

CHAPTER-V

TRANSACTION AUDIT

5.1 Taxes deducted at source not deposited into Government accounts

Taxes deducted at source of Rs 2.41 lakh on account of Income Tax, Sales Tax and Royalty during 2007-09 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 2.41 lakh, as detailed below, deducted as Income Tax, Sales Tax and Royalty by three ULBs during 2007-09 was not credited in the respective heads of Government accounts but was retained in the funds of these ULBs.

Table-26

(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	Chaibasa	2007-09	0.37	-	-	0.37
2	Adityapur	2007-09	0.67	0.76	-	1.43
3	Kodarma	2007-09	-	-	0.61	0.61
Total			1.04	0.76	0.61	2.41

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 2.41 lakh but also paved the way for imposition of penalty and levy of interest amounting to Rs 2.94 lakh under Income Tax Act, 1961/Jharkhand VAT Act, 2005.

5.2 Improper grant of contractor's profit of Rs 28.10 lakh to Sulabh International

13 ULBs irregularly paid Rs 28.10 lakh as contractor's profit to Sulabh International Social service Organisation against the provision of State Public Works Accounts Code.

The Government of Jharkhand sanctioned Grants and Loans (50 per cent each) during 2002-09 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 (PHED); (ii) the work would be executed by 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 28.10 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 13 ULBs as detailed below:

Table-27

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Total amount paid	Amount paid to SISSO as 10% contractor's profits
1.	Dumka	2007-09	75.75	6.59
2.	Sahebganj	2007-09	5.49	0.48
3.	Medininagar	2007-09	15.25	1.33
4.	Madhupur	2007-09	25.00	2.17
5.	Jugsalai	2007-09	20.39	1.77
6.	Chaibasa	2008-09	18.70	1.63
7.	Jhumri Tilaiya	2007-09	43.80	3.81
8.	Jamshedpur	2007-09	21.61	1.88
9.	Lohardarga	2007-09	20.09	1.75
10.	Adityapur	2007-09	17.81	1.55
11.	Gumla	2007-09	21.55	1.87
12.	Pakur	2007-09	28.89	2.51
13.	Kodarma	2007-09	8.73	0.76
Total			323.06	28.10

5.3 Irregular payment of cost of materials of Rs 13.34 lakh on Hand Receipts

Three ULBs made payment of Rs 13.34 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 three ULBs as detailed below were paid Rs 13.34 lakh as cost of materials through Hand Receipts during 2007-09:-

Table-28

(Rs in lakh)			
Sl. No.	Name of ULBs	Period	Amount paid on Hand Receipt
1.	Sahebganj	2007-09	0.04
2.	Jugsalai	2007-09	0.87
3.	Jhumri Tilaiya	2007-09	12.43
Total			13.34

During the course of execution of departmental work, the Executing Agents purchased the materials (Chips, Sand, Bricks, Cement, MS 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-X*.

5.4 Excess payment of Rs 9.38 lakh due to non-deduction of taxes

Ten ULBs made excess payment of Rs 9.38 lakh due to non-deduction of Income tax, Sales tax, Royalty etc from contractors' bills.

A sum of Rs 9.38 lakh was not deducted from running bills of civil works as Income Tax (Rs 0.97 lakh), Sales Tax (Rs 3.25 lakh) and Royalty (Rs 5.16 lakh), resulting in excess payment of Rs 9.38 lakh to the concerned Executing Agents/Contractors/Suppliers as detailed below:-

Table-29

(Rs in lakh)						
Sl. No.	Name of ULBs	Period	Income Tax	Sales Tax /VAT	Royalty	Total
1.	Deoghar	2007-09	-	-	0.63	0.63
2.	Dumka	2007-09	-	1.70	-	1.70
3.	Medininagar	2007-09	0.35	0.14	-	0.49
4.	Madhupur	2007-09	-	0.25	0.44	0.69
5.	Chaibasa	2008-09	-	0.09	0.44	0.53
6.	Jhumri Tilaiya	2007-09	-	-	0.01	0.01
7.	Lohardarga	2007-09	-	0.12	3.08	3.20
8.	Adityapur	2007-09	-	-	0.56	0.56
9.	Gumla	2007-09	0.62	-	-	0.62
10.	Kodarma	2007-09	-	0.95	-	0.95
TOTAL			0.97	3.25	5.16	9.38

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

5.5 Excess payment of Rs 89.30 lakh due to non-deduction of penalty from contractors' bills.

Excess payment of Rs 89.30 lakh due to non-deduction of penalty from contractors' bills was noticed in 12 ULBs.

The ULBs made agreement with the contractors for execution of civil works viz. construction of PCC roads, drains, culverts etc. 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 89.30 lakh to the contractors as detailed in table below:-

Table-30

(Rs in lakh)

Sl. No.	Name of the ULBs	Period	No. of schemes/ works	Amount of Penalty not deducted.
1.	Deoghar	2007-09	03	0.86
2.	Dumka	2007-09	11	6.54
3.	Sahebganj	2007-09	05	1.73
4.	Madhupur	2007-09	01	0.35
5.	Jugsalai	2007-09	04	3.41
6.	Chaibasa	2008-09	01	1.86
7.	Jamshedpur	2007-09	37	51.58
8.	Lohardarga	2007-09	19	16.66
9.	Adityapur	2007-09	07	2.94
10.	Gumla	2007-09	01	0.17
11.	Pakur	2007-09	02	1.85
12.	Kodarma	2007-09	02	1.35
Total			93	89.30

5.6 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.