

CHAPTER-III

3.1 Unfruitful expenditure of Rs 5.04 crore by Nagar Nigam, Lucknow

Inaction and failure of Nagar Nigam, Lucknow in ensuring compliance of the Government orders resulted in an unfruitful expenditure of Rs 5.04 crore.

The Government sanctioned (2004-06) the project of beautification of Gomti river banks from Nishatganj Setu to Hanuman Setu and construction of gates at a cost of Rs.10.54 crore and released the amount to Nagar Nigam, Lucknow (NNL) for transfer to Construction and Design Services, UP Jal Nigam, Lucknow (Nigam), the designated executing agency for execution of works of the project. The project conceived *inter alia* the construction of entrance gates at both ends of Hanuman Setu and Nishatganj Setu. As the construction of these gates from the angle of beautification was considered to be of special nature of work, the Government directed (February 2006) the Nagar Ayukta, NNL to commence the work only after approval of architectural concept and structural design as well as specifications to be used in the construction of these gates by the competent authority and also after obtaining no objection certificate from Irrigation, PWD and Environment Department etc.

Scrutiny (July 2007) of records of NNL revealed that Rs. 10.54 crore were transferred to Nigam between the period January 2006 and August 2006 to execute the works without ensuring the compliance to the above mentioned instructions of the Government. The Nigam started the construction in February 2006 without proper study and preparation of structurally sound design and even without getting required no objection certificate from concerned departments. The High Court, in a Public Interest Litigation²⁵ also directed (November 2006) that the construction may be done only after obtaining an Expert Committee²⁶ Report to ensure that it posed no danger to the life and property of the public. In the meantime, the Nigam out of Rs. 10.54 crore, spent a sum Rs.5.04 crore on the work²⁷ during October 2005 and May 2007 and refunded (December 07 and April 08) Rs.5.25 crore to the NNL retaining Rs. 0.25 crore. The Expert Committee constituted by the

²⁵ No.7486/ 2006

²⁶ Engineer-in- Chief, PWD Managing Director, UP Bridge Corporation; Chief Engineer, Nagar Nigam, Lucknow; Chief Environment Engineer, UP Pollution Control Board; Chief Engineer, Lucknow Region, UP Jal Nigam and Director, C&DS, UP Jal Nigam.

²⁷ Beautification of Gomti River Bank: Rs. 0.61 crore; Hanuman Bridge Gate: Rs. 1.59 crore; Grand Gates on both sides of Nishat Ganj Bridge: Rs. 2.84 crore.

Government opined in its report (February 2007) that depth of the foundation of pillars for gates were insufficient. Further, the committee recommended that before restarting the construction of gates, execution of necessary protection works for the safety of the foundation of gates was essential, after adequate designing thereof by an architect. The work was not resumed till date (November 2008) even after receipt of the Expert Committee Report and an architect's report (April 2007) and the unspent balance of Rs. 5.25 crore was lying parked in Personal Ledger Account of NNL. Thus, non-compliance of Government orders before the commencement of work left the project incomplete even after expenditure of Rs. 5.04 crore rendering the entire expenditure unfruitful.

NNL admitted (November 2007) that the work was not started even after receipt of the report of the architect. Thus, the NNL had failed to ensure construction work expeditiously even after expiry of twenty months of the submission of the report by the architect.

The matter was reported to the Government (July 2008), reply had not been received. (March 2009).

3.2 Non adjustment of advances

Advances for repair works and purchase of goods / services remained unadjusted for more than ten years

Rule 57 (3) of Nagar Nigam Account code and Rule 162 of Financial Hand Book Volume-V (Part-I) envisages adjustment of temporary advances made to individuals by the end of the financial years in which they were made.

Scrutiny of records of Nagar Nigam, Allahabad (NN) revealed (July 2007) that an amount of Rs. 2.16 crore (*Appendix-5*) advanced to different officers of NN for repair works and purchases of goods/services etc., during the periods 1993-2007 was pending for adjustment. Of this, Rs. 21.01 lakh and Rs. 17.60 lakh was more than 10 years and five years old respectively. Non adjustment of advances violated the provisions of the Nagar Nigam Account Code as well as Financial Handbook which indicated ineffectiveness of the monitoring mechanism. Besides constituting a serious financial irregularity, the non adjustment of advances was fraught with the risk of fraud and embezzlement etc.

On being pointed out in audit NN replied (July 2007) that action for adjustment of advances was being taken. However, the latest information collected (June 2008) did not indicate any reduction in the unadjusted amount.

The matter was referred to the Government (February 2008), reply was awaited (March 2009).

3.3 Unfruitful expenditure of Rs. 77.19 lakh by Maharajganj Nagar Panchayat

An expenditure of Rs. 77.19 lakh on construction of the Water Supply System was rendered unfruitful due to injudicious decision.

With a view to provide drinking water to the residents of Ghughali in District Maharajganj, the Nagar Panchayat (NP) passed a resolution (March 1990) to transfer the requisite land to the Uttar Pradesh Jal Nigam, Gorakhpur for construction of Water Supply System. The project report envisaged to provide water connections to 1600 households by 1996 and 1900 households by 2005 and thereby generate the income (1996: Rs 4.03 lakh and 2005: Rs 4.91 lakh) of the NP.

Scrutiny of records (January 2008) of the Maharajganj NP revealed that the construction agency commenced the construction work in April 1995 and completed it in March 1999 at a cost of Rs 77.19 lakh. The agency handed over the Water Supply System to the NP in 2005 after a delay of six years. The reasons for delay in handing/taking over of the system were not made available to audit. Thereafter, the water supply was ensured for a year and an expenditure of Rs. 3.13 lakh (during April 2005 to April 2008) on electricity charges was incurred. However, none of the households of Panchayat area took the water connections due to the fact that there existed 25 public taps within Panchayat area as a result of which the water supply was stopped and the entire water supply system was lying idle as of May 2008.

Thus, due to injudicious decision to give household water connections without assessing requirements the water supply system created at a cost of Rs. 77.19 lakh was rendered unfruitful. Besides, an expenditure Rs. 3.13 lakh (during April 2005 to April 2008) on electricity charges was incurred.

NP stated in reply (May 2008) that the connections were not given as public was not interested in taking connections. The reply indicated that proper assessment of requirement was not carried out by the NP before execution of the work.

The matter was reported to the Government (May 2008); reply was awaited (March 2009).

3.4 Loss of revenue

Failure to take timely action resulted into loss of revenue of Rs. 39.60 lakh.

Government order²⁸(November 2001) provided that Nagar Panchayat can impose tax on the vehicles coming in the Nagar Panchayat limit and stopping on stands or parking spaces of the body or taking or leaving passengers within the Panchayat by framing bye-laws. Nagar Panchayat, Goverdhan (NP) framed bye-laws²⁹ for vehicles coming in NP area which provided that vehicle driver coming in the area will stop the vehicles at stands and will obtain receipt for paying charges to NP staff/contractor. Govt. vehicles excluding Roadways Buses, vehicles carrying dead body party, tractor trolleys with agricultural goods, two wheelers and vehicles entering the NP area and passing through it without stoppage were kept free of the charges.

Scrutiny of records (June 2007) of Nagar Panchayat, Goverdhan, District Mathura revealed that it auctioned (March 2004) its spaces/stands for one year without identifying them and the value of which was assessed departmentally at Rs. 60 lakh. The highest bid was of Rs. 1.25 crore while the second highest was Rs. 77 lakh. Nagar Panchayat accepted the highest bid with security deposit of Rs. 5 lakh but the bidder could not deposit one-fourth of the amount of the bid by the next banking day as required under terms and conditions of the bid. Consequently, the bid was cancelled (March 2004) and security deposit (Rs. 5.00 lakh) was forfeited.

Instead of offering contract to the second highest bidder as per conditions of the auction, Panchayat staff was deployed for twelve days³⁰ and Rs. 1.53 lakh was collected. In April 2004, spaces/stands were re-auctioned for 353 left over days of the financial year at the rate of Rs 25,225 per day (Rs. 89.04 lakh for 353 days). The contractor, due to non identification of the parking spaces by Nagar Panchayat, began to collect charges illegally from the passers-by by putting barriers. As a result, the District Magistrate (DM), Mathura ordered the contractor (June 2004) to stop this practice. However, the contractor, in defiance of DM's order, continued charging the passersby illegally upto October 2004. The Panchayat earned Rs. 13.87 lakh thereby. In October 2004, the contractor cancelled the agreement, as prime period of the contract passed without collection of parking charges under administrative orders and no charges were collected thereafter. In this way, Rs. 20.40 lakh only was earned against the departmental

²⁸ G.O.no.3586/ -9-2001- /98 dated: 26 Nov,2001

²⁹ Gazette Notification dated 29 March 2003.

³⁰ 01 April 2004 to 12 April 2004

assessment Rs. 60 lakh (Shortfall: Rs. 39.60 lakh; 66 *per cent*).

The Executive officer did not offer any comment when pointed in audit.

Thus, failure to take timely action resulted into loss of revenue of Rs. 39.60 lakh.

The matter was reported to the Government (March 2008); reply is awaited (March 2009).

3.5 Unfruitful expenditure of Rs.23.49 lakh by Deoria Nagar Palika Parishad

Commencement of work without approval of its layout resulted into unfruitful expenditure of Rs. 23.49 lakh.

Scrutiny (June 2007) of records of Nagar Palika Parishad, Deoria revealed that Nagar Palika Parishad in its meeting decided (June 1999) to construct a stadium on a piece of land owned by it for which the map was approved (February 2000) by the Prescribed Authority, Regulated Area, (PARA) Deoria. The Nagar Palika Parishad, however, in its meeting in September 2002 cancelled the earlier decision of construction of the stadium and decided to develop residential colony comprising 240 residential plots and to raise funds so as to utilize it for development of infrastructure of other wards. The Nagar Palika Parishad submitted (July 2003) the map to PARA for its approval which was awaited (June 2008). Meanwhile, the Nagar Palika Parishad, without approval of the map by the PARA, started the development work through a contractor and spent Rs. 23.49 lakh³¹ between July 2003 and September 2005. The development work was stopped (April 2004) under the order of the District Magistrate, Deoria (DM) as the work was being executed where layout plan for another work i.e. stadium already existed.

Thus starting the work without getting the approval of the layout by the prescribed authority, the expenditure of Rs. 23.49 lakh on the development work remained unfruitful.

The Executive Officer, Nagar Palika Parishad Deoria stated (June 2007) that the map had been submitted to the PARA. The reply was not acceptable as commencement of development work without approval of the lay out plan by PARA, was irregular.

The matter was reported to the Government (April 2008), reply was awaited (March 2009).

3.6 Avoidable liability

The Nagar Panchayat, Govardhan created liabilities of Rs. 10.69 lakh by not depositing the amounts due from the salaries of the staff and Rs. 23.94 lakh due to non disbursement of staff salary .

The Government orders³² (February 1978) provide that the amount of

³¹ Road etc. Rs. 17.79 lakh, Park Development Rs. 5.11 lakh, Consultation Rs. 0.18 lakh Gazzette charge Rs. 0.41 lakh.

³² G.O.No.12417T/9.1.1977 dated 02 February 1978

subscription to provident fund and pension contribution due from the salary of employees should be credited into the concerned employees Provident Fund Account and Pension Account respectively maintained in a nationalized bank. Further, the salary etc. of the staff should be disbursed timely to avoid increase in liabilities.

Scrutiny of the records (June 2007) of Nagar Panchayat (NP), Goverdhan revealed that Rs. 10.69 lakh on account of subscription to provident fund and pension contribution due from the salary of employees between 1988 and 2001 were not credited to their respective bank accounts. Further, Rs. 23.94 lakh remained to be paid to the staff on account of their salary for the period from 2000 to 2005. Thus, the NP had created liabilities of Rs. 34.63 lakh (*Appendix-6*) by not adhering to the Government orders.

The NP stated (April 2008) that the liabilities could not be discharged due to short receipt of State Finance Commission (SFC) grants and adverse financial position of the NP. However, no documents in support of the reply were furnished.

The matter was referred to the Government (March 2008), reply is awaited (March 2009).

3.7 Avoidable loss of bid amount of Rs. 9.18 lakh and loss of stamp duty Rs. 1.61 lakh

Failure of Nagar Palika Parishad, Akbarpur in cancellation / re-auction of the contract and not performing agreement on required stamp paper resulted into loss of revenue.

Nagar Palika Paraishad (NPP) Akbarpur, District Ambedkar Nagar awarded (March 2005) contract of Taxi-Tempo Stand for the year 2005-06 for Rs. 20.07 lakh to the highest bidder. The selected bidder was to execute an agreement with NPP on stamp paper for Rs. 1.61 lakh³³ and to deposit one third amount of the sanctioned bid immediately after sanction. The balance amount was to be deposited in nine equal monthly installments (EMI) in succeeding months, the last EMI being due in December 2005. The terms of agreement provided for the cancellation and re-auction of the contract in case of default in depositing the money by the contractor. Loss on re-auction, if any, was to be recovered from the defaulting contractor.

During scrutiny of records (August 2007) of the NPP, it was noticed that the contractor, whose bid was approved, deposited only Rs. 5.69 lakh (March 2005) which was less than the one third amount of bid (Rs.6.69 lakh), failed to

³³ @ Rs. 80 per thousand of Rs. 20.07 lakh in accordance with the Article 40, schedule 1B of Indian Stamp Act 1899.

deposit the subsequent EMIs³⁴ and did not execute the agreement on required stamp paper. Though the conditions of the contract were flouted, the contractor was irregularly allowed to recover the parking charges up to December 2005. After cancelling the contract (December 2005), the NPP started recovery of parking charges from public departmentally and collected Rs. 5.20 lakh during January 2006 to March 2006. The NPP, however, could not recover Rs. 9.18 lakh³⁵ out of the bid amount and Rs. 1.61 lakh due on account of stamp duty from the contractor. These losses could have been avoided by timely cancellation/re-auction of the contract by NPP.

On being pointed out in audit (August 2007) the Executive Officer, NPP did not offer any comment on the matter.

The matter was reported to the Government (April 2008); reply is awaited (March 2009).

3.8 Non deposit of Government revenues in the treasuries

Income Tax and Trade Tax of Rs. 12.87 lakh deducted from contractors' bills was not deposited in Government account.

Panchayati Raj Institutions (PRIs) execute various works like laying of cement concrete roads, construction of drains and meeting halls etc through contractors. Their Drawing and Disbursing Officers (DDOs) bear the responsibility of deducting Government taxes³⁶ from their bills and depositing the same in the Government Account.

Scrutiny of records (July 2007 and February 2008) of seven PRIs revealed that one Nagar Palika Parishad³⁷ in District Sitapur and six other Nagar Panchayats in five districts³⁸ awarded the works to the contractors at a contractual value of Rs. 3.33 crore during February 2002 and March 2007. The concerned DDOs while making payments deducted taxes of Rs. 12.87 lakh (income tax: Rs. 7.19 lakh and trade tax: Rs. 5.68 lakh) from their bills (*Appendix-7*) but did not deposit them in treasuries in the Government Account without citing any reason even after expiry of periods ranging between 24 and 72 months of their collections and retained them in their bank accounts.

³⁴ Required 1/3 of Rs. 20.07 lakh = Rs. 6.69 lakh.

³⁵ Recoverable Rs. 20.07 lakh, Recovered Rs.5.69 lakh from contractor & Rs.5.20lakh departmentally. Total recovered Rs. 10.89 lakh; Loss Rs. 20.07 lakh-Rs. 10.89 lakh=Rs. 9.18 lakh.

³⁶ Income tax: 2.24 per cent under Income Tax Act 1961 and trade tax: 4 Per cent under Trade Tax Act 1948.

³⁷ Mahamodabad.

³⁸ Etah: Awagarh, Unnao: Fathepur Chaurasi, Mathura: Goverdhan, Fatehpur: Kora Jahanabad and Bahua and Pratapgarh: Patti.

Thus, Rs. 12.87 lakh on account of Government revenues remained outside the Government Account even after their collections for long periods. This also violated the provision of the Financial Hand Book³⁹ under which Government receipts were to be deposited in treasury immediately on their receipt.

On being pointed out in audit, the concerned Executive Officers stated (between July 2007 and February 2008) that the revenues would be deposited in the treasuries.

Matter was referred to the Government (July 2008); reply was awaited (March 2009).

3.9 Irregular expenditure out of revolving fund Rs. 7.36 lakh

Nagar Nigam Lucknow constructed cement concrete roads disregarding the Government Orders banning such constructions from Revolving Fund.

With a view to develop and strengthen the infrastructure within the Urban Local Bodies (ULB), the Uttar Pradesh Government (Government) provides interest free loan to ULBs (Revolving fund) which is adjustable from the State Finance Commission Grant released in future. The construction of cement concrete road (CC) by the ULBs from the Revolving fund was banned⁴⁰ (April 2005) by the Government because the works were not being executed as per PWD schedule of rates and specifications with the result that the quality of the work was not maintained.

Scrutiny of records revealed (July 2007) that the Nagar Nigam (NN), Lucknow sanctioned (May 2005 and September 2005) and constructed two CC roads (November 2005 to September 2006) at a cost of Rs. 7.36 lakh⁴¹ in violation of the above mentioned Government order.

On being pointed out in audit, the NN replied (July 2007) that the works were sanctioned prior to the issue of the Government order. Reply was not tenable as sanctions of the works were given in May 2005 and September 2005 whereas the order banning construction of CC roads from revolving funds was issued in April 2005.

The matter was reported to the Government (February 2008); reply was awaited (March 2009).

³⁹ Paragraph 21 of Financial Hand Book Volume V, Part I.

⁴⁰ G.O. No. 1/u@--9-2005 Dated 18-April 2005.

⁴¹ (i) Rs. 4.26 lakh, Vr. No. 94 dated 10.11.2005 on cc road between house No. 229 to 313 in Sector 12, Indira Nagar.
(ii) Rs. 3.10 lakh, Vr. No. 180 dated 1.9.2006 on cc road in Baba Sangat Gali in Begum Hazrat Mahal ward.

3.10 Excess Payment Rs. 5.43 lakh

Failure in applying schedule of rates resulted in an excess payment of Rs. 5.43 lakh to the contractor.

Works should be executed at the rates as fixed by the Public Works Department (PWD) in the schedule of rates (SOR). The Engineer-in-Charge should ensure that the rates for works execution are provided in the agreement with contractor as per schedule of rates.

Scrutiny of records in the office of Nagar Panchayat, Kurara, District Hamirpur revealed that the Government sanctioned (September 2006) Rs. 50 lakh to the Nagar Panchayat for execution of three works at an estimated cost of Rs. 50.02 lakh. The works, amongst the other works to be executed during 2006-07 included 679.175 cubic meter of cement concrete works⁴² for which the PWD prescribed rate of Rs. 1250 per cubic meter⁴³ was valid up to 23.03.2007. Scrutiny also revealed that the Executing Engineer of the Nagar Panchayat prepared estimates (August 2006) for the works at the rate of Rs. 2050 per cubic meter instead of Rs. 1250 per cubic meter though the rate was higher than the PWD schedule of rates by Rs. 800 per cubic meter. Further, the Junior Engineer (Technical), Construction Division, PWD, Hamirpur also checked the estimates of the works without ensuring that the rates in the estimates were as per the valid PWD, SOR. The agreements were executed with the contractors at the higher rate and the payments of their bills of Rs. 50.18 lakh which were excess by Rs. 5.43 lakh⁴⁴, were made to him during March 2007.

Thus, failure on the part of the Executive Officer of the Nagar Panchayat and the Junior Engineer (Technical), Construction Division, PWD, Hamirpur to ensure that rates are not higher than SOR, resulted in an excess payment of Rs. 5.43 lakh to the contractor.

Executive Officer, Nagar Panchayat, Kurara, District Hamirpur stated (September 2007) that the Junior Engineer (Technical), Construction Division, PWD, Hamirpur had approved the estimates. The reply was not acceptable because the rates approved by J.E.(Technical) Construction Division PWD were higher than PWD, SOR which was against the instructions of the Government.

⁴² $(62.394+210.13) m^3+254.347m^3+152.304 m^3 = 679.175$ cu.m.

⁴³ SOR item No. 281,Banda PWD Circle Chapter 5

⁴⁴ $(2049.70-1250)*679.175$ cu.m.=Rs. 5.43 lakh.

The matter was reported to the Government (March 2008); reply is awaited (March 2009).

Allahabad
The

(Anjan Kumar Aich)
Sr. Deputy Accountant General
(Local Bodies)

Countersigned

Allahabad
The

(A.K. Patnaik)
Principal Accountant General (Civil Audit)
Uttar Pradesh.