

CHAPTER-III

Audit of Transactions

3.1 Irregular payment of royalty

Non-observance of the Government orders led to irregular payment of ₹ 4.36 lakh by way of royalty on the use of earths in construction of rural link roads.

With a view to ensure use of grants optimally for developmental works, the Government orders¹⁷ prohibited payment of royalty for earths to be utilized in rural link roads sanctioned under Twelfth Finance Commission and State Finance Commission.

Scrutiny of records of ZP, Shrawasti revealed (November 2009) that the Government sanctioned construction of 49 and 18 rural link roads during 2007-09 under State Finance Commission and Twelfth Finance Commission respectively at a total estimated cost of ₹ 2.30 crore. In the estimates, ₹ 4.36 lakh were provided for payment of royalty for use of earths in construction of these roads. The sanction of the estimates incorporating component of royalty was irregular as the aforesaid Government order clearly prohibited it. The construction of the roads was taken up during respective years of their sanctions and completed during the same year making irregular payment of ₹ 4.36 lakh on account of royalty.

The *Apar Mukhya Adhikari*, ZP, Shrawasti, in reply, stated (November 2009) that the payment of royalty was made under the orders of District Magistrate. The reply was not tenable as the Government Order was not observed in construction of the roads leading to irregular payment of ₹ 4.36 lakh, which could, otherwise, have been utilised in other developmental works. Besides, the District Magistrate was not competent to supersede the orders of Government.

¹⁷ No. 1100/33-cell/2006-113/ 05 dated 17 January 2006

Proper circulation of Govt. orders issued time to time and its compliance should be ensured at District level.

The matter was brought to the notice of Government (March, 2011); the reply was awaited (May 2011).

3.2 Unfruitful expenditure on sub-standard work

Due to non-observance of specifications of Public Works Department for construction of roads, unfruitful expenditure of ₹ 7.01 lakh was incurred on substandard work.

The ZPs execute road construction works as per the specifications/ norms prescribed by Public Works Department. As per specification¹⁸, Premix Carpeting and Seal Coat (PC and SC) was to be done after laying a bituminous layer of Prime Coat over Water Bound Macadam.

Scrutiny of records of ZP, Jyotiba Phoole Nagar revealed (July, 2010) that the construction of the painted road from Karmallipur to Kaserwa (three meter wide road of 1.92 kilometers) during 2009-10 was approved at a cost of ₹ 30.03 lakh. The expenditure on the road was to be met out of the grant received under the Twelfth Finance Commission. However, in the estimate no provision was made for Prime Coat before laying Premix Carpeting and Seal Coat over Water Bound Macadam in contravention to the prescribed specification. The work was executed during 2009-10 and an expenditure of ₹ 7.01 lakh was incurred on PC with SC. As such, the construction of painted road against the specification led to sub-standard work and the sustainability of road in the long run was suspect. Thus, the expenditure of ₹ 7.01 lakh on PC with SC was unfruitful.

On this being pointed out in audit, the Apar Mukhya Adhikari stated that the Prime Coat was done though no provision for it was made in the estimate and no payment on this account was made to the contractor. The reply is not tenable as

¹⁸ PWD circular Letter No. 3583 dated 13/06/2007

the execution of work with Prime Coat without its provision in the estimate and no payment to the contractor for it, is hypothetical.

Specifications prescribed by PWD for the construction of road should be observed by ZP and be kept on record by the executing agency.

The matter was referred to Government (November, 2010) reply was awaited (May 2011).

3.3 Avoidable expenditure

Avoidable expenditure of ₹ 17.26 lakh was incurred on construction of rural link roads due to non-observance of prescribed specifications.

As per specifications prescribed by the Public Works Department for construction of rural link roads, any of the following modes may be adopted after tack coat/prime coat on Water Bound Macadam/ top coat:

- Surface dressing [Painting 1 (P₁) & Painting 2 (P₂)]
- Premix Carpet with Seal Coat (PC & SC)

Scrutiny of records of ZP, Kushinagar and Mirzapur revealed (between July 09 & January 2010) that three rural link roads in ZP Kushinagar and six rural link roads in ZP Mirzapur at total estimated cost of ₹ 121.00 lakh and ₹ 51 lakh respectively under Twelfth Finance Commission grant were sanctioned by the Government in 2008-09 & 2009-10. However all the work were completed between March 2008 and March 2010 violating the specification prescribed by PWD for construction of rural link roads resulting in extra/excess expenditure of ₹ 7.87 lakh and ₹ 9.39 lakh respectively. In reply the Appar Mukhya Adhikari, Kushinagar stated that they were unaware of the circular issued by PWD, where as AMA ZP, Mirzapur stated that roads were constructed as per requirement of the site. The reply is not tenable as the fact remains that the prescribed specifications were not followed, as a result of which an avoidable expenditure of ₹ 17.26 lakh was incurred in the year March 2008 to March 2010.

Specification prescribed by PWD for construction of rural link roads should be observed/ followed in ZP.

The matters were referred to Government (January to December, 2010); reply was awaited (May 2011).

3.4 Revenue Loss

Revenue loss of ₹ 1.20 lakh due to non-deduction of Income Tax by the DDO on account of payment made to contractors.

As per Income Tax rules, the DDOs should deduct the Income Tax at source on account of payment made to contractors/ suppliers from their bills @ 2.24 per cent (including 0.24 per cent cess). Failing to such deduction, the person shall be liable to pay, by way of penalty, a sum equal to the amount of tax.

Scrutiny of records of Khsetra Panchayats Baghauli, Khalilabad and Santha district Sant Kabir Nagar (January-February, 2010), revealed that a payment of ₹ 53.70¹⁹ lakh made to contractors by the Drawing and Disbursing Officers (DDOs) for supply of materials, required for construction works, but the Income Tax @ 2.24 per cent worth ₹ 1.20 lakh was not deducted at source by the DDOs from the contractors bills resulting in loss of revenue to that extent.

In reply, the Block Development Officer of aforesaid KPs stated that Income Tax will be levied in future. The reply was not tenable as non deduction of Income Tax by the DDOs was violation of rules.

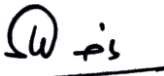
Thus, Non deduction of Income Tax at source from the contractors at the time of payment of bills resulted in loss of revenue amounting to ₹ 1.20 lakh (**Appendix-3.1**). Besides, the penalty equivalent to above amount was yet not imposed upon the DDOs under the rules.

¹⁹ KP Baghauli ₹ 5.14 lakh, KP Khalilabad ₹ 16.76 lakh, KP Santha ₹ 31.80 lakh.

DDO should ensure compliance of IT rules before payment made.

The matter was brought to the notice of Government (October, 2010) the reply was awaited (May 2011).

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