

CHAPTER - V

INTERNAL CONTROL MECHANISM IN GOVERNMENT DEPARTMENTS

URBAN DEVELOPMENT DEPARTMENT

5.1 Internal Controls in Urban Development Department

Highlights

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve organizational objectives. Internationally, the best practices in Internal Controls have been given in the COSO¹ frame work which is a widely accepted model for internal controls. In India, the Government of India (GOI) has prescribed comprehensive instructions on maintenance of internal control in the Government departments through Rule 64 of General Financial Rules 2005. Similar provisions are there in Jharkhand Financial Rules which enjoin Secretary, the Controlling Officer of the department, to ensure adherence to Internal Controls within the department. An evaluation of the internal control system in the Urban Development Department disclosed the weakness of the internal controls in place such as non-compliance with rules, absence of manuals, lack of discipline in budget preparation, weak expenditure control, poor implementation of schemes/programmes, lack of monitoring and evaluation and absence of internal audit.

There were huge savings in all the years indicating defective budgeting and savings were not surrendered in time leading to lapse of funds. Monitoring of expenditure was not effective.

[Paragraphs 5.1.5.2 and 5.1.5.3]

Grant-wise separate accounts and annual reports were not prepared by the test checked units. Accounts were not maintained in the new format as suggested by CAG and circulated by GOI.

[Paragraphs 5.1.6.2 and 5.1.6.3]

Health/Education cess amounting to Rs 6.24 crore were not deposited into treasury and irregularly spent on pay and allowances of officials of the Municipalities/Notified Area Committees.

[Paragraph 5.1.6.5]

Urban Development Schemes were either not implemented or implemented with delay resulting in non-utilization of grants of Rs 36.86 crore during 2002-07.

[Paragraphs 5.1.7.1, 5.1.7.2, 5.1.7.4 and 5.1.7.5]

¹ Committee of Sponsoring Organisations of the National Commission of Fraudulent Financial Reporting or the Treadway Commission.

There was acute shortage of manpower in all categories in the ULBs. Besides, the department created ULBs without adhering to the norms.

[Paragraphs 5.1.7.8 and 5.1.8]

Assets and stock register was not maintained in any test checked units. There was no internal audit/vigilance mechanism in the department.

[Paragraphs 5.1.7.9, 5.1.9.2 and 5.1.9.3]

5.1.1 Introduction

A built-in internal control system and adherence to codes and manuals minimize the risk of errors and irregularities and help to protect resources against loss due to waste, abuse and mismanagement in an organization and to achieve its objectives. Internationally, the best practices in Internal Controls have been given in the COSO frame work which is a widely accepted model for internal controls. In India, the Government of India (GOI) has prescribed comprehensive instructions on maintenance of internal control in the Government departments through Rule 64 of General Financial Rules 2005. Similar provisions are there in Jharkhand Financial Rules which enjoin Secretary, the Controlling Officer of the department, to ensure adherence to Internal Controls within the department.

In Jharkhand 22 *per cent* of the total population of the State resides in urban areas. The overall objective of the Urban Development Department (UDD) is to provide civic amenities to people in urban areas. The Department generally plans and executes various programmes to provide facilities like road network, street lighting, drinking water supply, sanitation and sewerage system, waste disposal, maintenance and construction of parks and gardens, houses to urban poor etc through various urban local bodies like municipal corporations, municipalities, notified area committees etc.

5.1.2 Organizational set-up

The Secretary was the head of the department. He was assisted by a Joint Secretary, a Deputy Secretary and two Under Secretaries. The Technical Wing, headed by Chief Engineer and a Town Planning Organization, headed by Chief Town Planner provided technical assistance to the Secretary. At the district level, the programmes were implemented by the Administrators/Special Officers in Municipal Corporations/Municipalities/Notified Area Committees (NACs). Besides, Ranchi Regional Development Authority (RRDA), Ranchi, Mines Area Development Authority (MADA), Dhanbad and Mining Council, Koderma headed by Vice Chairman and Administrator were responsible for overall development activities in their respective regions.

5.1.3 Audit Objectives

The audit objectives were to assess whether:

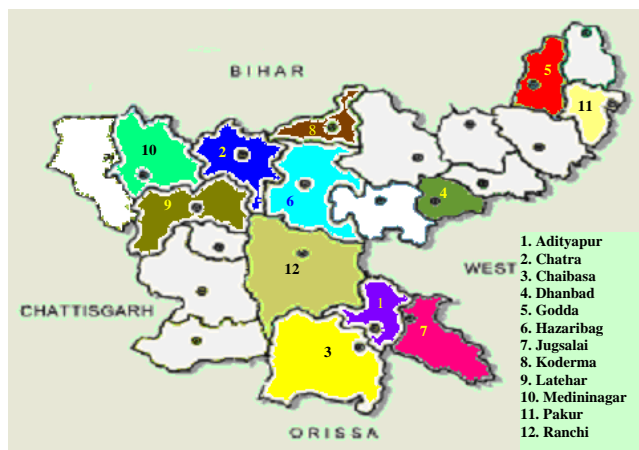
- the budgetary, expenditure and cash controls were adequate and effective;
- the administrative and operational controls were adequate to achieve the objectives of different schemes in an economic, efficient and effective manner;

- monitoring was adequate and effective; and
- internal audit and vigilance mechanism were effective.

5.1.4 Audit Coverage

A review on Internal Control Structure of the UDD for 2002-07 was conducted during April 2007 to August 2007 by test check of records of the Secretariat, RRDA, Ranchi and 12 out of 42 Special Officers of Municipalities/NACs (as shown in map).

An entry conference was held on 8 May 2007 with the Secretary where the audit objectives, scope and methodology were discussed. An exit conference was held in November 2007 where the audit findings, conclusions and recommendations were discussed. The results of the review are presented in the succeeding paragraphs.



Audit findings

5.1.5 Compliance with Jharkhand Financial Rules and Budget Manual

5.1.5.1 Delayed submission of Budget Estimates

According to Rule 72 of Jharkhand Budget Manual, the responsibility for preparation of Budget Estimates (BEs)/Revised Budget Estimates vest in the Finance Department (FD). The material for estimation of expenditure is to be obtained by the FD from the Administrative Department by a particular date. As per information obtained from FD, UDD persistently delayed the submission of BEs to the FD during 2002-07 and the delays ranged between 129 and 137 days as shown below:

BEs were submitted with delays ranged between 129 and 137 days

Year	Due date of submission as notified by the Finance Department	Actual date of submission	Delay in days
2002-03	06.10.2001	13.02.2002	129
2003-04	30.09.2002	15.02.2003	137
2004-05	30.09.2003	15.02.2004	137
2005-06	06.10.2004	14.02.2005	130
2006-07	19.10.2005	05.03.2006	137

The budget for non-plan along with details of manpower, as required, was never submitted to the Finance Department.

The Government accepted (November 2007) the audit observation and attributed shortage of man power for delayed submission of budget. The reply

regarding shortage of manpower was not tenable as 18 additional staff were already posted in the department.

5.1.5.2 Defective budget proposals

There were huge savings in all the years indicating defective budgeting and not surrendered in time leading to lapse of funds

According to Rule 61, Chapter III of Jharkhand Budget Manual, BEs are to be consolidated by the department based on proposals received from subordinate offices. BEs should be as accurate as possible and it was the responsibility of Controlling Officer (CO) of the department to ensure timely re-appropriation/surrenders in the event of savings. Further, as provided under Section 71 of Jharkhand Municipal Act, 2000 and Section 94 of Ranchi Municipal Corporation Act, 2001, the BEs are to be prepared and placed before Municipal Board/ Standing Committee in their meeting for approval and approved copies thereof are to be submitted to the State Government forthwith.

Scrutiny of records of test checked units disclosed that approved BEs were not submitted to the Government. Thus, the department was preparing budgets without assessing the actual requirement of funds as evident from the huge savings during 2002-07 as shown below:

(Rupees in crore)

Year	Budget Estimate	Expenditure	Saving		Surrender		Lapse
			Amount	Per cent	Amount	Per cent	
2002-03	247.39	94.67	152.72	61.73	74.87	49.02	77.85
2003-04	145.09	75.71	69.38	47.82	55.89	80.55	13.49
2004-05	165.87	94.12	71.75	43.26	00.05	00.07	71.70
2005-06	202.09	176.03	26.06	12.90	21.92	84.11	04.14
2006-07	466.71	221.51	245.20	52.53	135.70	29.07	109.50

Source: Appropriation Account

Savings ranged between 12.90 and 61.73 *per cent* during 2002-07 due to under utilization of funds and releases made to field units at the fag end of the year. Further, savings up to 84 *per cent* were surrendered only on the last day of the financial years and funds, ranging between Rs 4.14 crore and Rs 109.50 crore, were allowed to lapse during the same period.

According to Rule 471 of Jharkhand Financial Rules (Vol.-I), departments' figures are to be reconciled monthly/at the year end with figures appearing in account of Accountant General (A&E), Jharkhand. This was not done and departments' figures did not match with the figures appearing in Appropriation Account. The Government stated (November 2007) that the BEs was prepared after obtaining action plans from subordinate offices. The reply was not tenable as BEs were never submitted by the sub-ordinate offices.

5.1.5.3 Monitoring of expenditure

Monitoring of expenditure was not effective

According to Rule 121 of Jharkhand Budget Manual, all the Drawing and Disbursing Officers (DDOs) are required to furnish the Statements of Expenditure (SOE) duly reconciled with the treasury to the CO, not later than the first week of each month. Based on these statements, the CO was to prepare a consolidated and progressive SOE under Rule 475 of Jharkhand Financial Rules for monitoring the expenditure within the grants.

In the test checked units it was observed that SOEs were not sent to COs. Thus, the department could not exercise effective control over expenditure incurred by the DDOs. The Government stated (November 2007) that SOEs

were obtained from DDOs in monthly meeting. The reply was not tenable as test checked units neither sent SOEs to CO nor progressive SOEs were available with the department.

5.1.6 Compliance with Jharkhand Treasury Code/Municipal Accounts Rule

5.1.6.1 Deficient maintenance of Cash Book and irregular retention of cash balances

Separate cash book for loans/grants was not maintained. Huge amount was kept in personal ledger account at the end of year

Under Rule 63 to 66 of Bihar Municipal Accounts Rules, 1928, as adopted in Jharkhand, a separate cash book is to be maintained for loans/grants received from Governments. No such cash book was maintained in any of the test checked units. Further, ULBs did not maintain the cash book for their own funds as required under rules.

Rule 300 of Jharkhand Treasury Code envisages that no money should be drawn unless it is required for immediate disbursement. In contravention of the said rule, DDOs withdrew huge sums and kept it in personal ledger account at the end of each year as shown below:

(Rupees in crore)

Name of DDOs	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Spl Officer, Medininagar	6.66	6.12	10.54	7.46	6.07
Spl Officer, Pakur	1.06	2.97	3.13	6.62	5.46
Spl Officer, Chatra	3.02	2.37	2.25	4.99	6.39
RRDA, Ranchi	14.16	16.09	19.47	20.98	19.27
Special Officers NAC, Adityapur	4.73	2.11	2.64	3.70	3.22
Latehar	1.01	1.07	1.76	1.74	1.02
Hazaribagh	9.16	7.08	8.49	6.49	7.71
Godda	0.83	0.39	1.26	3.11	1.04
Chaibasa	0.20	1.13	1.44	2.74	0.73
Jugsalai	1.36	1.01	1.43	2.27	1.39
Dhanbad	9.17	10.12	9.43	12.35	21.38
Jhumritaliya	1.42	1.88	2.17	2.93	2.78
Ranchi Municipal Corporation	7.98	22.08	24.09	33.57	53.51

Period of retention of cash could not be ascertained as bill/voucher wise analysis or reports of unspent grants were not maintained by the offices.

Documents relating to purchase worth Rs 15.78 lakh were not available

According to Rule 210 of Jharkhand Treasury Code (Vol-I), all expenditure must be supported by sanction orders and valid vouchers. Purchases should be supported by entries in stock register. During 2001-06, the department spent Rs 15.78 lakh on purchase of machine and equipment but sanction orders, purchase orders, vouchers, entries in stock register were not available. In the absence of the vital records, the authenticity of the expenditure was doubtful. The Government stated (November 2007) that sanction order, purchase order, vouchers, stock register were available in the office and already audited by the Finance Department. The reply was not tenable as the relevant records though called for were not produced to audit (October 2007).

According to Rule 437 of Jharkhand Treasury Code (Vol-I), Minister-in-charge may make discretionary grants to deserving students for conducting their studies through the head of the institution where the student is studying. During 2002-07, Rs 2.97 lakh was given as discretionary grant, out of which

Rs 31,000 was paid directly to 11 students and Rs 2.66 lakh to 64 individuals either without any purpose or for medical treatment, for purchase of rickshaw and construction of house in contravention of the codal provision.

5.1.6.2 Non-maintenance of accounts

According to Rules 14 of Bihar Municipal Accounts Rules, 1928 as adopted by the Government of Jharkhand (GOJ), local bodies are required to maintain separate accounts of grants released by the State Government and prepare an annual report on the working of the local bodies.

Annual financial statement and annual accounts for the period 2002-07 were not prepared by any of the test checked units

- None of the test checked units prepared Annual Financial Statements and Annual Accounts for the period 2002-07. In the absence of the Annual Accounts comparison of actual expenditure with the Budget Estimates could not be scrutinized.
- Provision for preparation of Balance Sheet (Assets and Liabilities) has not been made in Jharkhand Municipal Act, 2000 or in Municipal Accounts Rules. As a result of which Assets and Liabilities are not depicted in the Accounts of ULBs. As such the existence or otherwise of the Assets could not be vouchsafed.
- In the test checked units it was observed that neither reports of unspent grants were prepared nor unutilized grants were refunded to the Government. Utilisation certificate for grants and loans sanctioned were not called for by the department. Thus, proper utilisation of grants/loans or otherwise could not be vouchsafed.

Thus, the department failed to ensure the preparation of AFSs and Annual accounts during any of the five years during 2002-07. The department also failed to obtain the UCs before releasing fresh grants.

5.1.6.3 Non-preparation of accounts in new format

The department did not adopt accounting format as prescribed by the CAG and circulated by Government of India

The Comptroller and Auditor General of India in March 2004 had suggested appropriate budget and accounting formats for the ULBs, which was circulated by the Ministry of Urban Development to all States for uniform adoption. Accordingly, the State Government, UDD was requested repeatedly for adoption and creation of database in new formats. Meetings of the Accountant General, Jharkhand with the Secretary, and the Chief Secretary to the Government were also held but the State Government/ULBs did not prepare the accounts in the prescribed format. The Government stated (November 2007) that the ULBs have been instructed to adopt new accounting format.

5.1.6.4 Non-adjustment of advances

According to Rule 292 (2) of General Financial Rules, advances made to the Government servants for miscellaneous and contingent nature of works is required to be adjusted within 15 days from the date of advance. As of March 2006 Rs 17.80 crore was advanced to 346 officials (as of March 2006) of seven offices for meeting emergent expenditure on departmental works. No adjustment bills/vouchers against these advances were submitted by the respective officials even after at least one year of their receipt. Of this Rs 2.54 crore was outstanding against 96 retired/expired officials but pensions and gratuities were paid to them without obtaining no dues certificates/no

Advances of Rs 2.54 crore were outstanding against expired and retired persons

objection certificates. This led to loss in shape of irrecoverable advance of Rs 25.40 lakh and Rs 2.29 crore against 32 expired and 64 retired persons respectively. No effort was made to adjust outstanding advances before granting subsequent advances resulted in accumulation of outstanding advances. Such abnormal delays in adjustment of advances is not only indicative of poor monitoring but also fraught with the risk of misappropriation of Government funds as mentioned above in cases of 96 retired/expired persons involving Rs 2.54 crore. The Government stated (November 2007) that necessary instruction was given (August 2007) to all concerned offices and Rs six crore was adjusted at the instance of audit. However, action was being taken for adjustment of remaining amount.

5.1.6.5 *Unauthorized expenditure*

Rupees 6.24 crore was collected as education/health cess but did not deposit it into treasury and spent on pay and allowances

According to the Bihar Health Cess Ordinance (1975), as adopted by GOJ, 50 per cent of holding tax is to be collected as health cess and deposited into treasury by ULBs which shall be the part of the consolidated fund of the State. The collected cess is to be utilized for development of health services. The ULBs were also to submit monthly returns in respect of realized health cess to the Health Department. Further, Under Bihar Primary Education (Amendment) Act, 1959, an education cess was levied with effect from 1 April 1959 for free primary education in the State. The Act was further replaced by the Bihar Non-Government Elementary Schools (Taking over of Controls) Act, 1976, as adopted by GOJ in which there was no provision of realization of education cess.

In eight² test checked Municipalities/NACs collected Rs 2.83 crore as education cess in contravention of the Act and Rs 3.41 crore as health cess during 2002-07 and spent the collected amount on pay and allowances of the staff without depositing it into the State Revenue. No monthly return was also submitted by them to the UDD/Human Resource and Health departments. Thus, due to lack of effective supervisory controls of the department health and education cess were irregularly spent on pay and allowances. The Government stated (November 2007) that instructions were issued to all ULBs for depositing Health/Education cess into Government account.

5.1.7 Operational control

Urban Development Department implements both Centrally and State sponsored Urban Development Schemes through ULBs. The department was required to develop adequate monitoring and reporting system to keep a close watch of over the implementation of the schemes. It was also required to impart proper training to the officials responsible for implementation of monitoring mechanism and reporting on the schemes. The department did not have any manual designed to regulate the office procedure such as a distribution of work, accountability mechanism, reporting system, delegation of powers, etc. The department failed to evolve a suitable mechanism due to which several deficiencies were noticed in these schemes, as discussed below:

² Adityapur, Chaibasa, Godda, Hazaribagh, Jhumari-Tilaiya, Medininagar, Pakur and Ranchi.

5.1.7.1 Valmiki Ambedkar Malin Basti Awas Yojana

Contrary to guidelines Rs 5.40 crore was spent on construction of houses outside municipal area

Valmiki Ambedkar Malin Basti Awas Yojana (VAMBAY), a Centrally sponsored scheme, was launched in 2001 to provide housing to people who live below poverty line in urban areas. In test checked units, no list of the beneficiaries was prepared although Rs 19.87 crore was received during 2003-06. Further, sites selected for construction of houses in Ranchi and Hazaribagh were out side the municipal areas/urban areas (in rural area) on which Rs 5.40 crore was spent in contravention of the scheme guidelines. None of these houses were complete, denying the intended benefit to the targeted group. Of Rs 19.87 crore, Rs 8.50 crore remained unutilized (March 2007) and lying in the Personal Ledger account.

Rupees 18.43 lakh was provided to 97 persons without preparing list of beneficiaries

In Medininagar only 97 persons were provided (February 2007) Rs 18.43 lakh, at the rate of Rs 19,000 to each person, as first installment against randomly selected 200 persons without preparing any list of beneficiaries as per the guidelines. Further, the department had not evolved any monitoring mechanism to avoid unintended duplicity of beneficiaries under other housing schemes like Indira Awas Yojana, Din Dayal Awas Yojana, Machuwa Awas Yojana etc being implemented through other departments.

The Government stated (November 2007) that all the Awases were constructed in urban area as per direction of GOI. The reply was not tenable as Bargawan and Boria in Ranchi district and Jabra in Hazaribagh district fall under rural areas as stated by the Administrator, Ranchi Municipal Corporation and Special Officer, Hazaribagh Municipality.

5.1.7.2 Swarn Jayanti Shahri Rojgar Yojana (SJSRY)

Required organizations under the scheme were not set up resulted in non-utilisation of Rs 16.11 crore

SJSRY was introduced in 1994-95 by GOI to provide gainful employment to the urban unemployed or under employed poor by encouraging them to set up self employment ventures or by provisions of wage employment. The scheme also envisaged setting up of community organizations like Neighbourhood Groups (NHGs), Neighbourhood Communities (NHCs) and Community Development Societies (CDSs) in the targeted areas. CDS was responsible for identification of beneficiaries, preparation of applications, monitoring of recovery and providing any other support which was necessary for the programme.

The department failed to set up NHGs, NHCs and CDSs at district level and thus Rs 16.11 crore, provided by the GOI during 2002-2006, remained unutilized due to administrative failure of the department, denying the intended benefits of the schemes.

5.1.7.3 Jawahar Lal Nehru National Urban Renewal Mission (JNNURM)

The department did not undertake reforms and failed to receive the grants from GOI

JNNURM was launched (December 2005) to encourage cities to initiate steps to bring about improvement of the existing civic services in a financially sustainable manner. The scheme was to be implemented during 2005-2012. The State Government and cities seeking assistance under the mission were required to undertake mandatory and optional reforms at municipal level, with thrust areas like potable water supply, sewerage and sanitation, waste management, road network, transportation, integrated development of slums, street lighting etc.

Scrutiny disclosed that the department did not undertake any reforms at any level, though three cities³ were selected, depriving itself of grants from GOI (August 2007). The Government stated (November 2007) that proposal was under consideration of the Cabinet and on approval necessary action would be taken.

5.1.7.4 *Solid Waste Management scheme*

Rupees 6.33 crore remained unutilized due to failure in acquiring the land

The scheme was launched by the State Government in 1999-2000 for acquiring pieces of land in remote areas of the towns to dump garbage (solid waste). Special Officers of the test checked units failed to acquire land. Thus, Rs 6.33 crore released to ULBs during 2005-07 remained unutilized due to non-working of operational control of the department. This not only prevented the garbage from being littered all over the town, but was also in contravention of statutory requirements. The Government stated (November 2007) that action was being taken for acquiring land and establishment of treatment plant.

5.1.7.5 *Mal Nikas Yojana*

Mal Nikas Yojana was launched by the State Government in 2001-02 for development of drainage system in urban areas. No action was taken by the Special Officers, Medininagar and Dhanbad (March 2007) under the scheme. They had parked the allotment (2001-02) of Rs 5.92 crore in Personal Ledger Account. The fund remained unutilized due to non-deployment of consultant which resulted in non-achievement of the intended objectives of the scheme even after four years of receipt of Rs 5.92 crore. The Government stated (November 2007) that necessary action was being taken by the ULBs under Mal Nikash Yojana.

5.1.7.6 *Wasteful expenditure on consultancy*

Wasteful expenditure of Rs 32.48 lakh on preparation of master plan of proposed greater Ranchi

For preparation of Master Plan of proposed Greater Ranchi, RRDA, Ranchi entered (February 2003) into an agreement with M/s Operation Research Group (ORG) at Rs 3.24 crore. The agreement was entered into without being vetted by the legal advisor and penalty clause was not inserted, though there was a legal cell in the RRDA. UDD released (June 2004) Rs 3.24 crore to RRDA, Ranchi and M/s ORG was paid Rs 32.48 lakh on account of the cost of inception report between November 2003 and October 2004. Subsequently, UDD cancelled the agreement as the work of the agency was not satisfactory and submission of report was delayed as per terms and conditions of the agreement. As there was no penalty clause, the department could not initiate penal action against the agency and expenditure of Rs 32.48 lakh became wasteful. Even after four years, the Government did not take any action for preparation of master plan of Greater Ranchi and the balance amount of Rs 2.92 crore was lying unutilized with RRDA.

Wasteful expenditure of Rs 15.75 lakh on consultancy charges for Birsa Bus Stand

For construction/modernization of Birsa Bus Stand, UDD appointed (January 2002) M/s RITES Limited, Delhi for consultancy at the cost of Rs 16 lakh plus 5 per cent service tax and provided (February 2002) Rs 2.50 crore as grant to RRDA. RRDA paid Rs 15.75 lakh between February 2002 and March 2006 to the consultant. Subsequently, the department cancelled (April 2006) the agreement as the proposal submitted by the consultant was not adequate and

³ Dhanbad, Jamshedpur and Ranchi.

modernisation work was withheld after incurring expenditure of Rs 15.75 lakh on consultancy. Thus, the objective of the scheme remained unfulfilled even after five years of receipt of Rs 2.50 crore.

The Government stated (November 2007) that an empowered committee had been set up under the chairmanship of the chief minister for development of Greater Ranchi and a private developer had been selected for construction of Birsa Bus Stand on public private partnership basis. The reply was not tenable as funds were lying unspent for four to five years and expenditures on consultancy were rendered wasteful.

5.1.7.7 Loss to RRDA

The Government did not recoup Rs 26.08 lakh to RRDA

Under instruction and assurance of payment from UDD, RRDA paid (January 2003) Rs 26.08 lakh to the Registrar of Companies, Patna on account of registration fee for Greater Ranchi Development Agency (GRDA). Further, Deputy Secretary, Planning and Development Department, Government of Jharkhand informed (March 2003) that the amount would be refunded by the GRDA itself. However, the amount had not been refunded to RRDA as of May 2007. Thus due to lack of effective administrative control the amount was not refunded to RRDA even after lapse of more than four years.

The Government accepted (November 2007) the audit observation and assured to take action for refunding the amount to RRDA.

5.1.7.8 Creation of Municipality and NAC

Creation of municipality/ NAC in ineligible towns

Under section 4 of the Jharkhand Municipal Act, 2000, the State Government may declare a town as Municipal Corporation, a Municipality or a Notified Area Committee on the basis of population of more than 2 lakh, not less than 40 thousand and 12 thousand inhabitants respectively, if the average number of inhabitants in a town was not less than four hundred per square Km and three fourth of the adult population was engaged in pursuits other than agriculture. Pakur, Godda, Sariaikella, Garhwa, Gumla and Chakradharpur were declared as municipalities; and Kharsawan as NAC without fulfillment of the aforesaid criteria. Audit observed that the department created liability of Rs 72.38 lakh on pay and other allowances on staff of test checked Godda and Pakur municipalities during 2002-07 due to non-adherence to the prescribed norms in the Act *ibid*.

The Government stated (November 2007) that these bodies were in existence even before the creation of the State and were notified (February 2006) as Nagar Parshad/Nagar Panchayat on the basis of population of 2001 census. However, Kharsawan NAC was to be denotified. The reply was not tenable as Government considered only total population of the bodies without considering the other criteria for declaring the bodies as Nagar Parshad/Panchayat.

5.1.7.9 Non- maintenance of asset/dead stock register

Asset register was neither maintained nor physical verification of dead stock was done

A register of assets created under various schemes in the Municipalities was required to be maintained. No such register was maintained in any of the test checked units. According to the codal provisions a dead stock register was also to be maintained. No such register was maintained in the test checked

units. Annual physical verifications of the dead stock was to be carried out. No such verification was carried out in any of the test checked units during 2002-07.

5.1.8 Manpower management

There was acute shortage of manpower ranging between 12 and 57 per cent

An analysis of the manpower management in the ULBs showed that there were large scale vacancies ranging between 12 and 57 per cent (*Appendix 5.1*). Acute shortage of manpower adversely affected the functioning of ULBs and achievement of objectives for which these were set up.

The erstwhile Government of Bihar resolved (1999) that no employee will be deputed to Government department from autonomous bodies. Scrutiny showed that 18 employees from Mines Area Development Authority, Dhanbad were deputed (December 2005) to UDD. Further, five Deputy Administrators were working against one sanctioned post in Dhanbad Municipal Corporation since inception.

The Government accepted (November 2007) the audit observation and stated that action was being taken for recruitment.

5.1.9 Monitoring including internal audit and vigilance arrangements

5.1.9.1 Monitoring and evaluation

The overall objective of the UDD is to provide fundamental civic amenities to the people and to provide grants and loans to the ULBs for providing civic amenities. The department did not evolve any mechanism to evaluate/inspect the schemes. The department had neither maintained any calendar of returns nor prepared monthly reports and returns prescribed for ULBs during 2002-07. Further, the department had no manual of its own.

The Government stated (November 2007) that the monitoring and evaluation work were entrusted to concerned Deputy Commissioners (DCs)/ Departmental Officers and reviewed in the monthly meetings. The reply was not tenable as the evaluation report or minutes of monthly meetings were not available with the Department.

5.1.9.2 Internal Audit

Internal audit was never carried out

The department did not have an internal audit wing of its own. The audit wing of the Finance Department was authorized to conduct audit of UDD. Audit was never carried out by the Finance Department in any of the test checked units during 2002-07. Further, there were no provisions for Internal Audit in Jharkhand Municipal Act 2000, RMC Act 2001 or in Municipal Accounts Rules.

5.1.9.3 Vigilance Mechanism

There was no system of vigilance mechanism in the department

There was no vigilance mechanism in place in the department. In the absence of the vigilance mechanism, the Government cannot ensure that all the operations and transactions are transparent and in public interest. Cases of fraud and embezzlement can go unnoticed and the guilty unpunished which would be against the interest of the government.

The Government, however, stated (November 2007) that the vigilance cell was constituted in the department but notification was not available on records.

5.1.9.4 Complaint Redressal Mechanism

The department did not take any action against complaints

The department received 198 complaint cases relating to irregularities in development work, tender process and corruption during 2002-07. No effective steps were taken by the department for their disposal. While letters were written to the respective Deputy Commissioners to investigate the cases, no follow up action was taken by the department on these complaints.

The Government stated (November 2007) that action was being taken against complaints either at department level or through concerned DCs/Special Officers of ULBs. The reply was not tenable as only in few cases action was taken by the department and all the other complaint cases were pending for disposal.

5.1.10 Conclusion

The provisions of the Budget manual were not being adhered to. As a result, there were huge savings under different heads of account. Savings were not reappropriated/surrendered in time as a result allocated funds were lapsed. Cash books were not being maintained properly. Units retained heavy cash balances at the end of the financial year in violation of the codal provisions. No attempts were made to adjust the pending outstanding advances. Deficient operational controls were noticed in respect of almost all the schemes under the department and implementation, if at all, was tardy and poor. There was acute shortage of manpower. Vigilance mechanism and internal audit were totally absent. There was no evidence to show any exercise undertaken for monitoring and evaluation.

5.1.11 Recommendations

- The provisions of the budget manual should be strictly adhered to and cash book should be maintained as per codal provisions;
- The prescribed guidelines for various schemes operated by the department be strictly adhered to and state should start drawing intended benefits for the needy by utilizing the funds allotted;
- Asset register should be invariably maintained and an effective grievance redressal mechanism put in place;
- Government should prepare a Manual immediately to regulate the office procedures of the department and
- A vigilance mechanism is to be put in place and the Finance Department should strengthen internal audit.

The above points were reported to the Government (August 2007); their reply had been received (November 2007) and incorporated at appropriated places in the review with suitable comments.