
Chapter – V

Compliance Audit Paragraphs

5.1 Loss of revenue

Gajwel Nagar Panchayat of Siddipet district did not deduct Welfare Cess, resulting in loss of revenue of ₹ 53.66 lakh to the State Building and Other Construction Workers Welfare Board.

Government of India (GoI) enacted Building and Other Construction Workers' Welfare Cess Act, 1996, for providing welfare measures to construction workers. Subsequent Rules issued by GoI in 1998 provided for levy and collection of Cess from the employers undertaking building and other construction works. The State Government issued directions (December 2009) to Urban Local Bodies to ensure receipt of one *per cent* Cess on projects²³⁷ before approving building plans. The Cess collected has to be remitted to the Welfare Fund Account maintained by the State Building and Other Construction Workers Welfare Board.

Audit test-checked (September 2015) nine cases of building permissions regulated (2013-15) by Gajwel Nagar Panchayat of Siddipet district (erstwhile Medak District). It was observed that the Nagar Panchayat did not levy Welfare Cess on the estimated cost of construction of the building works before according building permissions. Loss of revenue in this regard was ₹ 53.66 lakh²³⁸ to the State Building and Other Construction Workers Welfare Board.

Thus, Nagar Panchayat failed to comply with the provisions of Building and Other Construction Workers' Welfare Cess Act, 1996.

Government accepted (December 2017) the observation and assured to recover the short collected amounts.

²³⁷ Where estimated cost exceeds ₹ 10 lakh

²³⁸ Cost of land is excluded

5.2 Short levy and collection of Building permit fee

Incorrect application of rates and omission of certain components while computing the building permit fee by Gajwel Nagar Panchayat, resulted in a revenue loss of ₹ 1.49 crore

According to the provisions of Andhra Pradesh Municipalities Act, 1965²³⁹, the Municipalities / Nagar Panchayats are entrusted with the powers to accord permission for construction of buildings. The permissions would be issued by charging fees for every such permission on such units²⁴⁰ and at such rates as may be fixed by the Municipal Council. The Council of Gajwel Nagar Panchayat (NP) revised (April 2013) Building permit fee and other charges, in compliance with Government orders²⁴¹ (February 2013).

Audit examined (September 2015) records pertaining to building permissions regulated (2013-15) by Gajwel NP of Siddipet district. In respect of nine test-checked cases of building permissions, there was short realisation of building permit fee to the extent of ₹ 1.49 crore with reference to the rates revised (April 2013) by the Council. This was due to non/incorrect adoption of rate of betterment charges, incorrect adoption of rate of building permit fee, non-deduction of open space contribution, etc.

Thus, due to incorrect application of rates and omission of certain components while computing the building permit fee, the Nagar Panchayat sustained a revenue loss of ₹ 1.49 crore.

²³⁹ Andhra Pradesh Municipalities Act, 1965 as adopted by Telangana on reorganisation

²⁴⁰ Square metre (Sq.mts) or Square feet (Sq.ft) as notified by ULB

²⁴¹ to adopt uniform and simplified schedule of rates on Town Planning fee and charges

Government accepted (December 2017) the observation on short levy and collection of building permit fee.

Hyderabad
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The 19 March 2018

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