

Chapter-II

Audit of Transactions

2.1 Excess payment on Cement Concrete road works

Payment of cement concrete road works at higher rates without verification from PWD facilitated excess payment of Rs 34.72 lakh to the contractor by the Nagar Palika Parishad, Sambhal, Moradabad.

As per financial rules, Drawing and Disbursing Officers should constantly remind themselves that the expenditure from public moneys is incurred with the same vigilance as a person of ordinary prudence exercises in incurring of his own expenditure. Further, the management is responsible to review and ensure that an inbuilt mechanism of internal control has been so devised as to prevent fraud, pilferage of public money and misuse of the authority at all levels.

Scrutiny (August 2006 and May 2007) of the records of the Nagar Palika Parishad Sambhal, Moradabad (NPP) revealed that without getting the rates verified by the Public Works Department (PWD), the Junior Engineer (JE) NPP prepared the analysis of rates according to which the rate for the construction of Cement Concrete (CC) roads¹⁰ was Rs 2759 per cubic metre for laying a ten centimetre thick slab over prepared sub grade as per S.I.No. 773 of Public Works Specification. Ignoring the fact that neither the rate worked out by the JE was sent officially to the nodal division¹¹ of PWD for verification nor verified rates were authenticated by the Superintending Engineer, the NPP constructed 143 number of CC roads during 2000-2003 on the basis of an informal checking of the rates by a JE of the Construction Division-I, PWD, Moradabad in his individual capacity and made payments at this rate (Rs 2759 per cubic metre) during 2000-2003 for 6501.76 cubic metre of CC works. The rate of CC works of the same specification approved (December 2001) by the Superintending Engineer, Moradabad circle, PWD, Moradabad at the request of the Chief Development Officer, Moradabad was only Rs 2225 per cubic metre. The payment at the higher rates resulted in excess payment of Rs. 34.72 lakh¹² to the contractors surreptitiously in collusion with

¹⁰ Cement, coarse sand and approved 4 cm gauge stone ballast in the ratio of 1:2:4

¹¹ Provincial Division PWD Moradabad

¹² (Rs 2759- Rs 2225)X 6501.76 cubic metre= Rs 34.72 lakh.

the JEs of the NPP and PWD. Of this, Rs. 24.19 lakh were paid for 4529.23 cum even after the SE, PWD has approved the lower rate of Rs. 2225.

The NPP in its reply admitted (May 2007) the facts and intimated that disciplinary action had been initiated against the concerned JEs of NPP.

The matter was referred to the Government (September 2007); reply had not been received (May 2008).

2.2 Unfruitful expenditure on purchase of Refuse Collectors

The Bulk Refuse collectors procured at a cost of Rs 22.10 lakh for the disposal of garbage and solid waste of the municipal area could not be put to use for more than four years due to non construction of transfer station (Ramp) for want of site.

As per financial rules, goods as well as tools and plant should be purchased only when actually required. Blocking of the funds on these purchases without ensuring their utilization and allowing them to remain dumped for an indefinite period is an indicator of the laxity in observance of the cardinal principles of the State to spend government money in a prudent manner. Diversion of funds without the approval of the competent authority is also a grave financial irregularity under the financial rules.

With a view to overcome the problems of collection of the garbage and solid waste from the various ends of the city and reduce transportation cost and speedy disposal of garbage, Nagar Nigam (NN), Varanasi decided (December 1998) to construct a transfer station (to be used as dumping ground) at a cost of Rs 15 lakh and also to purchase two long Chassis tipper trucks at an estimated cost of Rs 24 lakh for use as Bulk Refuse Collector (capacity:21 Cusec meter each) out of grants received under the recommendations of the Tenth Finance Commission.

Scrutiny (May 2006) of records and further information collected (August 2007) from NN, Varanasi revealed that the NN purchased (June 2000) two trucks of long chassis at a cost of Rs 13.40 lakh and incurred an expenditure of Rs 8.70 lakh on fabrication of their bodies. These Bulk Refuse Collectors were however lying unused since January 2003 as the transfer station (Ramp) could not be constructed (August 2007) due to non availability of the site. The amount of Rs 15 lakh allocated for construction of the transfer station were unauthorizedly diverted and spent on other unwarranted works.

The NN in its reply admitted (August 2007) that the transfer station could not be constructed due to none availability of site and funds sanctioned for its construction

were diverted for other essential works with the approval of the Committee headed by the Divisional Commissioner.

Thus, procurement of Refuse Collectors without assessing the immediate need and even without the construction of the transfer station rendered the expenditure of Rs 22.10 lakh unfruitful. Besides, diversion of Rs 15 lakh for other works without the approval of the Government was a violation of the financial rules.

The matter was referred to the Government (April 2007); reply is awaited (May 2008).

2.3 Irregular expenditure on deployment of doctors

Continuance of the services of the doctors in disregard to the government orders in Nagar Nigam, Kanpur led to irregular expenditure of Rs. 23.26 lakh.

Government issued (September 1990) instructions that no appointment would be made in the centralized services of the Nagar Nigams without prior approval of the State Government and services of those appointed earlier in this category, without the approval of the Government, shall be terminated immediately. In case any appointment is made on any post of the centralized services on daily wages in the Nagar Nigam, the Chief Municipal Officer shall be personally held responsible.

Scrutiny (May 2006) of the records and further information collected (June 2007) from Nagar Nigam, Kanpur (NN) revealed that the Nigam had appointed ten doctors¹³ in centralized services on daily wages in various clinics/maternity centers between July 1985 and October 1990 without approval of the Government. The services of those doctors were liable to be terminated in compliance of the above orders. However, Nigam did not terminate the services of those working doctors as of August 2006. Thus, NN incurred an irregular expenditure of Rs. 23.26 lakh during June 1996 to August 2006 on their wages and bonus as detailed in *Appendix 21*. However, no payment was made thereafter (June 2007).

The NN stated (May 2006) that the Chief Municipal Officer had ordered the appointment of the doctors already working on daily wages on that date. The reply was not tenable as daily wages appointment can be done only for unforeseen and emergent nature of work. Further, running of dispensaries with ad hoc arrangements instead of appointment of doctors on regular basis for over 18 years indicated that the NN was and even failed to provide proper health care facilities to its residents.

¹³ Allopathic: 2, Homeopathy:3, Ayurvedic:4 and Unani: 1

The matter was referred to the Government (May 2007); reply is awaited (May 2008).

2.4 Irregular expenditure on deployment of individual sweepers on agreement

Nagar Nigam, Kanpur incurred an irregular expenditure of Rs 2.86 crore on deployment of individual sweepers on agreement.

With a view to effect curtailment of two *per cent* posts every year, Government's instructions (January 2001) provided *inter alia* that works arising due to vacant posts should be managed through a third party on contract basis. The direct appointment of the employees/workers on contracts/ agreements was, however, prohibited. These instructions were applicable on Local Bodies as well.

Scrutiny (April 2006) of records of Nagar Nigam, Kanpur (NN) revealed that the Commissioner of the NN accorded sanction for the appointment of sweepers by executing agreements with individual sweepers in piecemeal (for the duration of one month in each sanction) to cover the period 2004-06 contrary to the provisions of the Government orders. Accordingly, Chief Health Officer NN employed sweepers directly through the agreements for sweeping in the municipal area and transporting the collected waste to the waste centres. The NN incurred an expenditure of Rs 2.86 crore during 2004-06 on deployment of sweepers through the agreement as detailed below

(Rs in lakh)

Period	No. of sweepers deployed on agreement	Rate per sweeper per 30 days	Amount paid
April 2004	779	1000	7.79
May/2004 to August/2004	779	1500	46.74
September/2004	802	1500	12.03
October/2004 to March/2006	811	1500	218.97
Total	3171		285.53

The deployment of sweepers directly on individual contract instead of involving a third party by execution of the contract bond was not only in violation of the government orders but also led to the irregular expenditure of Rs2.86 crore.

The NN stated (April 2006) that due to protest of Staff Association, the instructions of the Government could not be implemented. The reply was not tenable as taking cognizance of the staff agitation the matter should have been referred to the Government for regularization/ relaxation of the said instructions, which was not done by the NN.

The matter was referred to the Government (April 2007); reply is awaited (May 2008).

2.5 Avoidable Liabilities

Delayed deposit of Provident Fund subscription resulted in avoidable liabilities of Rs. 8.18 lakh on account of interest payable to the subscribers of Nagar Nigam, Agra

Article 14 of the Nagar Nigam Employees' Retirement and Gratuity Rules envisages that the subscriptions of Provident Fund (PF) shall be deposited in Bank before 4th day of each month to earn interest.


Scrutiny (August 2006) of records of Nagar Nigam, Agra (NN) revealed that the PF deduction of subscriptions from salary bills of the officers/ officials made between September 2003 and August 2004 of Rs. 1.92 crore was deposited in Bank during the period from April 2005 to August 2005. Delay of one to two years in deposit of subscriptions into the bank led to the loss of interest on PF.

The NN stated that the subscriptions of PF could not be deposited in the bank in time due to paucity of funds. The reply was not tenable as the NN had its own receipts of Rs. 33.38 crore including grants received on recommendation of the SFC during 2003-04 whereas expenditure on establishment and pension was only Rs. 25.73 crore. Thus, NN had sufficient funds to deposit the PF subscription in time.

Delayed deposit of PF subscriptions resulted in avoidable liabilities of Rs 8.18 lakh on account of interest payable to the subscribers.


The matter was reported to the Government (May 2007); reply is awaited (May 2008).

Allahabad
The 25 August, 2008


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Sr. Deputy Accountant General
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Countersigned

Allahabad
The 25 August, 2008


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