

## **CHAPTER-VIII**

### **CONCLUSIONS**

#### ***8.1 Finance and Accounts***

The focus of the State Legislative Act seems to be on compliance rather than encouraging autonomy and self-sustainability of the ULBs, but penalties for nonperformance are not provided. Thus, enforcement mechanisms are weak. Although time schedules are prescribed for preparation of budgets, finalization of accounts, and submission of annual reports, there is no penalty or deterrence in case of delays. It is, perhaps, for this reason that accounts of all ULBs were outstanding for up to 10 years. The ULBs in Jharkhand are characterized by weak cash management and treasury/banking systems. This is primarily due to poor budget preparation, poor grant utilization, lack of a single bank/treasury account, and delayed reporting of expenditure. Bank reconciliations are generally in arrears, and cash management is limited to making payment out of receipts of ULBs. Non-preparation of Budget Estimates and Annual Accounts in contravention of the provisions of the Jharkhand Municipal Act rendered the expenditure incurred by the ULBs irregular/ unauthorized.

#### ***8.2 Maintenance of Records***

Out of 86 Forms and Accounts, prescribed under the Rules, ULBs maintained only 10 to 25. Maintenance of primary accounting records was in complete disarray. Cash Books were not reconciled with the bank statements. Due to non-maintenance of basic records viz. Asset Register, Grant/Loan Appropriation Register, Advance Ledger, Demand & Collection Register, Work register, Unpaid bill Register, true & fair view of accounts of ULBs could not be ascertained. Non/improper maintenance of records led to several administrative/financial deficiencies as discussed in various paragraphs of the report.

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## CHAPTER-VII

### OTHER IMPORTANT OBSERVATIONS

#### 7.1 Response to Audit Observations

There was poor response to outstanding audit observations. 5590 audit paras pertaining to the period 1979-80 to 2009-10 involving Rs. 189.95 crore were outstanding as of February 2010.

The Executives of the ULBs (CEO/ Executive Officer/Administrator/Special Officer, etc) are required to comply with observations contained in the Audit Reports and rectify the defects and omissions and report their compliance through proper channel to the Examiner of Local Accounts, Jharkhand within three months from the date of issue of Audit Report. As per Section 121 of RMC Act, 2001, the Municipal Authority shall take effective steps for remedy of defects or irregularities within a period considered by the auditor to be reasonable while forwarding Audit Report with a copy to the State Government. As on 28 February 2010, 287 Audit Reports containing 5590 paragraphs involving total amount of Rs 189.95 crore were still outstanding even after settlement of 670 paragraphs during 2009-10.

**Table-42**

(Rs in crore)

Sl. No.	Year	No. of Audit Reports	Outstanding Paras	Amount
1.	Upto 2000	126	2179	23.00
2.	2000-01	15	306	13.57
3.	2001-02	04	114	1.01
4.	2002-03	22	331	11.33
5.	2003-04	14	291	11.21
6.	2004-05	17	462	23.82
7.	2005-06	14	421	16.16
8.	2006-07	26	528	47.41
9.	2007-08	16	398	17.50
10.	2008-09	18	401	16.29
11.	2009-10	15	159	8.65
<b>Total</b>		<b>287</b>	<b>5590</b>	<b>189.95</b>

A review of the Audit Reports revealed that the Executives, whose records were inspected by the Examiner of Local Accounts, 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 Secretaries of the Urban Development Department and the Finance Department

were requested severally through letters (December 2008, February 2009, May 2009 and February 2010) and in the meeting (October 2008) to take proper action for the disposal of outstanding paragraphs. The replies, wherever received, were mostly inconclusive and interim in nature. The Chief Secretary was also apprised of the fact (February 2009, May 2009 and February 2010).

### **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. As a result, 126 notices involving Rs. 1.43 crore issued during 2000-2010 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 sends the notices to the Deputy Commissioner of the District where the ULBs are situated for serving the notices to the surchargees.

Audit found that 126 notices covering Rs 1.43 crore issued during 2000 to 2010 (upto February 2010) in respect of 21 ULBs (*APPENDIX-VIII*) 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.

The matter was taken up with the Chief Secretary from time to time (April 2009 and February 2010) but no concrete action was taken.

### **7.3 Result of Audit**

As a result of audit of 17 ULBs, a sum of Rs 2.97 crore was suggested for recovery, of which Rs 1.96 lakh was recovered during audit, whereas Rs 10.98 crore was held under objection.

Besides proposal for recovery by surcharge, as dealt in previous paragraph, excess and irregular payment amounting to Rs 2.97 crore, which was detected in audit in 17 ULBs, was suggested for recovery from person(s) responsible. At the instance of audit, Rs 1.96 lakh was recovered from the persons concerned.

In addition, payment of Rs 10.98 crore was held under objection (*APPENDIX-IX*) owing to non-production of records/vouchers/supporting documents/sanction of competent authority, non-furnishing of desired informations/explanations, etc.

#### **7.4 Follow up action on previous Reports of the Examiner of Local Accounts, Jharkhand**

Replies/Action Taken Notes on the paras appeared in the previous Reports of the Examiner of Local Accounts, Jharkhand were not furnished by the UDD, Government of Jharkhand
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The UDD, Government of Jharkhand did not send replies/Action Taken Notes (March 2010) on the paragraphs appeared in the Reports of the Examiner of Local Accounts, Jharkhand on ULBs for the year ended March 2006, March 2007 and March 2008, which were forwarded to the Government in September 2007, July 2008 and August 2009 respectively.

Government was also requested to incorporate suitable clause in the Acts for providing institutional arrangement for placement of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/discussion on the Reports. Though, the Finance Department accepted the proposal and requested the UDD (October 2008, November 2009) to take necessary action, final action in this regard was still awaited (March 2010).

#### **7.5 Recommendations**

- Government should ensure timely and proper response to the Audit Reports of the Examiner of Local Accounts and ensure accountability in case of failure on the part of the ULBs.
- Government should incorporate suitable clause in the Acts for providing institutional arrangement for placement/discussion of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/Committee etc.
- Prompt action on ARs and paragraphs is needed to avoid recurrence of financial irregularities and loss to Government