

CHAPTER II RESULTS OF AUDIT

The summary of the findings on audit of Agartala Municipal Council and other Twelve Nagar Panchayats are as under:

2.1 Diversion of IDSMT fund

Diversion of IDSMT fund for payment of salary- Rs. 105.57 lakh

Under Integrated Development of Small and Medium Towns (IDSMT) scheme Government of India approved Rs. 550.36 lakh for development of Nagerjola Bus Terminal Complex and Radhanagar Bus stand, out of which Rs. 286.36 lakh was sanctioned for construction of Bus Terminal Complex at Nagerjola with shopping facility (first phase). The Government of Tripura placed total amount of Rs.158.12 lakh (Central share Rs. 88.12 lakh, State share Rs. 70.00 lakh) to the Agartala Municipal Council (AMC) during 2003-04 (Rs. 23.00 lakh) and 2004-05 (Rs. 135.12 lakh).

Test check of records (December 2007-March 2008) revealed that work was taken up departmentally by AMC (actual date of commencement of work was not available in the departmental records) and an expenditure of Rs. 29.55 lakh was incurred upto February 2005 for development of work site (earth filling, leveling, dressing etc.) but the utilization certificate furnished to the Urban Development Department, Government of Tripura, showed the entire fund of Rs. 135.12 lakh received during 2004-05 had been utilized resulting in over statement of actual expenditure.

Further scrutiny revealed, out of Rs. 135.12 lakh received during 2004-05, Rs. 105.57 lakh (Rs. 135.12 lakh - Rs. 29.55 lakh) was diverted from the IDSMT scheme fund towards payment of salary of the employees of the AMC.

2.2 Idle investment on construction of shopping centre

Non allotment of 647 shops by three ULBs resulted in idle investment of Rs. 29.57 crore

Government of India, Ministry of Poverty Alleviation allotted fund for construction of shopping complex, one each in Agartala Municipal Council, Khowai Nagar Panchayat and Udaipur Nagar Panchayat and released the fund in favour of National Building Construction Corporation Ltd. (NBCC) for execution of the works. On completion of the works, all the three Shopping Complexes were handed over to the ULBs (AMC: October 2005, Khowai: October 2007 and Udaipur: December 2007).

Test check of records of the ULBs revealed that out of 705 shops constructed, only 58 had been allotted (**Appendix-V**). The rest 647 shops involving investment of Rs. 29.57 crore (AMC- Rs. 8.195 crore, Khowai- Rs. 12.625 crore & Udaipur-Rs. 8.75 crore) are yet to be allotted. This resulted in idle investment of Rs. 29.57 crore.

On being pointed out in audit, Agartala Municipal Council stated that there was no demand for shops and other two ULBs stated that process of allotment had been taken up. Non allotment of shops has resulted in idle investment besides loss of Rs. 29.35 lakh (**Appendix -V**) towards revenue (AMC upto 03/08 Rs. 13.34 lakh, Khowai upto 09/08 Rs. 9.51 lakh and Udaipur upto 08/08 Rs. 6.50 lakh) which could have been earned if given out to allottees.

2.3 Idling of development fund

Agartala Municipal Council and Dharmanagar Nagar Panchayat kept developmental funds of Rs. 6.95 crore in fixed deposit

Test check of record of Agartala Municipal Council revealed, development funds of Rs. 6.65 crore (**Appendix-VI**) had been kept in fixed deposit without being utilized for the purpose for which these were received.

Agartala Municipal Council received the development funds of Rs. 6.65 crore during March, 2005 and July, 2006 for improvement of water body, construction of Anganawadi Centre, development of City Bus Terminus under various schemes likes IDSMT, UDISSMT etc. which were either closed or defunct but the amount was kept lying in fixed deposit without being refunded to the Government.

Similarly test check of records of Dharmanagar Nagar Panchayat revealed that Urban Development Department , Government of Tripura placed an amount of Rs. 0.30 crore for construction of Indoor Stadium in July 2005 but the Nagar Panchayat, instead of utilizing the same, kept it in fixed deposit with State Bank of India, Dharmanagar Branch.

Non utilization of funds during the period of operation of the schemes defeated the very purpose of the schemes.

2.4 Unspent balance of development fund of Rs. 37.56 lakh

Rs. 37.56 lakh, being 99% of the developmental funds received between June 2006 and January 2008 kept unutilized

Test check of records of Ranirbazar Nagar Panchayat revealed that Rs. 0.28 lakh out of the development fund of Rs. 37.84 lakh received during June 2006 to January 2008

was utilized till date of audit (June 2008) and Rs. 37.56 lakh (**Appendix-VII**) being 99% of the fund received remained unutilized. Poor utilization of funds indicates defective planning and inefficient financial management which deprived the people of the benefit of development works implemented by the ULBs.

2.5 Blockage of construction fund - Rs. 40 lakh

Construction fund amounting to Rs. 40 lakh kept unutilized for a period ranging between four and ten years

Test check (April 2007) of the records of the Executive Officer, Sonamura Nagar Panchayat revealed that Urban Development Department (UDD) released Rs. 31 lakh during 1997-98 under Integrated Development of Small and Medium Town Scheme (IDSMT). Accordingly an amount of Rs. 20 lakh was placed with the Executive Engineer, Public Works Department Southern Division III, Sonamura (December 2003) for construction of double storied Super Market at Sonamura. However, Executive Engineer without executing the work refunded the entire amount to the Nagar Panchayat (August 2005) and the amount had been kept locked up in S/B A/C No.559 of the TSCO bank, Sonamura Branch since 11.08.05.

The UDD also released Rs. 20 lakh between October 2002 and March 2004 in five installments for construction of Sonamura Nagar Panchayat Office Building and the entire amount was placed with the Executive Engineer, PWD Southern Division III between October 2003 and March 2004. The Executive Engineer neither executed the work nor refunded the amount to Nagar Panchayat (August, 07).

On this being pointed out in audit, department stated (October,08) that construction works of Nagar Panchayat Office building had not yet been taken up but the construction works of the Super Market had been taken up (October 2008).

Reasons for delay in execution of work were mainly due to change of construction site, modification of Architectural and structural drawing, seeking administrative approval and expenditure sanction, Soil testing and over all delay in processing of entire project.

2.6 Avoidable liability of interest payment

Delay in refund of un-disbursed loan amount/disbursement of loan amount/refund of instalments and retention of un-disbursed loan amount resulted in avoidable liability of interest of Rs. 26.14 lakh

As per terms of agreement of Housing and Urban Development Corporation Limited (HUDCO) with the Nagar Panchayats if the loan or different components of loan

disbursed under the loan agreement was/were not used by the borrower within a period of 6(six) months due to any of the reasons like withdrawal of the scheme, not taking up implementation of the scheme, reduction in the number of the units to be constructed under the scheme, the Borrower shall immediately refund such amount(s) to HUDCO and in any case before the expiry of the period of six months from the date of disbursement of loan failing which the Borrower, notwithstanding anything to the contrary stated therein, will pay HUDCO, interest at the rate of 19 *percent* or such higher rate as may be fixed by HUDCO on all such funds from the date of release to the date of refunding of the same to HUDCO provided, however, in case the Borrower finds that it can not utilize the loan funds disbursed for any reason and deposits such funds to HUDCO within a period of six months from the date of release of funds, no penal, increased interest rate shall be levied.

Scrutiny of records of Teliamura, Udaipur and Khowai Nagar Panchayat revealed that an amount of Rs. 166.20 lakh was received by them from HUDCO for construction of dwelling houses under 2 Million Housing programme. But violation of the terms and conditions of loan agreement i.e. delayed release of loan amount to loanees and delayed refund of unutilized fund to HUDCO resulted in avoidable liability of interest payment of Rs. 26.14 lakh (**Appendix – VIII**) on the part of Nagar Panchayats.

On this being pointed out in audit, Executive Officers of the three Nagar Panchayats stated (July, October & November, 08) that poor participation of the beneficiaries in taking loan and ignorance of Nagar Panchayats that higher rate of interest (19%) would be charged on unutilized amount which resulted in extra liability in terms of interest. Government has already been requested for sanctioning additional fund for payment of the liability as pointed out by audit.

2.7 Incomplete works –Rs. 11.89 lakh

Work orders and cheques for Rs. 11.89 lakh were issued but works were not executed for a period ranging from 6 to 10 months

Test check of records of Ranirbazar Nagar Panchayat revealed that work order along with cheques were issued in respect of 50 developmental works involving an amount of Rs. 11.89 lakh (**Appendix-IX**) but not a single work had started till the date of audit (June/08) with delays ranging from 6 to 10 months.

2.8 Blockage of SJSRY fund of Rs. 19.40 lakh

The objective of the Swarna Jayanti Shahari Rozgar Yojana (SJSRY), a centrally sponsored Scheme, was to provide gainful employment to the Urban un-employed or

under employed poor living below the poverty line (BPL) through encouraging self-employment ventures or provision of wage employments.

Test check of records of Khowai Nagar Panchayat revealed that out of Rs. 40.21 lakh (grants received in 2007-08: Rs. 17.65 lakh + unspent balance of 2006-07: Rs. 22.56 lakh) SJSRY fund available during 2007-08, Rs. 19.40 lakh, being 48% of the grant, remained unutilized (December 2008). Non-utilization of fund by the Nagar Panchayat led to deprivation of benefits intended under the schemes for the BPL population.

Department stated, in reply (December, 08) that conditions of guidelines became hindrance to utilize the fund and steps were being taken up to utilize the fund.

The reply is not convincing as works have been executed in other Nagar Panchayats without any amendment of the said guidelines.

2.9 Idling of fund for Anganwadi Centre

Five Nagar Panchayats kept unutilized Rs. 62.14 lakh received for construction of 60 Anganwadi centers

Social Welfare and Social Education Department, Government of Tripura placed fund with the ULBs for construction of 60 Anganwadi centers within their jurisdiction.

Test check of records of 5 Nagar Panchayats revealed that entire amount of Rs. 62.14 lakh placed by the Social Welfare and Social Education Department between October and November 2007 for construction of 60 Anganwadi centers remained unspent and execution of construction works of all the 60 Anganwadi centers (**Appendix-X**) had not started till the date of audit.

Pointed out in audit, department stated that due to non availability of khash land and insufficiency of fund provided for each centre, execution works could not be taken up.

2.10 Refund of installment from undisbursed loan amount

Installments of HUDCO loan paid out of loan amount Rs. 5.08 lakh

Khowai and Udaipur Nagar Panchayat reached an agreement with the Housing and Urban Development Corporation Limited (HUDCO) for housing loan under “2 Million Housing programme” for constructions of dwelling houses with a condition for payment of installment at the end of each quarter.

Test check of records revealed that both the Nagar Panchayats made repayment of Rs. 5.08 lakh to HUDCO out of the undisbursed loan amount before collection of installments from the loanees (**Appendix - XI**).

Pointed out in audit department stated that through oversight the repayment had been made out of loan amount.

2.11 Statutory tax at source

Non-deduction of Income Tax at source by three DDOs resulted in loss of Government revenue to the tune of Rs. 3.27 lakh

Section 194J of the Income Tax Act 1961 provides that any person, who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services or royalty (w.e.f. July 13, 2006) shall deduct @ 5 percent upto May 31st, 2007 and thereafter @ 10 percent of gross amount of bill at source.

Test check of records (June 2008, July 2008 and March 2008) revealed that three DDOs had not deducted Income Tax of Rs. 3,26,942/- (Ranirbazar Nagar Panchayat: Rs. 93,474/-; Teliamura Nagar Panchayat: Rs. 1,08,468/- and AMC: Rs. 1,25,000/-) at source from the payments of Rs. 45,19,421/- made to the contractors between March 2006 and March 2008 on account of consultancy charges for preparation of Detailed Project Report (DPR) under Integrated Housing and Slum Development Programme (IHSDP) scheme Ranirbazar, DPR Teliamura Town under IHSDP (taxable @ 5 percent) and preparation of “City Development Plan” under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) in Agartala (Taxable @ 10 percent) respectively.

Non-deductions of Income Tax at source is in violation of rules.

2.12 Wasteful expenditure

Wrong selection of site led to wasteful expenditure of Rs. 4.14 lakh

Clause 3.14 MPLADs Fund provides that decision making powers in regard to technical, financial and administrative sanction to be accorded under the scheme, vests with the District level functionaries. District authority should, before sanctioning the work, ensure that all clearance for such works has been taken from the competent authorities and the work conforms to the guidelines.

Test check of records of the Agartala Municipal Council revealed that Rs. 7.50 lakh was sanctioned in August 2001 for construction of Children Park at Akhaura check

post. After incurring an amount of Rs. 4,14,484/-, the work had to be abandoned due to objection raised by Bangladesh Rifle (BDR).

Indo-Bangladesh accord guidelines for Border Authorities 1975 provides that no construction work should be under taken which fall within 150 yards of the Inter National Border.

Thus execution of work without taking clearance from the competent authority as required under the MPLADs guidelines led to wasteful expenditure of Rs. 4.14 lakh.

2.13 Poor collection of property tax

Collection of property tax in Agartala Municipal Council declined from 62.26% in 2004-05 to 39.14% in 2007-08

Section 192 &193 of the Tripura Municipal Act, 1994 authorize Municipality to levy, collect and appropriate property tax.

Test check of the approved budget for the year 2004-05 to 2007-08 vis-a-vis the target for collection of property tax revealed that for poor collection of property tax, certain remedial measures were proposed in the budget to improve the collection in subsequent years. But instead of improving the collection in subsequent years, there was sharp decline in collection from 62.26% in 2004-05 to 39.14% in 2007-08 (**Appendix - XII**). The reasons for decline was attributed in the budget document to the following reasons:-

- (i). Non-recording of all the houses with water connection in departmental records;
- (ii). Assessment of property tax either not made correctly or the assessed figure not rectified latter in the departmental records.
- (iii). Non-registration of all the houses for holding.

2.14 Nominal collection of trade licence fee

Defaulters in payment of trade license fee under Agartala Municipal Council increased from 78.96% in 2005-06 to 79.20% in 2007-08

Section 201 of the Tripura Municipal Act, 1994 provides that any profession, trade, calling and employment or any other gainful activity in the Municipal area which require a licence or a permit under any other law shall also require a Municipal licence or permit to be obtained and renewed in such a manner as may be provided in the regulation.

Test check of the approved budget for the year 2005-06 to 2007-08 revealed, as admitted by Agartala Municipal Council that hardly 20% of the traders are paying fees. Administrative constraints are the reasons for poor collection. Licence Regulation Rules, 2004 has been prepared and awaiting approval. But instead of improvement in collection there was increase of defaulters in payment of trade license fees from 78.96% in 2005-06 to 79.20% in 2007-08 (**Appendix - XIII**).

The department though documented the defaulters for short collection of trade license fees but failed to book the defaulters.

2.15 Outstanding revenue of ULBs

Outstanding revenue of ULBs Rs. 2.32 crore

The ULBs earn major portion of their revenues from their own sources through collection of taxes, rent, fees and issue of licenses etc. The demand and collection of one Municipal Council and six Nagar Panchayats (**Appendix-XIV**) revealed that revenue of Rs. 2.32 crore were outstanding as on 31 March 2008. Out of the outstanding balances 83.19% constitute outstanding revenue against Agartala Municipal Council. It was also noticed that out of 15 markets under the jurisdiction of Agartala Municipal Council, 10 markets constitute 97.93% (Rs. 1.89 crore) of the outstanding revenue.

2.16 Conclusion and recommendations

There was accumulation of unutilized balances. Receipts & Payment accounts were not maintained for which authenticity of accounts could not be ensured. The loss of revenue due to non collection of fees, idling of assets, irregular/inadmissible expenditure in violation of rules, non- deduction of statutory deduction indicated that internal control mechanism were not adequate to ensure proper financial management. In view of the findings as explained in previous chapters, the Government should ensure that:

- Annual Accounts are prepared as per the prescribed format;
- Funds are utilized timely and unspent balances refunded promptly ;
- Data base on finances are maintained in all levels of ULBs;
- The outstanding dues are promptly collected;
- Works are completed in time;
- Idle assets are utilized to enhance the revenue of the ULBs;

- Statutory Government deductions are made and remitted to Treasury within stipulated period.

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