

## CHAPTER-VII

### OTHER IMPORTANT OBSERVATIONS

#### 7.1 Response to Audit Observation

There was poor response to outstanding audit observations. 6173 audit paras pertaining to the period from 1979-80 to 2007-08 involving Rs. 197.19 crore were outstanding as of December 2008.

The Administrator, Special Officer and S.D.O are required to comply with observations contained in the Audit Reports (ARs) and rectify the defects and omissions and report their compliance through proper channel to the Examiner of Local Accounts (E.L.A.) within three months from the date of issue of Audit Report. As on 31 December 2008, 272 Audit Reports containing 6173 paragraphs involving total amount of Rs. 197.19 crore were outstanding.

**(Rs in crore)**

S.No.	Year	No. of Audit Reports	Outstanding Paras	Amount
1.	Upto 2000	126	2179	20.28
2.	2000-01	15	403	17.23
3.	2001-02	04	154	0.51
4.	2002-03	22	489	16.69
5.	2003-04	14	370	12.76
6.	2004-05	17	462	23.82
7.	2005-06	14	421	16.16
8.	2006-07	26	648	44.25
9.	2007-08	16	618	30.20
10.	2008-09	18	429	15.29
<b>Total</b>		<b>272</b>	<b>6173</b>	<b>197.19</b>

A review of the Audit Reports revealed that the Heads of the offices, whose records were inspected by the Examiner of Local Accounts (E.L.A.), did not send any reply in respect of most of the outstanding audit reports /paragraphs. The Secretary of the Urban Development Department, who was informed of the position, failed to ensure that concerned officers of the ULBs would take prompt and timely action. The Secretary of the Urban Development Department and the Chief Secretary of the Government were also apprised of the position in meetings with the Government (August 2005 and June 2006 respectively). The Secretary of the Urban Development Department and the Finance Department were requested severally through D.O. letters (May 2007, January 2008, and December 2008) to take proper action for the disposal of outstanding paragraphs. The Chief Secretary to the State Government was also apprised of the fact (September 2007). In addition, the Chief Secretary to the State Government was also requested

(February 2009) to take action for the disposal of outstanding paragraphs having surcharge cases.

**7.2. Surcharge under Local Fund Audit Act, 1925 made ineffective**

Concerned Deputy Commissioners were not taking action on the Surcharge Notices issued by the Examiner of Local Accounts, Jharkhand, Ranchi. As a result, 119 notices involving Rs. 1.39 crore issued during 2000-2009, were pending.

Section 9 (2) (b) of the Jharkhand and Orissa Local Fund Audit Act, 1925 required the notices to be served upon the surchargees, responsible for irregular payments, loss of amount etc. ascertained in course of audit. The Examiner of Local Accounts (E.L.A.) sent the notices to the Collector of the District where the ULBs are situated for serving the notices to the surchargees.

Audit found that in the case of 18 ULBs, 119 notices covering Rs 1.39 crore, issued during 2000-2009 (upto September 2008) were pending due to non-receipt of service reports of the notices from the concerned Deputy Commissioners. As a result, further action viz. issue of surcharge order and requisition of certificate for recovery of the amounts from the surchargees could not be taken.

**(Rs in lakh)**

Sl. No.	Name of ULB	Period	No. of proposed surcharge cases	Amount involved
1.	Ranchi	2000-02	42	10.68
2.	Pakur	2001-02	6	2.50
3.	Godda	2001-02	4	1.56
4.	Mihijam	2001-02	3	14.00
5.	Madhupur	2004-09	12	3.42
6.	Jugsalai	2002-03	1	0.53
7.	Lohardaga	2002-06	5	13.96
8.	Khunti	2003-04	1	0.26
9.	Jharia	2003-04	5	67.80
10.	Chas	2003-04	18	12.26
11.	Garhwa	2004-05	10	3.91
12.	Jamtara	2004-05	1	2.75
13.	Hazaribag	2005-06	3	0.50
14.	Gumla	2005-07	3	3.62
15.	Medininagar	2005-06	1	0.52
16.	Simdega	2006-07	1	0.02
17.	Dhanbad	2006-07	2	0.90
18.	Sahebganj	2007-08	1	0.25
<b>Total</b>			<b>119</b>	<b>139.44</b>

The matter was taken up with the Chief Secretary (August 2006, November 2006, May 2007, and December 2008) but no action was taken.

### 7.3 Non-adjustment of Advances

Advances aggregating Rs. 25.73 crore were outstanding against employees, suppliers, Contractors and Engineers.

Advance Ledger for the period under audit (2005-08) was either not maintained or maintained improperly by the ULBs. Deficiencies noticed during audit are listed below:

- i) Entries in the Ledger were not certified by any authority.
- ii) Break-up of opening balance brought forward from the previous year was not recorded.
- iii) Category wise and year-wise analysis of outstanding advances at the end of the year was not prepared by any ULBs.
- iv) Quarterly list of outstanding advances as required under Rule 78 (Form XVA) of Bihar Municipal Accounts Rules, 1928, was not prepared.
- v) Second and subsequent advances for the same purpose were made without adjustment of previous ones.
- vi) Advances are made for meeting immediate and urgent nature of work but the same was not adjusted promptly.

Thus, Rules 74 to 78 of the Bihar Municipal Accounts Rules, 1928 were not followed strictly.

On scrutiny of the register it was observed that the advances aggregating to Rs 25.73 crore, as detailed in (*APPENDIX–XI*), granted to employees, suppliers, contractors and engineers for various purposes up to 2005-08 by 15 ULBs were yet to be adjusted (March 2009).

Laxity in adjustment of advances over the years has encouraged undesirable practice of blocking of institutional funds for indefinite period and is fraught with the risk of defalcation/misappropriation of Government money. It is also indicative of weak internal control mechanism to follow up regular adjustment of advances.

### 7.4 Result of Audit

Besides proposal for recovery by surcharge, as dealt in previous paragraph, excess and irregular payment amounting to Rs 6.12 crore, which were detected in audit in 18 ULBs were suggested for recovery from person(s) responsible. At the instance of audit Rs 2.11 lakh was recovered from the persons concerned.

Owing to non-production of records/vouchers/supporting documents/sanction of competent authority, Rs 15.18 crore was held under objection. (*APPENDIX- XII*)

#### **7.5 Follow up action on previous Annual Audit Report**

The Urban Development Department, Government of Jharkhand did not send any reply/ action taken notes (March 2009), on the paragraphs appeared in the Annual Audit Report for the year ended March 2006 and March 2007, which were forwarded to the Government in September 2007 & July 2008 respectively.

Government was also requested for incorporating a suitable clause in the Acts for providing institutional arrangement for discussion on the Report. Their response is still awaited (July 2009).