

## **CHAPTER 3**

### **Compliance Audit**

#### **3.1 Audit on “Management of own funds by Municipal Boards including collection of Revenue in Urban Local Bodies”**

##### **3.1.1 Introduction**

The Seventy fourth Constitution Amendment Act (1992) paved the way for devolution, by the State Legislature, of powers and responsibilities upon the Municipalities with respect to preparation of plans for economic development and social justice, and for the implementation of development schemes as may be required to enable them to function as institutions of self-government as well as levy of taxes and duties by municipalities, assigning of such taxes and duties to Municipalities by State Governments and for making grants-in-aid by the State to the Municipalities as may be provided in the State law. To enable the ULBs for effectively implementing decentralised planning, improving functional devolution and improving the delivery of public services, Fourteenth Finance Commission (FC-XIV) has recommended strengthening of revenue realisation in ULBs. At present there are 14 *Nagar Nigams* (NNs), 198 *Nagar Palika Parishads* (NPPs) and 424 *Nagar Panchayats* (NPs) in Uttar Pradesh.

Audit of the ULBs was taken up to assess whether management of the funds including collection of revenue by the Municipal Boards was efficient and effective. Twenty three ULBs (02 NNs, 10 NPPs and 11 NPs) of eight districts (**Appendix 3.1.1**) were selected for test check on the basis of Simple Random Sampling Without Replacement (SRSWOR) method, covering the period 2011-12 to 2015-16.

##### **3.1.2 Audit Constraints**

Audit observed that the test checked ULBs kept their tax and non-tax revenue under a common item ‘Board Fund’. Audit checked utilisation of tax revenue under two *per cent* stamp duty only as no separate records regarding expenditure of other tax and non-tax revenue were maintained by test checked ULBs.

##### **3.1.3 Financial Management**

###### **3.1.3.1 Sources of own fund**

ULBs generate own funds from various tax and non-tax resources as per the provisions of Uttar Pradesh Municipal Corporation Act, 1959 (Corporation Act)<sup>1</sup> and Uttar Pradesh *Nagar Palika* Act, 1916 (Municipality Act)<sup>2</sup>. The details of tax and non-tax revenue are given as under:

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<sup>1</sup>Section 172 to 227 of chapter nine.

<sup>2</sup> Section 128 to 164 of chapter five.

**Tax revenue:** ULBs assess and levy taxes such as property tax (house tax, water tax, drainage tax and conservancy tax), advertisement tax, theatre tax, animal tax, vehicle tax, tax for transfer of assets and other taxes based on rules and bye-laws as approved by GoUP and ULBs. House tax and water tax are levied and collected on the basis of Annual Rental Value (ARV) of building/land at the rates decided by State Government/ULBs. Advertisement tax is levied and collected on hoardings or advertisements displayed on any land, building, wall *etc.* For the remaining taxes, rates are decided as per orders of GoUP from time to time.

**Non-tax revenue:** ULBs earn non-tax revenue through water charge, rent, *tahbazari*, slaughter houses, license fees *etc.* Water charge is levied and collected from water connection holders for water supply at such rate as approved by the State Government. Rent is collected from rented shops and buildings of ULBs, while license fee is charged for issuing licenses by municipality on 39 items (*Appendix 3.1.2*) as per order of GoUP.

### 3.1.3.2 Financial Position of test checked ULBs

The overall position of the state revenue receipts under tax and non-tax revenue are given in Chapter-I. The position in respect of the 23 test checked ULBs is given in **Table 1** and **Chart 1**. The ULB wise break-up of receipts is given in *Appendix 3.1.3*.

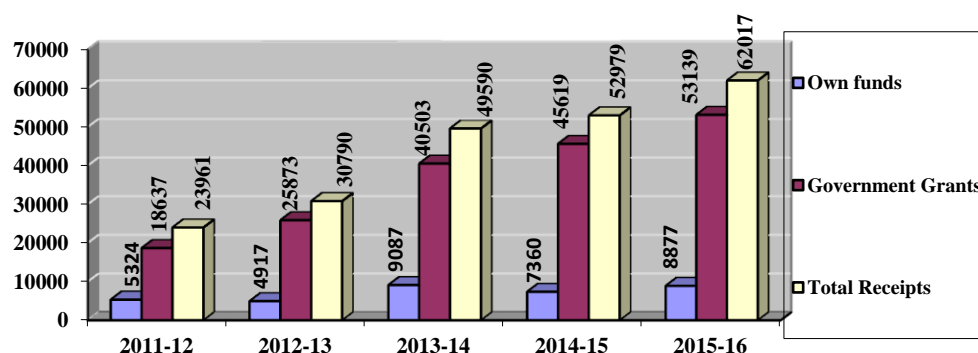
**Table1: Financial Position of test checked ULBs**

(₹ in lakh)

Summary of Financial Position of test checked ULBs				
Year	Own funds	Government Grants	Total Receipts	Percentage of own funds in respect of total receipts
2011-12	5,323.74	18,637.13	23,960.87	22.22
2012-13	4,917.22	25,872.66	30,789.88	15.97
2013-14	9,087.75	40,502.69	49,589.91	18.32
2014-15	7,360.12	45,618.88	52,979.00	13.89
2015-16	8,877.22	53,139.49	62,016.71	14.31

**Chart 1: Financial position of test checked ULBs**

(₹ in lakh)



Scrutiny revealed that the share of own funds compared to the total receipts during 2011-16 was 14 to 22 *per cent*, indicating that the ULBs were mainly dependent on Government grants.

### 3.1.3.3 Revenue realisation against budget provision

The summarised position of revenue realisation against budget provision and shortage in the test checked ULBs is given under **Table 2** and **Chart 2**. The ULB wise detail are given in **Appendix 3.1.4**.

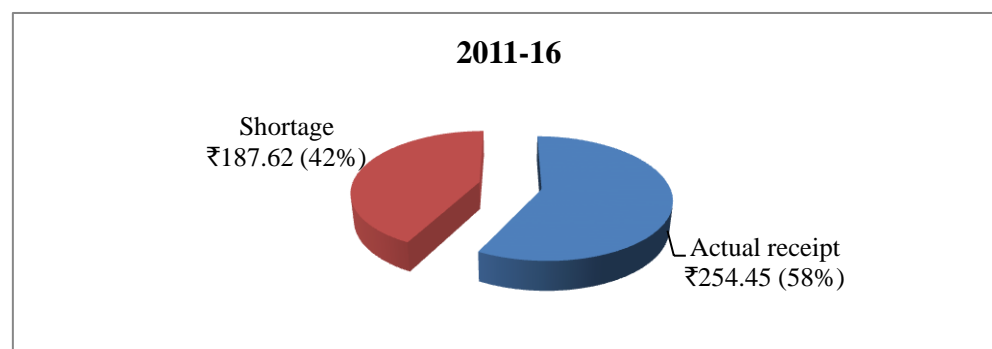
**Table 2: Revenue realisation against budget provision**

(₹ in lakh)

Summary of Budget provision, actual receipt and shortage				
Year	No. of ULBs	Budget Provision	Actual Receipt	Shortage
2011-12	11	8,154.33	4,329.22	3,825.11
2012-13	12	7,732.10	4,188.86	3,543.24
2013-14	8	4,557.42	2,114.79	2,442.63
2014-15	14	11,734.19	6,678.73	5,055.46
2015-16	13	12,028.83	8,133.76	3,895.07
<b>Total</b>		<b>44,206.87</b>	<b>25,445.36</b>	<b>18,761.51</b>

**Chart 2: Revenue realisation and shortfall against budget provision**

(₹ in crore)



As may be seen from above, actual receipt (₹ 254.45 crore) against budget provision (₹ 442.07 crore) was only 58 *per cent* in test checked ULBs. This wide gap indicates that revenue collection against budget provision was not effectively practiced.

### 3.1.4 Audit Findings

#### 3.1.4.1 Tax Revenue

##### Property tax

Property tax comprises of house tax, water tax, drainage tax and conservancy tax, and is collected on ARV of the house or land or both. The audit findings are detailed in the succeeding paragraphs:

##### Preparation of property tax assessment list

Sections 207 to 211 of Corporation Act and Sections 141 to 145 of Municipality Act provide for fixing rent rate, preparation of property tax assessment list and its revision at regular interval by ULBs.

Audit scrutiny of test checked ULBs (02 NNs, 10 NPPs and 11 NPs) revealed that Property tax assessment list was not prepared by these ULBs. *Nagar Nigam* Moradabad and Jhansi were collecting property tax on the basis of old survey, while in NPPs and NPs property tax was being collected on the basis of assessment register prepared at an interval of five years.

### **Implementation of self-assessment tax system**

Government Order<sup>3</sup> (March 2011) and amendments made in Municipality Act provides for levy and collection of property tax on the basis of self-assessment tax system.

Audit scrutiny of test checked ULBs revealed that NPP Pratapgarh, NPP Bijnore, NPP Najibabad, NPP Ghazipur and NP Hariharpur had approved bye-laws during 2011-14<sup>4</sup> for levy of property tax as per order (March 2011). However, it was noticed that property tax was being collected on the basis of the old survey till date. Further scrutiny revealed that NP Hariharpur approved the bye-laws for collection of property tax as per self-assessment system only in 2013-14. However it did not issue any demand for property tax from 2013-14 till date. Moreover, NPP Bilari and Nagina and eight test checked NPs-Umarikala, Narauli, Moth, Ranipur, Kurara, Saidpur, Pratapgarh City and Patti did not approve bye-laws as per the order. Thus, in the absence of a system to prepare the property tax assessment list and implement the self-assessment tax system, Audit could not ascertain whether all properties had actually been brought to the tax net.

In reply, Executive Officers of these ULBs stated that compliance would be done in future. Reply was not acceptable as no timely action was taken by these ULBs

### **Decreasing the rate of ARV**

Section 174 of the Corporation Act and Section 140 (1) of the Municipality Act provides power to ULBs to limit Annual Rental Value (ARV) only in extraordinary circumstances. Audit scrutiny of property tax assessment register in nine test checked ULBs (02 NNs, 5 NPPs and 2 NPs) revealed that ARV calculated on the basis of survey was reduced from ₹ 12.83 crore to ₹3.58 crore in test checked cases without recording any reason. The details of period of reduction in the ARV were not made available to audit. An analysis by Audit revealed that due to irregular reduction of ARV of ₹ 9.25 crore in certain test checked cases alone in the nine test checked ULBs, the loss of house tax and water tax worked out to ₹1.35 crore per year (**Appendix 3.1.5**). Similarly, NP Moth reduced house tax of 773 houses of four wards from ₹4.03 lakh to ₹1.36 lakh, resulting in loss of house tax to ₹2.67 lakh per year. Thus reduction of ARVs without recording any justification as prescribed under rules revealed failure of a sound and robust system in fixing the ARVs.

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<sup>3</sup> No. 135/9-9-11-190-IIIndSFC/04 *Nagar Vikas Anubhag*-9.

<sup>4</sup> NPP Pratapgarh 2011-12; Bijnore 2012-13; Najibabad 2012-13; Ghazipur 2011-12 and NP Hariharpur 2013-14.

Further scrutiny of ARV of 80 residential buildings test checked in NPP Khalilabad revealed that NPP reduced ARV of these buildings from ₹ 2.35 lakh to ₹ 1.47 lakh on the basis of age of the buildings without obtaining any documentary evidence in support of age of building/property, resulting in loss of house tax revenue amounting to ₹ 0.09 lakh per year. Thus, 11 ULBs suffered from huge loss of revenue every year due to irregular reduction in ARV.

In reply, executive heads of these ULBs stated that reduction was done on basis of application furnished by house owners. EO Khalilabad stated that ARV of 80 residential building was reduced on basis of age of these buildings. Reply was not acceptable as no documentary evidence was provided to audit in support of reply.

### **House tax and water tax not levied**

Section 128 of the Municipality Act provides for collection of house tax and water tax on ARV of buildings or lands. In test checked ULBs, it was noticed that NP Pratapgarh City and NP Saidpur were not collecting house tax and water tax. NPP Bilari, NP Narauli and NP Umarikala were not collecting water tax and even the house tax was being collected on lump sum basis instead of on ARV.

In reply, EOs of these ULBs stated to collect revenue at the earliest. Reply was not acceptable as timely action was not taken to collect house tax and water tax resulting in loss of revenue.

***Recommendation: A uniform mechanism for levy and collection of Property tax with a defined timeframe should be put in place in all ULBs.***

### **Show tax**

Section 128 (2) (3) of the Municipality Act provides for charging theatre tax.

It was noticed that NPP Najibabad recovered show tax at the rate of ₹ 20 per show from four theatres under its municipal area. Scrutiny of records of show tax revealed that ₹ 1.80 lakh was in arrear for recovery from three theatres at the end of March 2015.

On being pointed out, EO stated that arrears could not be collected as all four theatres were closed. Thus, due to failure in ensuring timely collection of show tax, NPP suffered a loss of revenue amounting to ₹ 1.80 lakh.

### **Advertisement tax**

Section 128 of the Municipality Act provides for collection of advertisement tax on hoardings. Scrutiny of records of NPP Pratapgarh revealed that in the year 2011-12 no advertisement tax was collected as neither auctioning of hoardings nor departmental collection was ensured. Further, Audit noticed that in the year 2014-15 no tender was received regarding advertisement on hoardings and therefore departmental recovery order of advertisement tax was issued in November 2014 and ₹ 29,000 was collected. This resulted in loss of

revenue amounting to ₹ 66,000 in comparison to receipt of ₹ 95,000 in 2013-14.

On being pointed out, the Executive Officer NPP replied that order of departmental recovery was issued in November 2014 as no tender was received. Reply was not acceptable as loss of revenue was resulted due to belated order of departmental recovery.

#### **3.1.4.2 Non-tax revenue**

##### **Collection of water charges**

Government Order<sup>5</sup> (January 1997) provides for collecting water charge in NNs at the rate of ₹ 75 per connection per month, NPPs at the rate of ₹ 50 per connection per month and NPs at the rate of ₹ 30 per connection per month. Audit scrutiny of 11 test checked ULBs (01 NN, 5 NPPs and 5 NPs) revealed that against the required demand of ₹ 34.11 crore, these ULBs raised a demand for only ₹ 12.59 crore during 2011-16 due to not adopting the water charge rate prescribed by Government resulting in loss of revenue amounting to ₹ 21.50 crore (*Appendix 3.1.6*).

In reply, Executive heads of these ULBs stated that this was done as per the orders of the Boards of ULBs. The reply was not acceptable as the documents regarding power of the Boards to make such reduction in rates of water charges, was not made available to audit.

##### **Levy of license fees**

Section 452 of the Corporation Act and Section 241 of the Municipality Act provide for charging and collecting license fees for business activities in municipal areas. Further, Government Order<sup>6</sup> (December 1997) fixed rate of license fees for 39 businesses (*Appendix 3.1.2*). However, it was noticed that out of 23 test checked ULBs, 12 ULBs<sup>7</sup> did not undertake any efforts to implement the provisions of the Act/Government Order.

In reply, Executive Officers of these ULBs accepted the audit observation.

##### **Levy of license fees on Liquor shops**

NN Moradabad and NN Jhansi approved bye-laws<sup>8</sup> to collect license fees from Bar/beer shops, desi wine shops and foreign wine shops at the prescribed rate of ₹ 6000, ₹ 6000 and ₹ 12000 per shop per year respectively. As per information provided by District Excise Officer Moradabad and Jhansi, 91 to 96 wine shops were running in NN Moradabad and 102 to 111 wine shops were running in NN Jhansi during 2011-16. Out of these shops, NN Moradabad levied and collected license fees from 38 to 40 shops but NN

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<sup>5</sup> No. 1810/9-2-96-57(2)/96 Nagar Vikas Anubhag-2 Lucknow.

<sup>6</sup> No. 161 CM/Nine-9-97-23J/97.

<sup>7</sup> NPP Nazibabad and NPs Pratapgarh City, Patti, Narauli, Umarikala, Sahanpur, Jhaloo, Moth, Ranipur, Kurara, Hariharpur and Saidpur.

<sup>8</sup> NN Moradabad in January 2000 and NN Jhansi in January 1998.

Jhansi did not levy license fee on any of these shops. This resulted in loss of revenue amounting to ₹ 62.76 lakh<sup>9</sup> during 2011-16 (**Appendix 3.1.7**).

In reply, executive heads of NN Moradabad and Jhansi stated to collect license fees after proper survey in future. Reply was not acceptable as these ULBs suffered from loss of revenue as the license fees was not collected from all wine shops running in their areas.

### **License fees on medical activities**

As per orders of GoUP (December 1997 and May 2014<sup>10</sup>) medical activities<sup>11</sup> were to be charged license fee as per prescribed rates. Writ petition filed by Indian Medical Association regarding exemption from license fees to nursing homes and private hospitals was rejected by Hon'ble High Court Allahabad (July 2006). However, GoUP issued order for collection of license fees from nursing homes only after eight years (May 2014) of termination of the writ. Audit findings regarding charging of license fees on medical activities in test checked ULBs are as follows:-

NN Moradabad approved bye-laws for charging license fees on private hospitals/clinics *etc* in January 2000. As per information collected from Chief Medical Officer, Moradabad (May 2016), 397 private hospitals/clinics *etc.* were working in Municipal area, but NN Moradabad was charging license fees from 183 private hospitals /clinics only. NN Moradabad collected license fees amounting to ₹ 9.53 lakh from 183 hospitals/clinics only against required license fees of ₹ 23.96 lakh<sup>12</sup> from 397 private hospitals/clinics for the period 2014-16, resulting in loss of revenue of ₹ 14.43 lakh.

NN Jhansi (then NPP) prepared bye-laws in January 1998 for regularisation, controlling and collection of license fees from nursing homes *etc.* As per information collected from CMO Jhansi, 526 private hospitals/clinics *etc.* were established in 2015-16 in NN area but it did not charge any license fee from them resulting in loss of revenue of ₹ 19.82 lakh during 2014-16 (**Appendix 3.1.8**).

As per information collected from Chief Medical Officer, Bijnore (May 2016), 110 private hospitals/clinics *etc.* were established in NPP area but NPP did not make any bye-laws to implement the Government order, resulting in loss of revenue.

Thus, due to belated order of GoUP and non-charging of license fees on all medical activities, ULBs suffered from huge loss of revenue.

In reply, executive heads of these ULBs stated to collect license fees after obtaining list of medical activities in future. Reply was not acceptable as these

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<sup>9</sup> NN Moradabad ₹ 22.38 lakh and NN Jhansi ₹ 40.38 lakh

<sup>10</sup> No. 445/9-9-14-23J/97 TC

<sup>11</sup> Nursing homes upto 20 beds, nursing homes above 20 beds, maternity centers upto 20 beds, private hospitals, pathology centers, x-ray clinic, dental clinic and private clinic

<sup>12</sup> 52 Private hospitals at the rate of ₹ 5,000 per year, 41 Dental clinics at the rate of ₹ 4,000 per year, 11 Maternity homes at the rate of ₹ 4,000 per year, 78 Nursing homes at the rate of ₹ 2,000 per year, 25 Pathology labs at the rate of ₹ 1,000 per year, 169 private clinics at the rate of ₹ 3,000 per year, X-ray/diagnosis centers at the rate of ₹ 2,000 per year.



ULBs suffered from loss of revenue due to failure in collection of license fees from all medical activities running in their areas.

***Recommendation: As per the Act and orders of GoUP, bye-laws must be approved timely and implemented accordingly.***

### **Loss of revenue in parking *theka***

Scrutiny of the records of parking *theka* of NN Jhansi revealed that 34 parking *theka*<sup>13</sup> contracts were not given during 2012-16 which resulted in not realising any revenue from these *thekas*. Further, contracts of four parking *thekas* of 2014-15 were cancelled on the basis of complaint. Due to cancellation of these *thekas*, against contract amount of ₹ 15.87 lakh, only ₹ 8.76 lakh was recovered, resulting in loss of revenue of ₹ 7.11 lakh.

As per contract condition of parking *theka*, whole amount of the *theka* was to be deposited before start of work. However it was found in case of two parking *thekas* pertaining to 2013-14, NN Jhansi accepted seven post-dated cheques of ₹ 8.20 lakh (December 2014); subsequently four cheques of ₹ 6.70 lakh bounced due to which dues of parking *theka* could not be recovered.

On being pointed out in audit, *Apar Nagar Ayukta* Jhansi stated that the same was noted for future compliance and a notice had been issued to the contractor (May 2016). Thus, due to its lackadaisical approach, NN Jhansi suffered loss of revenue of ₹ 6.70 lakh.

### **Loss of revenue from shop rent**

Audit of NPP Pratapgarh revealed that shop rent of ₹ 30.49 lakh was outstanding at the end of March 2016 from 11 markets in which ₹ 18.26 lakh (61 *per cent*) pertained to Sanjay Market from which no recovery was made in the year 2015-16. Further scrutiny revealed that agreement of 72 shops of *Sabjimandi* expired in the year 2002 and after this no renewal/new agreement was made. An amount of ₹ 9.34 lakh was outstanding against the shops of *Sabjimandi* at the end of March 2013.

Audit of NPP Bijnore revealed that out of total demand of shop rent of ₹ 42.80 lakh for the year 2015-16, only ₹ 24.92 lakh was recovered and ₹ 17.89 lakh was outstanding at the end of March 2016 from 14 markets. The percentage of rent collection during 2011-16 was only 42 to 58 *per cent*.

On being pointed out in audit, the EO NPP Pratapgarh stated that recovery notice had been issued in January 2014 for Sanjay Market and shops of *Sabjimandi* Market would be demolished for construction of new shops. Reply was not acceptable as NPP suffered from loss of revenue due to not collecting shop rent timely.

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<sup>13</sup> 2012-13(4), 2013-14 (12), 2014-15(6), 2015-16(12).



### **Loss of revenue in miscellaneous contracts**

NPP Bijnore entered into a contract of exhibition amounting to ₹ 80.26 lakh during the year 2013-14. As per conditions of contract, contractor was to deposit stamp fees at the rate of four *per cent* of the contract amount. Audit scrutiny revealed that the required stamp fee was not deposited by the contractor which resulted in loss of revenue of ₹ 3.21 lakh (four *per cent* of ₹ 80.26 lakh) to the government and also violated the contract condition.

Further, as per the contract conditions the contractor was to deposit full amount of ₹ 80.26 lakh after acceptance of contract. Audit scrutiny revealed that contractor deposited only ₹ 78.76 lakh as against contract amount of ₹ 80.26 lakh for the year 2013-14. Thus ₹ 1.50 lakh was short deposited by contractor. FDR of ₹ 1.50 lakh was deposited by contractor as security at the time of auction, which was to be returned to the contractor after completion of auction as per contract condition. Audit observed that NPP neither returned FDR nor made any effort to obtain remaining contract amount of ₹ 1.50 lakh which resulted in loss of revenue of ₹ 1.50 lakh.

Further, scrutiny of contract register of NPP Bijnore, NPP Baruasagar and NP Moth revealed that arrears amounting to ₹ 15.39 lakh<sup>14</sup> were not recovered till date of audit (May 2016) relating to exhibition, *tehbazari*, *murdamevesi*, hoardings, ponds *etc.*, for the period 1974-75 to 2011-12. As the arrears are very old the possibility of their recovery is bleak. Thus, failure to ensure timely collection of contract amount resulted in loss of revenue of ₹ 15.39 lakh to these ULBs.

In reply, the EO, NPP Bijnore stated for taking necessary action regarding audit observation of exhibition contract. EO NPP Bijnore, Baruasagar and NP Moth stated that efforts would be done for collection of arrears. Reply was not acceptable as these ULBs suffered from loss of revenue due to slackness in taking timely action.

#### **3.1.4.3 Other Miscellaneous Issues**

##### **Idle machinery amounting to ₹ 36.84 lakh**

It was noticed in audit of NN Moradabad that during 2014-15, *Jal Kal Vibhag* purchased 10 pumps of 33 HP and 20 pumps of 50 HP by incurring an expenditure of ₹ 36.84 lakh under two *per cent* stamp duty. Scrutiny of stock register and physical verification of stock revealed that all 30 pumps were lying idle as on May 2016. Meanwhile, warranty period of these pumps had also expired. This indicates that pumps were purchased without assessing requirement, resulting in an unfruitful expenditure of ₹ 36.84 lakh.

In reply, General Manager (*Jal Kal Vibhag*) NN Moradabad stated that pumps were purchased for emergency situations. Reply was not acceptable as emergency situation was not assessed properly and pumps were lying idle after expiry of warranty period.

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<sup>14</sup> NPP Bijnore, ₹ 14.20 lakh, NPP Baruasagar, ₹ 0.53 lakh and NP Moth ₹ 0.66 lakh.

### **Unfruitful expenditure on GIS mapping work**

NPP Sambhal made a contract with a firm (February 2010) for Geographical Information System (GIS) mapping of property situated in municipal area. As per the contract, works were to be completed within 54 weeks. Scrutiny revealed that ₹ 2.56 lakh was paid to the company in September 2010 and Rupees one lakh was paid in August 2013. Scrutiny of records relating to GIS survey revealed that works were not completed by the company. Thus, GIS and mapping work of property remained incomplete even after incurring an expenditure of ₹ 3.56 lakh.

Audit scrutiny of records of GIS survey of NP Moth revealed that NP incurred expenditure of ₹ 19.70 lakh during 2013-14 and 2014-15 for GIS survey, mapping and digitalisation of mapping but NP was still collecting house tax on the basis of old survey as GIS survey report was not provided by the surveying firm. Thus, expenditure of ₹ 19.70 lakh remained unfruitful.

Scrutiny of records of GIS survey of NP Ranipur revealed that an expenditure of ₹ 16.45 lakh was incurred (May 2016) for GIS survey, billing software and digitalisation of NP Ranipur mapping. No evidence regarding completion of above works was available on record and NP was still collecting house tax on the basis of old survey. Thus, expenditure of ₹ 16.45 lakh remained unfruitful.

Audit scrutiny of NPP Baruasagar of District Jhansi revealed that GIS survey of properties under the purview of NPP was awarded to a private firm. The work of GIS Survey was completed and the firm provided details of 184 houses of 16 *Muhallas* to NPP in March 2015, which were not paying house tax. It was noticed that though the details were available, NPP did not raise house tax demand of these houses, resulting in loss of revenue of ₹ 0.53 lakh per year as house tax.

Thus, due to incomplete GIS survey, the objective of identification of all properties of municipal areas could not be achieved and expenditure incurred on GIS survey work remained unfruitful.

In reply, Executive Officers of NPP Sambhal, NP Moth and Ranipur accepted the audit observation. EO NPP Baruasagar stated that recovery based on GIS mapping would be done at earliest after entering the detail of houses in DCR. Reply was not acceptable as timely action was not taken by these ULBs.

### **Delayed deposit of collected revenue in banks**

As per rule 3 of Municipality Accounting Rules, all money pertaining to the municipal fund shall at once be credited to the appropriate head of account.

Scrutiny of cash book and bank account of town fund of NP Pratapgarh City revealed that security deposits from contractor as cash amounting to ₹ 25.58 lakh was deposited with a delay of 17 to 81 days in the bank. Similarly, NP Moth deposited ₹ 0.75 lakh<sup>15</sup> with delay in the bank. Delay in deposit of cash receipts resulted not only in loss of interest, but also was

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<sup>15</sup> ₹ 56,035 of 1st April 2015 to 6th July 2015 was deposited on 9 July 2015, ₹ 19,436 of 21 August 2015 to 16 September 2015 was deposited on 21 September 2015.

violation of Municipal Accounting Rules. This also indicated lack of internal control and risk of misappropriation of municipal funds.

In reply, EOs of these ULBs stated that the matter was noted for future compliance. Reply was not acceptable as these ULBs violated the provisions of Municipal Accounting Rules.

### **Utilisation of own funds**

Audit observed that the revenue realised from own sources was deposited in Board Funds and no separate records were maintained for its utilisation. However, it was noticed that separate records for revenue collected and transferred by GoUP under additional stamp duty was maintained. The money received as stamp duty was utilised mainly for construction and maintenance of roads in ULBs. Test check of 69 road (18 bituminous and 51 other road works) works in nine selected ULBs revealed following discrepancies:

- Road register was not prepared by the test checked ULBs.
- Survey report regarding position of work prior to estimation was not prepared in all 69 works.
- Para 375 A of Financial hand book volume VI provides that no work shall be started without preparation of detailed estimates and obtaining technical sanction. It was noticed in audit that neither detailed estimate of works were prepared nor technical sanction had been obtained in all 69 works.
- Government Order<sup>16</sup> (January 2007) of Public Works Department (PWD) provides for use of various prescribed tender forms<sup>17</sup> to prevent anti-social elements in construction work. Audit scrutiny of records of works revealed that the prescribed tender forms were not used for inviting tenders in all 69 works.
- Long term tender should be invited for obtaining better competitive rates. Audit scrutiny revealed that all 69 works were executed by calling short-term tender without wide publicity. This deprived the ULBs not only of better competitive rates but also possibility of pool tendering could not be ruled out.
- Government Order<sup>18</sup> (August 1996) provides provision for quality control in estimates and quality testing accordingly. Audit scrutiny of all test checked 69 works revealed that no provision was made for quality control in estimates and no quality tests were carried out. Therefore, quality of the test checked 69 works could not be ensured in audit.
- Government Order<sup>19</sup> (May 2009) provides that executing agency will issue authorisation letter to refinery for issuing of required bitumen to contractor for allotted work and contractor will submit original Consign Receipt *Challan* (CRC) for obtaining payment of bituminous work. Records of

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<sup>16</sup> No. 6738/23-7-2006-176(G)/06.

<sup>17</sup> PWD T-1, T-2, T-3, T-4, T-5 and T-6.

<sup>18</sup> No. 742/23-9-96-11 A C/96.

<sup>19</sup> No. 1408/2-3-07-62(General)/08/T.C. of Chief Secretary UP.

these works revealed that executing agency neither issued authorisation letter nor CRC was produced by contractor before obtaining payment.

#### 3.1.4.4 Monitoring

##### Outstanding dues of own funds

As per Rule 19 of Municipality Accounting Rules, Demand and Collection Register (DCR) regarding property tax shall be made in specified Form for five years as per assessment list. Audit scrutiny of 21 test checked ULBs (2 NNs, 9 NPPs and 10 NPs) revealed that DCR was not prepared properly by these ULBs. Entries regarding demand, collection and arrears were not completed and totaled and therefore actual demand and arrear of house tax and water tax could not be verified in audit. Information provided by six test checked ULBs (2 NPPs and 4 NPs) revealed that arrears of ₹ 2.01 crore had accumulated at the end of March 2015. The arrears at the end of March 2016 could not be verified in audit as DCR were not prepared by the all of the six ULBs for the year 2015-16. Audit noticed that 15 ULBs (2 NNs, 7 NPPs and 6 NPs) had arrears of ₹ 107.81 crore at the end of March 2016. Audit scrutiny of NPP Ghazipur revealed that arrears of ₹ 1.03 crore were outstanding at the end of March 2013 on account of house tax and water tax and NPP did not prepare DCR; therefore further demand and arrear could not be verified in audit. Thus, ₹ 109.81 crore of own funds were in arrears for recovery at the end of March 2016 (*Appendix 3.1.9*). The major arrears were under the heads house tax and water tax, amounting to ₹ 103.99 crore (*Appendix 3.1.10*).

In reply, executive heads of these ULBs stated that efforts would be made for recovery of arrears. Reply was not acceptable as timely collection of arrears was not ensured by these ULBs.

##### Incorrect reporting

ULBs send information regarding demand, collection and arrears of own funds to Director, Local Bodies in a specified proforma along with budget every year. Audit scrutiny of test checked ULBs revealed that information regarding demand and arrears sent to Director, LB was not correct as Audit found that the reported data was incomplete and not based on DCRs. It was noticed that there was a variation in the figures reported to the department and that provided to audit in respect of the following test checked ULBs given in **Table 3:**

**Table 3: Detail of incorrect reporting of property tax**

(₹ in lakh)

Sl No.	Name of the test checked ULBs	Arrear of property tax regarding all properties reported to Director, LB	Arrear of property tax as per audit scrutiny	
			Detail of test checked cases	Figures provided to audit /worked out by audit
1	NN Moradabad	90.87	All properties	9246.68
2	NPP Sambhal	66.30	382 commercial and government buildings	254.46
3	NPP Najibabad	0.49	Three <i>Muhallas</i>	0.73
4	NPP Nagina	0	Six wards	10.53

**Table 3** shows that property tax arrears reported to Director, LB was incorrect and not based on DCR as there was a wide gap between reported arrears and arrears worked out/provided to audit. This indicates poor accounting and reporting system.

#### **3.1.4.5 Conclusion**

There was no uniform mechanism and a defined timeframe in all the ULBs for collection of tax. Collection of tax & non-tax revenue was not up to the mark and collection of own funds were also not effective & efficient as required. Bye-laws were not approved in many ULBs. The mechanism for levy, assessment, collection and recovery was found weak. Monitoring and internal control was not sound as large amount of own funds was running into arrears in ULBs and accounting for utilisation of own funds was not proper.

## Audit Paragraphs

### 3.2 Wasteful expenditure in Nagar Nigam Varanasi

**Installation of dry sump pump in Raw Water Pumping station, Varanasi without ensuring viability and its becoming inoperable, resulting in wasteful expenditure of ₹ 2.02 crore.**

With a view to enhance the pumping capacity of raw water pumping station at Bhadaini, Varanasi, the pumps which had completed their useful life<sup>20</sup> were proposed (July 2007) to be replaced. There were three pumping stations at Bhadaini, out of which two were wet sump pumping stations and one was dry sump pumping station. Seven wet pumps (Four 40 KL/min and three 20 KL/min) installed at the two wet sump pumping stations were proposed to be replaced by three wet pumps (80 KL/min). Two dry pumps (70 KL/min) installed at the dry sump pumping station were proposed to be replaced by two dry pumps (80 KL/min).

A total of ₹ 7.69 crore was sanctioned under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for Bhadaini Intake Works including ₹ 4.94 crore for supply, replacement and commissioning, testing, *etc* of the five pumps. Uttar Pradesh *Jal Nigam* was the executing agency for these works.

The executing agency allotted (May 2008) the work<sup>21</sup> to the lowest bidder<sup>22</sup> at a cost of ₹ 7.69 crore, along with other<sup>23</sup> works, with scheduled date of start and completion as June 2008 and June 2010, respectively. As per conditions of the contract, the completed works were to be handed over to NN during the period of trial run of three months. The bidder had to monitor the operation of pumps for performance guarantee period of 12 months after three months of trial run and would carry the full liability to make good any defects in the work at his own cost up to this period.

Scrutiny of records (February 2016) of NN revealed that the purchase and installation of five pumps was completed in January 2011 by incurring expenditure of ₹ 4.88 crore and these were handed over (June 2012) to NN, after the performance guarantee period had passed. It was noticed that two dry sump pumps out of five pumps, costing ₹ 2.02 crore were found to be malfunctioning intermittently during the performance guarantee period of 12 months. However no action was taken to rectify the pumps during performance guarantee period. It was noticed that the dry pumps had become totally inoperative since July 2012. Though the matter was repeatedly<sup>24</sup> taken up by the NN with UP *Jal Nigam* during the performance guarantee period and also after, the defects were not rectified by *Jal Nigam*.

<sup>20</sup> Year of commissioning of old pumps: before 1986.

<sup>21</sup> Supply, replacement and commissioning, testing *etc.* of five raw water pumps in dry /wet sumps.

<sup>22</sup> M/s Flowmore Private Limited, Gurgaon.

<sup>23</sup> Civil work for repairing/renovation of Raw Water Pumping Station, installation and commissioning of two substations for uninterrupted power supply.

<sup>24</sup> Civil work for repairing/renovation of Raw Water Pumping Station, installation and commissioning of two substations for uninterrupted power supply.

Subsequently in April 2015, as the dry pumps for water supply were not working, the Commissioner in a meeting decided that these pumps should be made operational by May 2015 and offers were received from the pump manufacturing firm for repairs at a cost of ₹ 55.49 lakh.

It was noticed that meanwhile Banaras Hindu University (BHU) was nominated for conducting a technical study, based on which a consultant firm recommended that there was no significant benefit of repairing the pumps at such high cost as the pumps would suffer from high vibration resulting in cavitation and breakdown. It was also stated that the pumps were not suitable as per the local system requirements. Replacement of these dry pumps with submersible pumps, which were easier to operate and easily available in the market was also suggested by the firm. The estimated cost of ₹ five crore was proposed by the consultant firm, which was accepted by NN. Subsequently, NN Varanasi has proposed to spend the amount from AMRUT<sup>25</sup> scheme. Further, it was noticed that the pumps were still not purchased (February 2017).

On being pointed out, General Manager, *Jal Kal Vibhag* of NN Varanasi stated that pumps were functional only for nine days after installation and *Jal Nigam* did not agree for their operation and maintenance (O&M). Reply was not acceptable as the technical feasibility of dry sump pumps was not assessed before sanctioning/installation, which was also supported by the recommendation of BHU that the choice of two dry sump pumps was not suitable.

Thus, installation of dry sump pumps without performing any feasibility study and the failure of not getting it repaired during the performance guarantee period, resulted in the pumps becoming completely inoperative soon after handing over and thereby wasteful expenditure of ₹ 2.02 crore.

### **3.3 Unfruitful expenditure in *Nagar Palika Parishads Khatauli and Bangarmau***

**Unfruitful expenditure of ₹ 32.60 lakh incurred on construction of shops, besides a revenue loss of ₹ 16.13 lakh.**

With a view to develop selected regional growth centres with infrastructure and service facilities, *Sangathit Vikas Yojna* (SVY), a Centrally Sponsored Scheme, was launched (1979-80) to enable such towns to emerge as regional centres for economic growth with increase in employment opportunities and to arrest migration towards big cities.

Scrutiny of records (January 2015) of NPP Khatauli, Muzaffarnagar revealed that an estimate of ₹ 33.13 lakh was proposed (November 2008) for construction of 18 shops (Khatauli) and its technical sanction was granted (July 2009) by Town and Country Planning Department<sup>26</sup>, Uttar Pradesh, Lucknow.

<sup>25</sup> Atal Mission for Rejuvenation and Urban Transformation.

<sup>26</sup> In Department of Housing and Urban Planning, Government of Uttar Pradesh, Lucknow.



Tenders were invited (July 2009) and the work order was issued (February 2010) to the lowest bidder at a cost of ₹ 33.13 lakh. Work started in April 2010 and was completed in January 2012 by incurring an expenditure of ₹ 22.82 lakh<sup>27</sup>. However, these shops were not allotted for more than four years, resulting in unfruitful expenditure ₹ 22.82 lakh.

On being pointed out, Executive Officer (EO), NPP Khatauli stated (July 2016) that the shops were lying vacant at present and required repair. EO, NPP further stated (September 2016) that Associate Planner, SVY, did not make efforts to ensure allotment of shops. The reply is not acceptable as the proposal for construction of shops under SVY was given by the EO NPP, as also reflected in the financial sanction. Moreover, the responsibility for optimum utilisation of assets and generation of revenue rests on NPP, Khatauli. Thus, failure of NPP Khatauli, to allot the shops resulted in unfruitful expenditure of ₹ 22.82 lakh, besides avoidable loss of revenue of ₹ 3.53 lakh<sup>28</sup> (September 2016).

Similarly, administrative and financial sanction of ₹ 38.61 lakh was accorded (January 2009) for construction of 33 shops and five residential houses through collection of premium from prospective buyers by NPP Bangarmau, Unnao.

Scrutiny of records (February 2016) of NPP Bangarmau, Unnao revealed that tender was invited (January 2009) and the work order was issued to the lowest tenderer (March 2009) at a cost of ₹ 38.61 lakh, with the scheduled period of completion of 60 days (May 2009). Thirty shops were completed within time at a cost of ₹ 19.56 lakh, but the construction of residential houses could not start as no premium could be collected. NPP conducted six auctions<sup>29</sup> for the shop. However, only 15 shops were allotted after six years and the remaining 15 shops were still lying unused. Hence, construction of shops without assessing their demand resulted in failure in their allotment (September 2016) resulting unfruitful expenditure of ₹ 9.78 lakh<sup>30</sup> incurred on their construction besides avoidable loss of revenue of ₹ 12.60 lakh<sup>31</sup> (September 2016).

On being pointed out, Executive Officer, NPP Bangarmau stated (February 2016) that in future, before construction of shops, demand would be assessed. The fact remains that construction of shops without assessing the demand led to unfruitful expenditure of ₹ 32.60 lakh besides a revenue loss of ₹ 16.13 lakh.

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<sup>27</sup> First running bill: ₹11.71 lakh (September 2010); Second running bill: ₹11.11 lakh (March 2012).

<sup>28</sup> 18 shop with rent of ₹350 per shop per month for 56 months i.e. January 2012 to September 2016.

<sup>29</sup> On dates 17 December 2011; 10 October 2012; 31 January 2013; 15 February 2013, 18 June 2013 and 31 May 2016.

<sup>30</sup> Construction cost of 15 shops at rate of ₹ 65,200 each (₹ 19,56,000/30 shops: ₹ 65,200 per shops).

<sup>31</sup> 10 shops with rent of ₹ 700 per shop per month and 19 shops with rent of ₹ 400 per shop per month for 84 months i.e. May 2009 to May 2016 and 18 shops (4 shops with rent 700 and 14 shops with rent 400) for 4 months i.e. May 2016 to September 2016.

### 3.4 Unfruitful Expenditure in Nagar Nigam Allahabad

**Unfruitful expenditure of ₹ 1.30 crore incurred on purchase of Leak Detection System and training for its operation, without analysing the technical viability, in Nagar Nigam Allahabad.**

With a view to provide continuous potable water supply in the city of Allahabad, Nagar Nigam Allahabad proposed (July 2006) a project for water supply of Allahabad city (Part-II) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), comprising of reorganisation and strengthening of distribution network, provision of tube wells and storage reservoirs. Purchase of Leak Detection System (LDS) was one of the components required for strengthening of distribution network to diagnose the location of leakage point technically and economically and to formulate and implement action to reduce it. It also results in meeting additional demands with water, as losses are reduced and saves the cost of additional production and distribution. Cost of the LDS as per the proposal (July 2006) was ₹ three crore.

Scrutiny of records (November 2015) of NN revealed that ₹ 2.85 crore was allotted to Jal Nigam, the executing agency, for purchase of LDS and training of personnel for its operation. JN invited (June 2010) the tender for LDS (which works on radio frequency) and accepted the lowest tenderer (June 2013) at a cost of ₹ 1.37 crore. Audit observed that the qualified firm proposed (March 2013) to JN for the purchase of a new advance component by replacing two allied components, which was accepted by the tender committee on the same date without technically analysing its viability. Accordingly, a fresh agreement was executed (December 2013) with the firm for supply of LDS (within six months) at a cost of ₹ 1.37 crore. JN received (March 2014) LDS at a cost of ₹ 1.22 crore and an amount of ₹ 7.27 lakh was paid (July 2014) to the firm for imparting training<sup>32</sup> for operation of LDS. Total payment of ₹ 1.30 crore was made to the firm.

Audit observed that the new device was not in operation. On being pointed out (February 2017), NN stated that LDS would be operative in a Wi-Fi zone only and therefore, the system was returned (June 2015) to the firm for software up-gradation so that the system would work at radio frequency but no progress was reported as on February 2017.

Reply was not acceptable as during the finalisation of the tender, the components were replaced without technical analysis of operating viability for the new component of LDS. As a result, expenditure of ₹ 1.30 crore incurred on purchase and training for its operation was rendered unfruitful.

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<sup>32</sup> The training was imparted from 24 March 2014 to 22 April 2014.

### 3.5 Violation of pollution norms in *Nagar Nigam Agra* and *Lucknow*

**In contravention to National Auto Fuel Policy for reducing vehicular emission, *Nagar Nigam Agra* and *Nagar Nigam Lucknow* purchased BS-III model vehicles instead of BS-IV models at a cost of ₹ 6.85 crore, which led to failure of implementing environment norms on air pollution.**

With a view to provide a roadmap for achieving vehicular emission norms over a period of time and meeting environmental concerns by reducing pollution, Ministry of Petroleum and Natural Gas, Government of India in response to the direction of Hon'ble Supreme Court (1999) announced National Auto Fuel Policy (NAFP) in October 2003. In view of this, Ministry of Road Transport & Highways, New Delhi (Ministry) issued an order<sup>33</sup> that only four wheeler vehicles (manufactured on or after 1<sup>st</sup> April 2010) with Bharat Stage-IV (BS-IV) emission norms were allowed to be registered for plying in 13 cities from 1<sup>st</sup> April 2010. As per the report submitted by National Environment Engineering Research Institute (NEERI), the pollution levels had risen to most significant and dangerous levels resulting in change in the colour of the famous and peculiar marble from white to yellow of the Taj Mahal and being damaged by air pollution. In view of the above, serious measures like avoiding running of vehicles within the 500 meters territory from the structure and including Agra in the above said 13 cities, had been taken. Furthermore, BS-III model vehicles emit more carbon mono-oxide, hydrocarbon and nitrogen oxide in comparison to BS-IV model vehicles and hence, caused more environmental pollution.

Scrutiny of records (July 2015) of NN Agra revealed that in contravention of the above norms, tenders were invited (December 2013) for purchase of BS-III or BS-IV model vehicles by the Executive Engineer, NN. Against the tenders, NN Agra purchased (October 2014 to March 2015) 15 vehicles (*Appendix 3.2*) of BS-III model at a total cost of ₹ 6.03 crore under Thirteenth Central Finance Commission Grants. The vehicles were registered in the Regional Transport Office, Firozabad by mentioning temporary address of *Nagar Palika Parishad Firozabad* because Government restricted the registration of BS-III emission model vehicles in Agra. These vehicles were plying under NN Agra.

Similarly, scrutiny of records of NN Lucknow revealed that in contravention of the above norms, five tipper trucks of BS-III model were purchased (January 2014) at a cost ₹ 82.25 lakh and registered in district Barabanki for transportation of Municipal Solid Waste in Lucknow.

On being pointed out, NN Agra stated that as BS-IV model vehicles were not available, BS-III model vehicles were purchased with a view to keep the city clean. NN Lucknow stated that BS-III model vehicles were purchased because of their cheap rates. Reply is not acceptable as the purchase of these vehicles violated the provision of NAFP of GoI.

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<sup>33</sup> Ministry of Road Transport & Highways, New Delhi vide Order No. RT-11011/11/2009/MVL dated 28 May 2010.

Thus, NN Agra and NN Lucknow violated the provision of NAFP of GoI by purchasing BS-III vehicles at a cost of ₹ 6.85 crore

### 3.6 Loss of revenue in *Nagar Palika Parishad Hathras*

**Failure to invite tender and allot the parking places of vehicles for collection of parking fees led to loss of revenue of ₹ 1.15 crore to NPP Hathras.**

The Seventy fourth Constitution Amendment Act (1992) paved the way for decentralisation of powers and transfer and devolution of more functions and funds to Urban Local Bodies (ULBs). In order to reduce the dependency on Government grants, ULBs were required to generate revenues by collecting taxes, rents, fees, *etc.*, from the people of the area under their jurisdiction.

Scrutiny of records (February 2016) of Executive Officer (EO) NPP Hathras, revealed that six parking places for vehicle stand of NPP where tongas, tempos, private buses *etc.*, stopped for boarding and disembarking of passengers were allotted to private contractors by tendering in the year 2010-11 for ₹ 25.60 lakh<sup>34</sup>. Further, it was noticed that in the year 2011-12, only three parking places<sup>35</sup> were auctioned while rest of the parking places were not auctioned. In the year 2012-13, the processes of auction was initiated by inviting tender, but the process of the award of contract was not completed. The then District Magistrate, Hathras directed all the Sub-Divisional Magistrates (SDM) to examine and verify with *Nazari Naksha* of the parking places before auction through tendering. In compliance of these orders, SDM Hathras verified the five places<sup>36</sup> and reported (April 2012) about their suitability for auction to the DM. Further, NPP Hathras submitted *Nazari Naksha* of the parking places and sought permission for auction. After getting the *Nazari Naksha*, DM Hathras directed (August 2012) EO, NPP to take appropriate action as per GO (January 2009). However, no action was taken by EO, NPP for auction of these parking places. No tenders were invited during 2013-14, 2014-15 and 2015-16 and therefore, no auction was carried out for parking places in the NPP during these years. Given the fact that NPP's own revenue ranged between ₹ 1.74 crore to ₹ 1.81 crore<sup>37</sup> during 2012-15, no collection of parking fees for four years led to significant revenue loss for NPP. Hence, NPP neither executed the auction from 2012-13 to 2015-16 nor collected the parking fees through departmental staff.

On being pointed out, EO stated (February 2016) that since 2011-12, collection of parking fees was stopped by the verbal order of DM. Reply is not acceptable as after the submission of *Nazari Naksha*, DM directed the EO, NPP to take action for collection of parking fees. However, no effort was made by the EO, NPP Hathras in this regard.

<sup>34</sup> Aligarh road ₹ 6,43,000, Mendu road ₹ 5,61,000, Agra road ₹ 2,95,000, Mursan road ₹ 6,25,000, Iglas road ₹ 2,05,000 and Jalesar road ₹ 2,30,850 ( ₹ 950/day for 243 days).

<sup>35</sup> Aligarh road, Mursan road and Mendu road.

<sup>36</sup> Jalesar road, Aligarh road, Agra road, Iglas road and Sikandararau road.

<sup>37</sup> ₹ 1.74 crore in 2012-13, ₹ 1.76 crore in 2013-14 and ₹ 1.81 crore in 2014-15.

Thus, failure of the department to auction the parking lots resulted in loss of ₹1.15 crore (*Appendix 3.3*).

### 3.7 Loss of revenue in *Nagar Nigam, Varanasi*

**License fee to be paid by private hospitals/nursing homes, clinics etc. were not fixed leading to a loss of ₹ 41.50 lakh in *Nagar Nigam, Varanasi*.**

Municipal Rules<sup>38</sup> stipulate that corporations may from time to time make bye-laws with respect to fixing of fee for any license, sanction or permission to be granted by or under the Corporation Act. It further states that bye-laws be confirmed by the Government and published in the official gazette for its implementation.

Government of Uttar Pradesh (GoUP) issued Government order (GO) (December 1997) for recovering and increasing the license fees from private nursing homes, hospitals, pathology centres etc. with an objective to make the ULBs monetarily self-reliant and strong. In response to the request made by the Indian Medical Association regarding imposition of license fee on nursing homes and hospitals, a standing order (December 2001) was issued for suspending the license fees on nursing homes and hospitals till further order. However, GoUP, again issued an order (May 2014) for lifting the standing orders, stating that nursing homes can be categorised under revenue generating entities, and the provision of GO was revoked.

Scrutiny of records (February 2016) of *Nagar Nigam* (NN) Varanasi revealed that bye-laws for control, operation and permission for providing license to private hospitals, nursing homes and pathology centres were prepared and published (March 1999) in the gazette by NN Varanasi. There were 275 private clinics, 139 pathology centres, 76 private hospitals, 80 nursing homes (up to 20 beds), 7 nursing homes (above 20 beds), 63 dental clinics, 46 maternity homes (upto 20 beds) and 50 X- Ray clinics were functioning within NN Varanasi during 2014-16.

Audit observed that despite the Government Order (May 2014), no system for issuing of licenses to medical establishments was put in place, which resulted in a loss of revenue of ₹ 41.50 lakh<sup>39</sup> to NN during the years 2014-16 (*Appendix 3.4*).

On being pointed out, NN stated (June 2016) that recovery of license fees were not imposed by NN as per order (2001) of GoUP. Reply is not acceptable as the Orders of GoUP (December 2001) was revoked by the Order


<sup>38</sup> Paragraph 541 (41) to 544 of Uttar Pradesh *Nagar Nigam Adhiniyam* 1959.

<sup>39</sup> 275 Private clinic at the rate of ₹ 3000 per annum, 139 Pathology centre at the rate of ₹1000 per annum, 76 Private hospital at the rate of ₹ 5000 per annum, 80 Nursing home (upto 20 bed) at the rate of ₹ 2000 per annum, 7 Nursing home (above 20 bed) at the rate of ₹ 5000 per annum, 63 Dental clinic at the rate of ₹ 4000 per annum, 46 Maternity home (upto 20 bed) at the rate of ₹ 4000 per annum, and 50 X- Ray clinic at the rate of ₹ 2000 per annum. (License fees for two years as per gazette).

(May 2014) and no action was taken by the NN to levy the licence fees leading to a loss of ₹41.50 lakh to NN Varanasi.


The matter was reported to Government (February 2016 to July 2016); their reply was awaited (March 2017).

ALLAHABAD  
THE  
24 MAY 2017

  
(BHAVIKA JOSHI LATHE)  
Deputy Accountant General  
General and Social Sector Audit  
Uttar Pradesh

COUNTERSIGNED

ALLAHABAD  
THE  
24 MAY 2017

  
(P. K. KATARIA)  
Principal Accountant General  
General and Social Sector Audit  
Uttar Pradesh