract was cancelled in May 2005, thus Nigam refunded loan amount together with interest thereon ` 1.78 crore (Loan ` 1.51 crore, interest ` 23.99 lakh and ` 2.69 lakh for processing fee) without utilizing the loan amount (December 2006), which resulted in a loss of ` 26.68 lakh to Nigam.

In reply the Commissioner stated that the contractor demanded price escalation against the contract agreement therefore the agreement was cancelled and land could not be occupied.

The reply is not acceptable, as the clear site was not made available as per agreement till November 2004 thus resulted in a loss of ` 26.68 lakh.

The matter was referred to the Government in November 2009; but the reply is awaited (January 2010).

2.5 Idle expenditure on construction of shopping complex amounting to ` 59.10 lakh

Construction of Shopping Complex without pre-assessment of demand resulted in idle expenditure of ` 59.10 lakh

A centrally sponsored scheme of Integrated Development of Small and Medium Towns (IDSMT) was launched in 1979-80 with an objective to improve infrastructure facilities for economic growth and employment and to reduce migration of people belonging to rural and smaller urban areas to bigger cities and towns for jobs. The Municipal Council Shajapur on 21.7.2001 authorized the Chief Municipal Officer (CMO) Shajapur to enter into an agreement with Madhya Pradesh Vikas Pradhikaran Sangh (MPVPS) Bhopal to prepare a development plan under the scheme. Consequently the MPVPS prepared a project consisting of seven works costing to ` 2.06 crore¹, including construction of a Shopping Complex and Platforms at Hatt Maidan in Shajapur (38 shops and 11 plat forms in two phases) at a cost of ` 64.47 lakh. A State level Committee sanctioned the above project (August 2002) and MPVPS conveyed it to CMO Shajapur (October 2002). Accordingly one instalment of grant in-aid amounting to ` 1.09 crore² was released in 2002-03.

During scrutiny of records of CMO Shajapur (January 2010) it was observed that the Nagar Palika Shajapur constructed the Shopping Complex at a total expenditure of ` 59.10 lakh at Hatt Maidan and handed it over to the revenue section of Nagar Palika (October 2007) for auction on lease. The Municipal Council, Shajapur fixed a premium of ` 1.51 lakhs and a rent ` 500/- per month of each shop by a resolution dated 3.12.2007. It was further observed that the shops could not be auctioned despite notifications published thrice in newspapers i.e. on 29.1.2008; 23.6.2008 and 26.2.2009. It was also seen that CMO Shajapur did not make any efforts towards disposing this immovable property by granting lease, sale or letting out on hire after 26.2.2009. Thus expenditure of ` 59.10 lakh remained idle, as the shops are vacant after lapse of two years.

On being pointed out in audit CMO accepted (January 2010) that the construction of the Shopping Complex was not on actual demand basis and also accepted that bidder did not participate in the auction as the Shopping Complex was constructed far away from the populated areas. Thus Nagar

¹ Central share ` 0.90 crore, State share ` 0.60 crore and Local Body share ` 0.56 crore.

² Central share ` 0.79 crore, State share ` 0.30 crore.

Palika Parishad created unsaleable assets which resulted in idle expenditure of ` 59.10 lakh.

The matter was reported to Government (February 2010); the reply has not been received so far (March 2010).