

Chapter-VI

Long Draft Paras of ULBs

6.1 LDP on Construction and Maintenance of Roads & Bridges

6.1.1 Introduction

Urban Local Bodies are responsible for the construction and maintenance of roads, bridges, drains, flyovers and alteration & improvement of public streets, culverts, etc. within their jurisdiction. The construction of roads and bridges is one of the 18 functions devolved upon ULBs in Punjab.

During 2023-24, the compliance audit of 81 ULBs was conducted (*Appendix 6.1*) to assess the planning and execution of road development works, with a focus on ensuring that projects were completed efficiently and without cost and time overruns. Additionally, the audit aimed to evaluate the effectiveness of the planning, execution and monitoring system in ULBs, in line with the provisions of the Standard Operating Procedure (SOP) 2018, Punjab Municipal Accounting Manual 2017, various Indian Road Congress specifications and the government orders issued from time to time.

The objectives of the compliance audit were as below:

- To evaluate whether road development projects were planned properly, with clear timelines, budget estimates and resource allocation.
- To determine that the projects were executed as planned, ensuring compliance with quality standards, avoiding delays and preventing any escalation of costs.
- To review the systems in place for regular monitoring of ongoing works and assess their effectiveness in identifying and addressing issues such as delays or cost overruns.

6.1.2 Audit findings

Audit findings from the compliance audit were detailed in the succeeding paragraphs.

1. **Technical Sanction for work not obtained from specified competent authority**

Para 2.1 (viii) of the Standard Operating Procedure, 2018 issued by the Department of Local Government, provides that after the preparation of an estimate, the same shall be technically sanctioned from the specified competent technical authority, as indicated below:

Amount	Specified technical authority
Upto ₹ 2 lakh	Junior Engineer
Above ₹ 2 lakh upto ₹ 25 lakh	Asstt. Municipal Engineer/ Asstt. Trust Engineer/ Asstt. Corporation Engineer.
Above ₹ 25 lakh upto ₹ 50 lakh	Municipal Engineer/ Corporation Engineer/ Trust Engineer
Above ₹ 50 lakh upto ₹ One crore	Superintendent Engineer

Source: Standard Operating Procedure, 2018

Audit, however, observed that despite the above provisions, in five ULBs, namely MC Zirakpur, M.Corp Batala, MC Mallanwala Khas, MC Goniana and TC Handiaya, the required technical sanction for the estimate of 22 works valuing ₹ 4.54 crore (**Appendix 6.2**) was accorded by the authorities other than the specified authorities and the reasons for the same were not available in the records. This highlights non-adherence to the laid down approval process, apart from shortfalls in the internal controls and monitoring mechanism.

On being pointed out, all five ULBs acknowledged (November 2023 to March 2024) the point for future compliance, without providing any justification or reasons for not obtaining the technical sanction from the competent authority.

2. Allotment of work without ensuring an encumbrance-free site led to wasteful expenditure of ₹ 16.93 lakh

Municipal Corporation Pathankot vide work order No. 400 dated 20 October 2020 allotted the work of construction of “Approach Road to Dump yard and Gaushala via Mallikpur road and alternate road to Gaushala via Deriwal village” for ₹ 57.15 lakh with stipulated completion within three months.

Scrutiny of records revealed that the payment of ₹ 16.93 lakh (October 2021) was made to the Contractor for laying Wet Mix Macadam (WMM)/Granular Sub-base etc. During Joint Physical Verification (July 2023), audit observed the development of potholes on the site. Further, scrutiny of the Measurement Book revealed that the WMM was not covered with a wearing course or surface layer, contravening Indian Road Congress (IRC) guidelines¹.



Photograph 21: Damaged/potholes on approach road to dump yard (26.07.2023)

Audit further noted that the work completion was impeded as the proposed road traverses forest reserve and agricultural land areas, facing opposition from local residents. This led to non-completion of work, resulting in infructuous expenditure of ₹ 16.93 lakh on laying of WMM.

¹ Para 5 of IRC: 109-1997 stipulate that no vehicular traffic, except construction vehicles, should be allowed on the finished WMM surface until a subsequent bituminous course was laid.

The ULB attributed (August 2023) the delay in completing the project to a dispute raised by local residents in continuing the construction of a road passing through their agricultural land and obtaining 'No Objection Certificate' from the Forest department as part of the area falls within the reserve forest.

The reply was not acceptable as the ULB was required to provide an encumbrance-free site and to obtain all requisite permissions before the start of the work.

3. Expenditure incurred without obtaining the prescribed approval

Clause 19.24 (5) of the Punjab Municipal Accounting Manual, 2017 stipulates that if the sanctioned estimate is likely to be exceeded by more than 10 *per cent* before project completion, the Municipal Engineer shall submit a revised estimate with a comparative statement explaining reasons for the variation. In case the revised estimate cannot be sanctioned before the project's completion, the Municipal Engineer shall submit a statement in Form MW-3, along with a comparative statement. Both the revised estimate and statement should be approved by the authority that initially approved the original estimates. However, under no circumstances should the original sanctioned estimate be allowed to exceed twenty-five *per cent* unless sanctioned by the Director of Local Government or any authorised authority.

Audit, however, observed seven instances in four ULBs (Batala, Baretta, Ajnala and Bhucho Mandi) where the actual expenditure on works exceeded the original estimates by a significant margin, ranging from 13.21 to 38.94 *per cent* (**Appendix 6.3**). However, the required approval from the competent authority was not available in the file. Thus, the expenditure surpassing the original sanctioned estimate by over 10 *per cent* without the requisite approval was deemed irregular. This also highlights shortfalls in internal controls and oversight mechanisms.

On being pointed out in the audit, MC Bhucho Mandi stated (September 2023) that all payments made to the contractor were approved by the Executive Engineer and the point accepted for future compliance, whereas MC Ajnala stated (July 2023) that the needful would be done and the remaining two ULBS did not furnish any reply.

The reply was not acceptable, as the ULBs were required to adhere to the prescribed criteria for estimates and expenditure.

4. Advance payment made to contractors in contravention of PMAM provisions

As per Chapter 19.8 (III) of the Punjab Municipal Accounting Manual 2017, no advance shall be made to a Contractor for any work to be executed for ULBs.

Based on a review of Measurement Books and payment vouchers, Audit observed that despite the specific provision against making any advance to the Contractors, four ULBs, namely MC Bhucho Mandi, Goniana, Rampura Phul

and Budhlada made advance payments of ₹ 221.03 lakh to the contractors during April 2019 to October 2022 for 13 works for the supply of material, as detailed in **Appendix 6.4**.

Audit also observed, based on review of the Annual Financial Statements of MC Bhucho Mandi, that the following advances were recoverable from the contractors:

Table 6.1: Details of advance payments made to contractors

(Amount in ₹)

Name of the contractor	Opening balance (OB) as of March 2021	OB as of March 2022	OB as of March 2023
Joginder Contractor	4,50,354	4,10,359	4,10,359
Lovepreet Contractor	1,16,701	3,20,296	3,20,296
Bhalaria Constructions	2,31,420	2,31,420	2,31,420
Total	7,98,475	9,62,075	9,62,075

Source: data of MC Bhucho Mandi

Thus, the advances to contractors and their non-adjustment highlight non-compliance with the provisions of the Punjab Municipal Accounting Manual 2017, as well as shortfalls in internal controls.

MC Bhucho Mandi stated (September 2023) that advances were given against the supply of material at the site, which were adjusted subsequently from the running bills of contractors and further stated that the Council was not able to identify the works against which and when these advances were given, which is being reconciled, whereas MC Goniana stated (August 2023) that a detailed reply would be given later and MC Rampura Phul stated (September 2023) that compliance would be made at the time of next audit. MC Budhlada stated (February 2024) that excess payments made to contractors would be reconciled and recovered from security deposits of the contractors.

Despite lapse of more than 19 months, the updated position in respect of the above-mentioned advances has not been provided.

5. Not conducting of Special Third-Party Techno-Financial Audit of specified works

The Government of Punjab issued (May 2020) instructions mandating Special Third-Party Techno-Financial Audit (STPTA) for all departments for works exceeding the prescribed estimated cost, which is ₹ 10 lakh in case of ULBs.

During the period from July 2020 to March 2023, 18 ULBs tendered and executed 88 works (valuing ₹ 2,087.51 lakh), each with an estimated cost exceeding ₹ 10 lakh. These works were funded through the Municipal Fund, Finance Commission grants and other grants (**Appendix 6.5**).

Audit, however, observed that the Department of Local Government empanelled five agencies² for STPTA in July 2023 after a lapse of more than three years. As a result, the prescribed STPTA of these works was not carried out. Further, the reasons for delay in the empanelment of agencies for STPTA were not available on record.

Three ULBs, namely MC Bhucho Mandi, TC Dharamkot and TC Bhadson stated (August 2024) that STPTA was not conducted as agencies were not empanelled, while other ULBs did not furnish any reply (October 2025).

6.1.3 Conclusion

The audit of ULBs in Punjab reveals shortcomings in the execution and monitoring of road development projects. The failure to follow established protocols, such as obtaining technical sanctions of ₹ 4.54 crore from competent authorities raises concerns about the integrity and compliance of the processes. Further, M.Corp Pathankot issued the work order to the contractor without ensuring an encumbrance-free site leading to wasteful expenditure of ₹ 16.93 lakh. Four ULBs made advance payment of ₹ 221.03 lakh to the contractor against the provision of Punjab Municipal Accounting Manual. The absence of a techno-financial audit further exacerbates these issues, leaving significant public funds unchecked and exposing the funds to greater misuse or misappropriation.

6.1.4 Recommendations

- I. **Compliance with SOPs and Guidelines:** ULBs should adhere to the Standard Operating Procedure, 2018 and the Punjab Municipal Accounting Manual, 2017, for which regular capacity building programme should be designed for concerned personnel.
- II. **Mandatory Techno-Financial Audit:** The Department should ensure that all projects exceeding the prescribed cost undergo a Special Third-Party Techno-Financial Audit, which would enhance transparency and accountability in the utilisation of public funds.

The matter was reported to the Department (May 2024) and again in November 2024; their reply is still awaited.

6.2 LDP on Revenue Collection in Urban Local Bodies

6.2.1 Introduction

Revenue collection is crucial for the ULBs to ensure effective implementation of schemes and delivery of services as envisaged under the Twelfth Schedule of the Constitution. Further, Article 243X of the Constitution empowers ULBs to

² (i) M/s Shrikhande Consultant Private Ltd; (ii) M/s Global Infra solutions Asso. with ACE Ventures & Consulting Co.; (iii) M/s WAPCOS Ltd; (iv) M/s Credible Management & Consultant (P) Ltd.; and (v) M/s NABARD Consultancy Services (P) Ltd.

impose taxes and states that the legislature of the State may authorise a municipality to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits, assign to a municipality such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits.

Audit evaluated the estimated sources of revenue, receipts thereagainst, irregularities in the generation of revenue with the benchmark of the Punjab Municipal Corporation Act, 1976 and Punjab Municipal Act, 1911 (amended in 1994), Punjab Municipal Accounting Manual, 2017 etc. and instructions issued by the Government from time to time.

6.2.1.1 Revenue: budgeted and actual

The main components of own revenue in ULBs include Municipal tax, Property tax, Advertisement fees, Trade License fees, Water & Sewerage charges, Regularisation fees for Unauthorised Colonies, Building Application fees, Street Vending fees, etc. The estimated and actual own revenue received by all the ULBs of the State during 2020-23 are given below:

Table 6.2: Estimate revenue and actual revenue received

Year	Revenue		Shortfall	Percentage
	Estimated	Actual		
2020-21	3,537.84	3,040.57	497.27	14.06
2021-22	3,656.39	3,389.27	267.12	7.31
2022-23	4,076.99	3,420.47	656.52	16.10

(₹ in crore)

Source: Departmental Data

It is evident from above that there was shortfall in the collection of revenue by the ULBs, which ranged between 7.31 and 16.10 *per cent* and considering that the ULB was responsible for issuing timely demand notices for all arrears, with interest and penalties calculated as per law, referring arrears for coercive recovery to the Revenue Department once waiting periods expire and monitoring recovery proceedings and ensuring reconciliation of recovered amounts with municipal records, this audit was conducted.

6.2.2 Legal provisions and recovery mechanism for arrears

Before examining revenue shortfalls and delays, the audit reviewed the statutory provisions and administrative mechanisms governing levy, collection, interest on arrears and coercive recovery under the Punjab Municipal Corporation Act, 1976, the Punjab Municipal Act, 1911 and allied by-laws.

(i) Distinction Between Taxes and Fees/User Charges:

While taxes (e.g., Property tax, Municipal tax) are governed by explicit statutory provisions for levy, interest on arrears and coercive recovery, fees/user charges (e.g., Trade licences, Solid waste management charges) may have separate bye-laws or notifications prescribing recovery timelines and penalties. The audit examined whether each revenue stream had a clear legal basis for imposing

interest, penalties or escalation to coercive recovery.

(ii) Trigger for Coercive Recovery:

As per Section 138 of the PMC Act, 1976 and Section 81 of the PM Act, 1911, if arrears remain unpaid after prescribed period following demand notices, the ULB was required to carry out distraint and sale of a defaulter's movable property and by the attachment and sale of the defaulter's immovable property etc.

(iii) Audit examination:

To ensure findings and recommendations remain legally sound, the audit reviewed:

- Provisions prescribing waiting periods before coercive recovery may be invoked.
- Evidence of demand notices issued and arrears referred to the Revenue Department.
- Requisitions sent by ULBs to the Revenue Department and subsequent action taken.
- Delays, if any, in enforcement by either ULBs or Revenue authorities after requisitions were made.

6.2.3 Audit findings

The aspect relating to revenue collection in 75 ULBs was evaluated during the year 2023-24 (*Appendix 6.6*). The findings are discussed in the succeeding paragraphs.

6.2.3.1 Land and Building (Property tax)

As per Section 90 of the PMC Act, 1976 and Section 61(a) of the PMA, 1911, the ULBs were required to levy property tax annually on land and buildings within their jurisdiction. Accordingly, the Department of Local Government, Punjab, notified (December 2014) the levy of property tax on land and buildings w.e.f. 01 April 2014.

(i) Non-levy of property tax of ₹ 104.12 lakh

Review of documents revealed that the Punjab Agricultural University (PAU), under the jurisdiction of Municipal Corporation Ludhiana, collected a rental income of ₹ 956.88 lakh from shops/buildings leased for commercial purposes during the period from 2017-18 to 2022-23. However, these properties were not recorded in the property tax assessment list. As a result, these properties were not subjected to property tax. Therefore, based on the applicable tax rates, the audit determined the applicable property tax of ₹ 71.76 lakh, aggregating to ₹ 104.12 lakh, including interest at the rate of 18 *per cent* (*Appendix 6.7*), which has not been levied by M.Corp Ludhiana on the PAU.

Non-levy and non-collection of property tax on rental income of the PAU

constitute a shortfall in the enforcement of relevant provisions of applicable Acts, as well as lack in the internal control and monitoring mechanisms, affecting the revenue collection of the ULB.

On being pointed out, the M.Corp, Ludhiana stated that a notice had been issued to the PAU and that the due recovery would be made shortly.

On receipt of the audit observation, M.Corp, Ludhiana issued a notice to the PAU on 13 December 2023, seeking a response regarding non-payment of property tax for the period from 2013-14 to 2023-24, followed by a latest notice in August 2025 to deposit the property tax for the above period immediately. However, further update in this regard was awaited (October 2025).

(ii) Non-realisation of property tax

Based on review of the records relating to Peninsula Mall, Demand and Collection Register and M-Seva portal (online portal interface between the ULBs and citizens to facilitate faceless access to various services payment of property tax etc.), Audit observed that the Peninsula Mall, under the jurisdiction of Municipal Corporation, Bathinda, had paid the property tax upto 2014-15, however, the property tax amounting to ₹ 101.48 lakh (**Appendix 6.8**) for the years from 2015-16 to 2022-23 was not paid. However, no demand notice, penalties or recovery proceedings against Peninsula Mall were found on record.

On being pointed out (February 2024) in the audit, the ULB stated (February 2024) that efforts would be made to collect the property tax from the Peninsula Mall.

Despite more than 19 months having passed since the above assurance, the ULB has not provided an updated position in this regard (October 2025).

6.2.3.2 Regularisation of Colonies

The Government of Punjab enacted the Punjab Laws (Special Provisions) for Regularisation of Unauthorised Colonies Act, 2018, to bring unauthorised colonies under a planned framework to provide basic facilities to their residents. Subsequently, the Department of Country Town Planning, Government of Punjab, notified the policy (October 2018) for the compounding of unauthorised colonies and the regularisation of plots.

(i) Non-imposing of penal interest on delayed payment of External Development Charges

In terms of the notification (October 2017), issued by the Town Planning Wing under the Director of Local Government, the colonisers were required to deposit 15 *per cent* of the total External Development Charges (EDC) at the time of submission of the application, with the remaining 85 *per cent* payable in ten equal half-yearly instalments with 10 *per cent* interest. Additionally, a three *per cent* penalty interest (compounded) applies to any defaults.

Review of records revealed that 17 colonisers in three ULBs, namely

MC Morinda, Banur and Zirakpur, delayed payment of the 85 *per cent* balance EDC by one to 572 days (**Appendix 6.9**).

Audit, however, observed that despite the delayed payments of EDC, the ULBs did not impose the interest of ₹ 20.24 lakh for delayed payment and penal interest of ₹ 6.07 lakh on the colonisers, as worked out by the audit.

On being pointed out in the audit, the ULBs stated (September 2023–December 2023) that necessary compliance would be made.

However, despite more than 23 months having passed since the above assurance, the ULBs have not provided an updated position in this regard (October 2025).

(ii) Non-imposing interest on the delayed payment of the compounding fee

Paragraph 11(i) of the policy for the compounding of unauthorised colonies provides that 10 *per cent* of the total composition fee for compounding of the colony shall be deposited with the local authority at the time of submission of the application. The authority shall scrutinise the documents and if found eligible for regularisation, issue a demand notice to the applicant regarding a deposit of 15 *per cent* of the project within one month from the issue of the demand notice and the remaining 75 *per cent* amount will be deposited within one and half years in three equal instalments along with interest at the rate of 12 *per cent* per annum.

Test check of records relating to the regularisation of the unauthorised colony in MC Jagraon, revealed that the provisional certificate was issued to the Gillz Enclave Colony in September 2019 after getting 25 *per cent* of the total composition fee, i.e., ₹ 44.55 lakh and the remaining fee of ₹ 133.64 lakh was divided into three equal instalments within one and a half years.

In this regard, Audit observed that no demand notices for the contractor's delayed interest were found on record. Therefore, the delay of 21 & 25 months for payment of the first and second instalments and outstanding interest was worked out by audit, as detailed below:

Table 6.3: Details of interest on delayed payment of compounding fee

(Amount in ₹)

Date of provisional certificate	Instalments	Due date	Amount	Interest if instalment paid on due date	Total amount if paid timely	Receipt No & date of receipt of payment	Amount paid	Delay (in days)	Amount on which the interest is due	Amount of Interest to be paid @ 12 per cent	Interest already paid with instalment	Interest not paid on delayed payment
1	2	3	4	5	6 = 4+5	7	8	9	10	11	12	13=11-12
06.09.19	1 st	04.03.20 (180 days from provisional certificate)	44,54,801	8,01,869	52,56,670	15-18 / 418 dated 14.12.21	52,56,672	830 ³	1,33,64,403	36,46,834	8,01,869	28,44,965
	2 nd	31.08.20 (360 days from provisional certificate)	44,54,801	5,34,579	49,89,380	3455-57 dated 03.10.22	49,89,380	293 ⁴	89,09,602	8,58,251	5,34,579	3,23,672
Total			89,09,602	13,36,448	1,02,46,050		1,02,46,052			45,05,085	13,36,448	31,68,637

Source: Municipal Council, Jagraon

Audit observed that the ULB neither recovered the 3rd instalment (till date of audit in February 2024) along with interest on delayed payments nor initiated action as required under para 10.3 of the policy.

Non-collection of interest on delayed payments highlights shortfalls in enforcement and internal control and monitoring mechanisms of the ULB.

The ULB stated (February 2024) that a reply would be submitted after verification of records and necessary action taken accordingly.

Despite lapse of more than 19 months since the above assurance, no response has been furnished so far (October 2025).

6.2.3.3 Short collection of vending fees from street vendors

The Government of India enacted “The Street Vendors (Protection of Livelihood and Regulation of Street Vending) Act, 2014” (Act) to protect the rights of urban street vendors and regulate street vending activities. Subsequently, the Government of Punjab notified “Punjab Street Vendors (Protection of Livelihood and Regulation of Street Vending) Rules, 2015” (Rules) and the “Punjab Street Vendors (Protection of Livelihood and Regulation of Street Vending) Scheme, 2016” (Scheme), respectively.

Section 22 of the Act provides for the constitution of a Town Vending Committee (TVC) in each local authority, with the Municipal Commissioner or Chief Executive Officer as Chairperson. As per Section 3(1) of the Act, the TVC shall conduct a survey of all street vendors within its jurisdiction and repeat it every five years. Section 3(2) requires the TVC to ensure that all identified street vendors are accommodated in the vending zones. Further, Section 3 of the

³ From the date of provisional certificate to date of payment of instalment.

⁴ From the date of payment of 1st instalment to the date of payment of 2nd instalment.

Scheme mandates each TVC to conduct surveys and allocate vendors to specified marketplaces.

Based on a review of records, the Audit observed the following:

- Out of 52 ULBs, 48 ULBs had conducted surveys, out of which only 41 have identified the vending zones. Further, of the 41 ULBs, only two (MC Goraya and MC Dharamkot) developed vending zones. In this regard, as the vending fee register or reconciliation statement was not found on record in MC Goraya and MC Dharamkot, Audit worked out the short collection of vending fee of ₹ 15.51 lakh (**Appendix 6.10**) during April 2020 to March 2023, whereas the remaining 39 ULBs had not developed the vending zones till March 2024. Four ULBs, namely Bareta, Zirakpur, Budhlada and Mullanpur Dakha have not conducted surveys of street vendors since the Scheme notification issued in 2016.
- Four ULBs, namely Pathankot, Ludhiana, Amritsar and Moga engaged external agencies for the street surveys during 2016-17 and 2017-18, incurring expenditure of ₹ 98.40 lakh. However, despite more than five years passed, these ULBs neither developed vending zones nor relocated vendors. As a result, the intended purpose of developing the vending zones or relocating vendors has not been achieved, leading to recurring revenue losses for the ULBs.

On being pointed out (June 2023 to March 2024), 48 ULBs stated that compliance would be made shortly and four ULBs did not furnish any reply.

However, despite a lapse of at least 18 months from the above assurance, the ULBs have not provided the updated position in this regard (October 2025).

6.2.3.4 Outdoor advertisement

The Government of Punjab notified “The Punjab Municipal Outdoor Advertisement Policy, 2018” to regulate outdoor advertisements and balance revenue generation with urban aesthetics. Audit observed the following:

(i) Surrendered Outdoor Media Devices lying idle for the last four years

Para 12 of the Outdoor Media Policy, 2018 stipulates that separate e-tender/e-auction/e-bidding would be conducted for the grant of permission for the erection, exhibition, fixation, retention or display of advertisement. After finalising the highest bidder, the ULB will take the post-dated cheque as security for payment of the bid amount/license fee from the successful bidder, and the ULB will collect the due fee as per the agreement with the bidder.

Pursuant to the Government’s granting (September 2020) relief of a six-month waiver to advertisement contractors to pay the license fee on 24 March 2020, and the option to surrender up to 50 *per cent* of the value of their existing media sites, 3,256 advertising sites in four ULBs were surrendered.

Audit, however, observed that these surrendered sites have not been given for

advertising so far due to non-reduction of reserve price despite repeated tenders in M.Corps Pathankot, Ludhiana and Patiala, whereas M.Corp Phagwara did not issue a tender for its surrendered sites. This highlights that despite lapse of more than four years (as of February 2025) since the surrender of sites, M.Corps neither allotted the sites through tender nor operated the sites themselves, resulting in revenue loss for the ULBs.

On being pointed out (June 2023 to December 2023) in the audit, only M.Corp Ludhiana replied (June 2023 to December 2023) that after the revision of rates, the tender would be called immediately.

However, despite lapse of at least 21 months from the above assurance, the ULB has not provided the updated position in this regard (October 2025)

(ii) Loss of revenue due to non-allotment of Outdoor Media Devices

The Punjab Municipal Outdoor Advertisement Policy, 2018 is premised on the fact that outdoor advertisement generates revenue for the city. Subsequently, Director, Local Government issued instructions (August 2019), *inter-alia*, requiring all ULBs to identify advertisement sites and issue tenders for their allotment.

Audit observed in 34 ULBs (**Appendix 6.11**) that despite reminders of June/September 2021, only 19 ULBs were operating the advertisement sites and earned ₹ 191.16 lakh during April 2020 to March 2023, whereas the remaining 15 ULBs had not identified or allotted the advertisement sites due to various reasons such as non-issue of tenders, non-fixation of rates etc.

During audit (June 2023 to March 2024), 32 ULBs stated that sites would be auctioned and two ULBs did not furnish any reply.

However, despite a lapse of at least 18 months from the above assurance, the ULBs have not provided the updated position in this regard (October 2025)

6.2.3.5 Short collection of user charges for solid waste management services

The Department of Local Government notified bye-laws (August 2020) for the levy and collection of user charges for solid waste management services from various properties.

Based on review records, Audit observed that user charges for solid waste management were to be collected from residential and commercial establishments at a minimum rate of ₹ 50 and ₹ 300 per month, respectively. In this regard, the demand or billing register was not maintained in the ULBs. Therefore, as per information provided by the ULBs, the collectable amount of ₹ 12,674.52 lakh towards user charges was worked out by the Audit by applying the rates to residential and commercial establishments existing in 35 ULBs, for the period from September 2020 to March 2023. However, the amount recovered/collected by these ULBs was only ₹ 15.91 lakh towards user charges

for solid waste management, which highlighted non-recovery of ₹ 12,658.61 lakh as of March 2023 (*Appendix 6.12*).

Upon being pointed out in the audit, the 32 ULBs stated (May 2023 to March 2024) that they would make efforts to recover user charges and three ULBs did not furnish any reply.

However, despite lapse of at least 18 months from the above assurance, the ULBs have not provided the updated position in this regard (October 2025).

6.2.3.6 Non-issuance/renewal of trade license

Section 343 (1) of the PMC Act, 1976, inter alia, states that no person shall use any premises for specified purposes without a license from the Commissioner. Section 121 (3) of the PM Act, 1911, allows the committee to charge fees for these licenses, as approved by the Deputy Commissioner, and to impose necessary conditions. Subsequently, the notifications prescribing annual rates for various trade licenses were issued.

Audit test-checked the records of 39 ULBs (*Appendix 6.13*) and based on the information provided by the ULBs, Audit worked out the details of commercial properties paying property tax but which did not obtain trade licenses, as well as the estimated loss of ₹ 90.76 lakh, as depicted below:

Table: 6.4: Details of trade license issued and renewed

Year	Trade licenses issued/renewed	Comml. properties paid property tax	Comml. properties did not obtain a trade license	Loss ⁵ (in ₹)	Percentage of trade licenses issued/renewed to tax depositors
1	2	3	4 = 3-2	5	6 = 2*100/3
2020-21	17,831	76,044	58,213	29,10,650	23.45
2021-22	17,583	76,659	59,076	29,53,800	22.94
2022-23	18,125	82,348	64,223	32,11,150	22.01
Total				90,75,600	

Source: Departmental Data

On being pointed out in the audit, the 37 ULBs stated that efforts would be made to increase the coverage of the issuance of trade licenses and two ULBs did not furnish any reply.

6.2.3.7 Non-recovery of municipal tax on consumption or sale of electricity

The Government of Punjab, Department of Local Government (Local Government III Branch) vide its notifications no. 03/15/2007-11g3(4lg3)/1111156/1 dated 22/11/2017 and 03/15/2007-11g3(4lg3)/11085616/1 dated 16.10.2017 notified that “under Section 90(4) of the Municipal Corporation Act, 1976 and 62(A)(1) of the Punjab Municipal Act, 1911 directs all the Municipal Corporation, Municipal Councils and Town Councils to levy municipal tax at the rate of two *per cent* on consumption, use or sale of

⁵ Calculated by taking minimum rate for trade license i.e. ₹ 50.

electricity within the municipal limits from 1st November 2017. In this regard, the review of records revealed the following:

- 47 ULBs did not have any data regarding municipal tax collected by Punjab State Power Corporation Ltd. (PSPCL) on consumption, use and sale of electricity during 2019-20 to 2022-23 and its amount received by the ULBs {**Appendix 6.14(A)**}. In response to an audit query, the ULBs had assured to collect the same from PSPCL.
- Six ULBs stated that as of March 2023, PSPCL was having ₹ 109.31 crore collected towards consumption, use and sale of electricity during 2019-20 to 2022-23 {**Appendix 6.14(B)**}. However, details of efforts made by these ULBs for recovery of this amount from the PSPCL were not available on record.
- Further, ten⁶ ULBs had partial information on tax adjustments for one or more years during this period {**Appendix 6.14(C)**}.

On being pointed out in the audit, one ULB stated that compliance would be made shortly and the replies from the rest of the ULBs were awaited.

6.2.4 Conclusion

The audit of Urban Local Bodies highlights inefficiencies and shortcomings in revenue collection across multiple streams that led to revenue shortfalls. Despite incremental increases in total revenue collection, ULBs should be strengthened to meet their estimated revenue targets. The property tax evasion by large institutions like Punjab Agricultural University (₹ 104.12 lakh) and Peninsula Mall (₹ 101.48 lakh) led to significant revenue losses. The ULBs failed to impose as well as collection in penal interest of ₹ 58.00 lakh on the outstanding dues. There was shortfall in collection of vendor fee and also wasteful expenditure of ₹ 98.40 lakh incurred on survey of vendors. The ULBs did not collect user charges of ₹ 126.58 crore from the waste collectors. The ULBs did not receive Municipal tax from PSPCL against the consumption/sale of electricity. The findings also point to a general lack of accountability and a need for better internal controls, transparency and revenue recovery measures.

6.2.5 Recommendations

1. **Automating revenue collection processes:** ULBs should track collections through electronic system across revenue streams, ensuring transparency and efficiency in revenue management.
2. **Strengthening property tax collection:** ULBs should ensure that all properties within their jurisdiction are regularly assessed and included in the property tax rolls. Updated assessment lists should be maintained

⁶ ULBs: Bareta, Khanna, Jagraon, Raikot, Patti, Ferozepur, Jandiala Guru, Budhlada, Dharamkot and Sardulgarh.

to prevent underreporting or misclassification and strict penalties should be imposed on defaulters.

3. **Enhancing revenue resources:** ULBs must proactively implement the policies notified for revenue sources, such as the advertisement policy, street vendor policy, etc., identify and tender Outdoor Media Devices and adjust the reserve price based on market conditions to ensure that revenue is maximized.

The matter was referred to the Government in September 2024; their reply was awaited.