

CHAPTER-V

TRANSACTION AUDIT

5.1 Taxes deducted at source not deposited into Government accounts

Taxes deducted at source of Rs. 35.11 lakh on account of Income Tax, Sales Tax and Royalty during 2004-09 were not credited to the Government Accounts.

Income Tax, Sales Tax and Royalty deducted from bills of contractors/suppliers were required to be credited to the respective heads of Government accounts within the same financial year.

Test check of records revealed that a sum of Rs 35.11 lakh, as detailed below, deducted as Income Tax, Sales Tax and Royalty by six ULBs during 2004-09 was not credited in the respective heads of Government accounts but was retained in the funds of these ULBs. The concerned Drawing and Disbursing Officers of the ULBs were responsible for non-remittance of the taxes into Government account. This was indicative of weak Internal Control.

Table-29

(Rs in lakh)

| Sl. No. | Name of ULBs | Period | Amount of Sales Tax deducted | Amount of Income Tax deducted | Amount of Royalty deducted | Total |
|--------------|---------------|---------|------------------------------|-------------------------------|----------------------------|--------------|
| 1 | Ranchi | 2008-09 | 4.93 | 5.45 | 13.93 | 24.31 |
| 2 | Dhanbad | 2004-06 | 2.00 | 1.05 | 1.40 | 4.45 |
| 3 | Chakradharpur | 2007-08 | 0.08 | - | 0.82 | 0.90 |
| 4 | Mango | 2006-08 | 2.03 | - | 0 | 2.03 |
| 5 | Saraikela | 2006-08 | 0.81 | - | 1.06 | 1.87 |
| 6 | Chirkunda | 2006-08 | Nil | - | 1.55 | 1.55 |
| Total | | | 9.85 | 6.50 | 18.76 | 35.11 |

As the Income Tax/Sales tax deducted at source was not remitted to the Income tax/Sales tax department, this not only created a liability of Rs 35.11 lakh but also paved the way for imposition of penalty and levy of interest amounting to Rs 26.98 lakh under Income Tax Act, 1961/Jharkhand VAT Act, 2005.

5.2 Improper grant of contractor's profit of Rs 24.21 lakh to Sulabh International

Eight ULBs irregularly paid Rs. 24.21 lakh as contractor's profit to Sulabh International Social Service Organization against the provisions of State Public Works Account Code.

The Government of Jharkhand sanctioned Grants and Loans (50 per cent each) during 2002-07 for construction of Sulabh Shauchalayas and conversion of dry latrines into septic ones within Municipal areas. The Government directed (February 2002) that (i) the estimates for construction of Shauchalayas would be prepared on the basis of schedule of rates and technical approval would be taken from Public Health and Engineering Department; (ii) the work would be executed by the Sulabh International Social Service Organization (SISSO) and 10 per cent contractor's profit would be paid to SISSO on the estimated cost in addition to 15 per cent supervision charges. The State Public Works Account Code, which is applicable to municipal works, however, does not provide for payment of both supervision charges to a Contractor/Agency and contractor's profit involved in the estimated cost.

Further, SISSO is a voluntary organization working on no profit-no loss basis. As such, payment of contractor's profit in addition to supervision charge was not justified. Due to injudicious decision of the Government, Rs 24.21 lakh was improperly paid as contractor's profits to the Organization on account of construction of Sulabh Shauchalayas and for conversion of dry latrines into septic ones by eight ULBs as detailed below:

Table-30

| (Rs in lakh) | | | | |
|---------------------|---------------------|---------------|--------------------------|---|
| Sl. No. | Name of ULBs | Period | Total amount paid | Amount paid to SISSO as 10% contractor's profits |
| 1. | Giridih | 2007-08 | 53.64 | 4.66 |
| 2. | Chakradharpur | 2007-08 | 5.61 | 0.49 |
| 3. | Godda | 2007-08 | 29.11 | 2.33 |
| 4. | Mango | 2006-08 | 35.81 | 3.25 |
| 5. | Jamtara | 2006-08 | 21.49 | 1.70 |
| 6. | Basukinath | 2006-08 | 79.93 | 6.18 |
| 7. | Jasidih | 2006-08 | 19.04 | 1.90 |
| 8. | Chirkunda | 2002-08 | 37.06 | 3.70 |
| Total | | | 281.69 | 24.21 |

5.3 Non-recovery of Sulabh Shauchalaya Loan

Recovery of Sulabh Shauchalaya Loan of Rs. 1.03 crore and interest thereon was neither made nor any account maintained for the same.

The Government released 50 *per cent* grant and 50 *per cent* loan to ULBs for construction / conversion of dry latrines into septic ones during 2001-02 to 2007-08. As per terms and conditions of the scheme, 50 *per cent* of the construction cost was to be borne by the Government as subsidy and balance 50 *per cent* i.e. loan portion along with interest was to be borne by the beneficiaries, whose dry latrines were converted into septic ones.

During audit, it was noticed that an expenditure of Rs 2.07 crore was incurred on account of construction/conversion of 1219 dry latrines into septic ones by 10 ULBs, but recovery of such loan of Rs 1.03 crore (50 *per cent* of Rs 2.07 crore), as detailed below, was neither effected nor any account for the same was maintained by the concerned ULBs:

Table-31

| (Rs in lakh) | | | | | |
|--------------|---------------|---------|--------------------|-------------------|----------------------------|
| Sl. No. | Name of ULBs | Period | No. of conversions | Total amount paid | Amount of Loan recoverable |
| 1 | Dhanbad | 2004-06 | 68 | 11.42 | 5.71 |
| 2 | Giridih | 2003-08 | 328 | 53.54 | 26.77 |
| 3 | Chatra | 2002-06 | 255 | 41.40 | 20.70 |
| 4 | Chakradharpur | 2001-05 | 160 | 25.96 | 12.98 |
| 5 | Chas | 2003-04 | 123 | 19.95 | 9.98 |
| 6 | Godda | 2007-08 | 43 | 7.22 | 3.61 |
| 7 | Mango | 2006-08 | 44 | 7.20 | 3.60 |
| 8 | Basukinath | 2006-08 | 42 | 14.28 | 7.14 |
| 9 | Jasidih | 2006-08 | 11 | 1.84 | 0.92 |
| 10 | Chirkunda | 2002-05 | 145 | 23.80 | 11.90 |
| Total | | | 1219 | 206.61 | 103.31 |

For want of maintenance of loan accounts, dues against each beneficiary, whose dry latrine was converted into septic latrine, were not ascertainable. Further, the liability of the ULBs on account of repayment of loan with interest thereon was increasing with the lapse of time and chances of recovery were also becoming remote.

5.4 Irregular payment of cost of materials of Rs 27.23 lakh on Hand Receipts

Hazaribagh Nagar Parishad made payment of Rs 27.23 lakh to the Executing Agents on Hand Receipts instead of proper purchase vouchers/cash memos.

As per PWD Account Code, only departmental supply should be made on Hand Receipts, but in contravention of the said provision, the Executing Agents of Hazaribagh Nagar Parishad were paid Rs 27.23 lakh as cost of materials through Hand Receipts during 2007-08. During the course of execution of departmental work, the Executing Agents purchased the materials (Chips, Sand, Bricks, Cement, M.S. Rod etc.) for schemes and payments were made on Hand Receipts instead of proper purchase vouchers/cash memos etc. which was irregular. Details of payment made to the Agents and the works are given in **APPENDIX-VII**.

5.5 Excess payment of Rs 10.98 lakh due to non-deduction of taxes

Ten ULBs made excess payment of Rs 10.98 lakh due to non-deduction of Income tax, Sales tax, Royalty etc. from contractors' bills.

A sum of Rs 10.98 lakh was not deducted from running bills of civil works as Income Tax (Rs 2.56 lakh), Sales Tax (Rs 1.28 lakh), Royalty (Rs 0.24 lakh) and cost of empty cement bags (Rs 6.90 lakh), resulting in excess payment of Rs 10.98 lakh to the concerned Executing Agents/Contractors/Suppliers as detailed below:-

Table-32

| | | | | | | | (Rs in lakh) |
|--------------|---------------|---------|-------------|----------------|-------------|---------------------------|--------------|
| Sl. No. | Name of ULBs | Period | Income Tax | Sales Tax /VAT | Royalty | Cost of empty cement bags | Total |
| 1. | Dhanbad | 2004-06 | 1.40 | - | - | 5.61 | 7.01 |
| 2. | Hazaribagh | 2007-08 | 0.40 | 0.75 | - | - | 1.15 |
| 3. | Giridih | 2007-08 | - | - | - | 0.19 | 0.19 |
| 4. | Chatra | 2006-08 | - | - | 0.04 | - | 0.04 |
| 5. | Chakradharpur | 2007-08 | 0.76 | - | - | 0.17 | 0.93 |
| 6. | Simdega | 2006-08 | - | - | 0.20 | - | 0.20 |
| 7. | Mango | 2006-08 | - | 0.28 | - | 0.28 | 0.56 |
| 8. | Saraikela | 2006-08 | - | - | - | 0.31 | 0.31 |
| 9. | Kharsawan | 2006-08 | - | 0.07 | - | 0.06 | 0.13 |
| 10. | Chirkunda | 2002-08 | - | 0.18 | - | 0.28 | 0.46 |
| TOTAL | | | 2.56 | 1.28 | 0.24 | 6.90 | 10.98 |

This not only resulted in undue favour to contractors, etc, but failure of the ULBs to deduct TDS on income would also attract penalty/interest amounting to Rs 4.15

lakh as per Income Tax Act, 1961/Jharkhand VAT Act, 2005 which would also increase the liabilities of the local bodies.

5.6 Excess payment of Rs 35.70 lakh due to non-deduction of penalty from contractors' bills.

Excess payment of Rs 35.70 lakh due to non-deduction of penalty from contractors' bills was noticed in 12 ULBs.

The ULBs executed many civil works (construction of P.C.C.Road, Drains, Culverts etc.) either departmentally or by tender. The civil works, whose estimated cost was more than five lakh, were to be executed through tender for which the Local Bodies executed agreement with the contractors. As per the terms and conditions of the agreement, the work should be completed within stipulated time otherwise penalty should be charged at the rate of 0.5 *per cent* per day of the work for the period of delay or maximum 10 *per cent* of value of work done, provided that no extension of time was granted by the ULBs. But in contravention of the said provision, 12 ULBs did not deduct such penalty from the contractors' bills though no extension was granted. This resulted in excess payment of Rs 35.70 lakh to the contractors as detailed in table below:-

Table-33

(Rs in lakh)

| Sl. No. | Name of the ULBs | Period | No. of schemes/ works | Amount of Penalty not deducted. |
|--------------|------------------|---------|-----------------------|---------------------------------|
| 1. | Hazaribagh | 2007-08 | 05 | 2.75 |
| 2. | Giridih | 2007-08 | 06 | 7.34 |
| 3. | Chatra | 2006-08 | 01 | 1.40 |
| 4. | Chakradharpur | 2007-08 | 01 | 0.62 |
| 5. | Chas | 2006-08 | 03 | 5.50 |
| 6. | Simdega | 2006-08 | 08 | 6.49 |
| 7. | Godda | 2007-08 | 04 | 1.80 |
| 8. | Mango | 2006-08 | 09 | 5.15 |
| 9. | Jamtara | 2006-08 | 04 | 1.24 |
| 10. | Saraikela | 2006-08 | 01 | 0.35 |
| 11. | Jasidih | 2006-08 | 01 | 2.19 |
| 12. | Chakuliya | 2007-08 | 02 | 0.87 |
| Total | | | 45 | 35.70 |

5.7 Infructuous expenditure of Rs 5.75 lakh on creation of Boating infrastructure at Chas

Boats with equipment were purchased at Chas but could not be utilized resulting into infructuous expenditure of Rs 5.75 lakh

As per the proposal approved by the Dy. Commissioner, Bokaro for setting up boating infrastructure, Chas Municipality awarded the work to M/s Khandoli Paryatan and Adventure Tourism (Pvt) Ltd and paid a sum of Rs 5.75 lakh on account of supply of Boats with other equipment in Salgadih water pond at Yodhadih More, Chas during June-July 2007.

Subsequently, Shri Sunil Sharma, the highest bidder, was allotted the work of operation and maintenance of Boats at Rs 35000/- for the period 27.7.07 to 31.3.08. The contractor deposited Rs 17500/- and the balance was to be deposited within two months. Boating charges were prescribed and an agreement was executed with him. But it was reported by the local people to the Special Officer that the Contractor had left the operation and all boats as well as Jetty had been damaged by antisocial persons. There was nothing on record to show that any action was taken against the service contractor for damage and for realizing the balance amount of contract. Further, there was no indication that the contract for operation of boats was awarded to any contractor after March 2008. The said boats and their equipment could not be utilized and were lying idle in the open premises of the Municipality and converting into scrap. Thus, the purpose of creating the boating infrastructure at Chas was totally defeated and the expenditure of Rs 5.75 lakh proved infructuous.

5.8 Recommendations

- Taxes such as Income Tax, Sales Tax etc.. should be deducted from contractor's bill and remitted to the concerned Government account on time to avoid penalty and interest under Tax laws.
- The Government should reconsider the decision of payment of both the supervision charge and contractor's profit to Sulabh International.
- As the beneficiaries whose dry latrines were converted into septic ones are economically too weak to bear 50 *per cent* of the conversion cost (i.e, loan) *plus* interest thereon, this provision may be considered for removal.