

## CHAPTER-2

### IRREGULARITIES IN ACCOUNTING PROCEDURES

#### 2.1 Irregularities in the annual accounts

As per instructions issued (November 2001 and August 2002) by Director, Local Bodies reconciliation of any difference between the balances of cash book and bank/Personal Deposit (PD) accounts was required to be conducted every month.

Review of cash books, PD accounts and bank accounts of three Municipal Corporations, three MCs and 15 MBs revealed unreconciled difference of Rs 28.83 crore for one to four years (*Annexure-II*). This could be due to non-encashment of cheques, depositing of money in other heads of account etc., but non-reconciliation is fraught with the risk of misappropriation.

#### 2.2 Excess expenditure over the sanctioned budget

Expenditure was not to exceed the budget sanctioned by DLB<sup>5</sup>.

However, in three MCs and 44 MBs an excess expenditure of Rs 20.32 crore (*Annexure-III*) was incurred without approval of the government. This requires regularization. Reasons for excess expenditure, though called for, were not intimated.

#### 2.3 Irregular parking of funds in a private bank

Municipal funds were to be kept in the government treasury<sup>6</sup>.

Contrary to this, Jaipur Municipal Corporation (JMC) irregularly kept its funds ranging from Rs 0.53 crore to Rs 13.84 crore (during 2002-03 alone) in a current account with Bank of Rajasthan Limited, a private bank. Reasons for opening current account in private bank had not been furnished by JMC (April 2004).

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5. Section 276 of Rajasthan Municipalities (RM) Act, 1959 and Rule 32 of RM (Budget) Rules, 1966.

6. Section 95 of the Rajasthan Municipalities Act, 1959.

#### **2.4 Non-crediting of interest to Centrally sponsored/State Plan schemes**

The interest earned on the funds of the Centrally sponsored/State Plan schemes was to be utilised as additional resources for these schemes.

In two Corporations, two MCs and two MBs, entire amount of interest of Rs 1.62 crore (*Annexure-IV*) earned on funds of various schemes in interest bearing PD accounts or bank accounts during 1997-2003 was credited to "Interest Income" of the ULBs and as such proportionate amount of interest was not credited to the schemes. The actual amount thereof could not be worked out in audit as the funds of several schemes and grants were deposited in the PD account which is a consolidated account.

#### **2.5 Deductions in grant due to non-recovery of loan from beneficiaries**

A loan of Rs 70.95 lakh obtained (1982-83) by MC, Tonk from Housing and Urban Development Corporation (HUDCO) was disbursed for construction of houses to 1099 persons affected by flood during 1981. Repayment of loan to HUDCO was to be made by December 1996. The council, however, failed to repay the loan to HUDCO. Therefore, state government repaid (November 1988 and December 1994) the amount (Rs 65.39 lakh) to HUDCO and sanctioned it to MC, Tonk as a loan. However, the council again failed to recover the amount of loan from beneficiaries and repay the entire amount in time to state government. This led to deduction of Rs 50.88 lakh from grants released by state government to the council (Rs 16.47 lakh up to 1994-95 and Rs 34.41 lakh during 1996-2002), thus depriving the public of Tonk city from the benefits of civic services/development works, that would have been executed by spending Rs 50.88 lakh.

#### **2.6 Non-depositing the lease amount to government**

The amount of urban assessment (lease money) collected by the municipalities from the assesseees was required to be deposited into the Consolidated Fund of the State after retaining 10 *per cent* as service charges if collection constituted 50 *per cent* of the amount due in a year<sup>7</sup>. Out of Rs 2.51 crore<sup>8</sup> collected as lease money by Jaipur Municipal Corporation (JMC) and MBs at Balotara and Jaisalmer during 1995-2003, Rs 2.26 crore (90 *per cent* of Rs 2.51 crore) was to be credited to government account, but nothing was credited even after lapse of one to eight years. Thus, Rs 2.26 crore were unauthorisedly retained by the three ULBs.

7. Rule 7 (4) of RM (Disposal of Urban Land) Rules, 1974.

8. Balotara : 1995-96 to 2002-03 (Rs 91.23 lakh), Jaisalmer: 1999-2003 (Rs. 42.71 lakh) and Jaipur :2001-03 (Rs 116.89 lakh).

## **2.7 Non-depositing the pension contribution on arrears of dearness allowances**

ULBs were required to deposit their contribution into the Municipal Employees Pension Fund maintained by treasury officers at 8.33 *per cent* of pay plus half of dearness allowance (DA) paid to their employees.<sup>9</sup>

JMC and three MBs did not deposit the pension contribution amounting to Rs 20.60 lakh<sup>10</sup> on the amount of arrears of DA paid to their employees between January 1998 and December 2003. In case of failure to deposit the contribution, Director Local Bodies was empowered to recover from grant-in-aid payable to the ULBs, which was also not done.

## **2.8 Non-depositing of statutory recoveries and non-payment of pensionary benefits of retired/deceased employees**

Amount of statutory deductions made from the salary of employees on account of subscription to General Provident Fund/ Contributory Provident Fund (GPF / CPF), amounts of gratuity and pension contribution payable by municipalities were required to be deposited monthly in the concerned heads of account/ funds.

In JMC, MC, Beawar and 32 MBs, Rs 14.53 crore (*Annexure-V*) so deducted from salary bills or payable by these ULBs were not deposited for one year to 35 years after deduction. These ULBs were irregularly utilising the retained amount for payment of salary to their employees owing to their poor financial conditions which was against RM (CPF and Gratuity) Rules, 1969 and the instructions issued (June 2002) by DLB. This requires fixation of responsibility as the employees would suffer loss because of this financial indiscipline.

Further, as per instructions of DLB (December 2002), pensionary benefits like gratuity of retired/deceased employees were required to be paid to them/their heirs within 60 days of their retirement/death.

MC, Beawar (Distt. Ajmer) however, could not pay pensionary benefits of Rs 79.87 lakh in respect of 102 employees who had retired/ died up to 31 March 2003. MC, Beawar attributed (February 2004) the reasons of delay to its poor financial condition and stated that demand of special grant of Rs 1.00 crore had been sent to DLB for this purpose.

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9. Rule 8(2) of Rajasthan Municipal Services (Pension) Rules, 1989.

10. JMC (April 2001 to December 2003) (Rs 18.48 lakh), Khairthal (July 1998 to October 2003) (Rs 0.66 lakh), Nimbahera (January 1998 to September 2003) (Rs 0.89 lakh) and Phalodi (January 2000 to March 2003) (Rs 0.57 lakh).

## 2.9 Outstanding advances against individuals/firms

Temporary advances made to individuals/ firms were required to be adjusted by the end of financial year in which they were made<sup>11</sup>. The state government instructed (August 2002) to recover/adjust advances outstanding for more than 6 month along with interest.

It was observed that:

(i) Advances of Rs 10 lakh were given (February 1995) by MC, Udaipur for sewer line works was outstanding against *Avas Vikas Sansthan* (AVS) which had been closed since April 1999 without execution of works. Execution of the works or recovery of advances is yet to be made from Rajasthan Housing Board to whom the assets and liabilities of AVS had been transferred.

(ii) TA advance of Rs 3.00 lakh was paid (May 1999) to former Mayor of MCJ for journeys to attend World Mayors Conference held in Germany. Adjustment / recovery of the advance had not been made even after five years (March 2004). Balance, if any requires to be recovered along with interest.

(iii) In three Corporations, six MCs and 65 MBs, advances of Rs 6.91 crore (*Annexure-VI*) were outstanding against individuals / employees for the last one to 55 years. Similarly, in two Corporations, six MCs and 24 MBs advances of Rs 9.54 crore (*Annexure-VII*) were outstanding against firms/executing agencies for the last 1 to 56 years. This indicated lack of effective internal controls in these ULBs. The possibility of recovery of older advances is very remote as complete records may not be available and some officials might have retired/expired/transferred to other offices. Thus, action to recover/adjust the advances along with interest needs to be initiated and monitoring mechanism strengthened to ensure speedy recovery.

## 2.10 Non-submission of utilisation certificates (UCs)

UCs of Rs 20.06 crore released (2002-03) to ULBs as SFC grant were awaited from them by DLB (May 2004). This indicates that the monitoring of the utilisation of grants by the DLB was not satisfactory.

## 2.11 Misreporting of facts in utilisation certificates

There was a difference of Rs 44.52 lakh<sup>12</sup> between the figures of expenditure reported by four ULBs to government through UCs and actual figures as per

<sup>11</sup> Rule 80 of RM Accounts Rules, 1963

12. Sikar ( Rs 3.64 lakh ), Nohar ( Rs 6.60 lakh ) , Rajgarh (Rs 15.14 lakh) and Sangaria (Rs 19.14 lakh).

their annual accounts under Swarna Jayanti Sahari Rojgar Yojana (SJSRY) and National Slum Development Programme (NSDP), indicating misreporting of facts to Government.

### **2.12 Non-depiction of true financial position in municipal accounts**

(i) The Annual Accounts of JMC for the years 2001-02 and 2002-03 prepared by a Chartered Accountant firm did not depict the true financial position because the balance sheet did not show all the liabilities and fixed assets and scheme-wise unutilised balances, etc. held by JMC.

(ii) In JMC, entries of recoveries of motor conveyance advances and house building advances aggregating to Rs 17.88 lakh paid (1993-2003) to 95 employees had not been made in the prescribed registers / broad sheets. Thus, complete recovery of principal amount together with interest had not been ensured by JMC due to poor/ incomplete maintenance of books of accounts.