

## PREFACE

1. As per Article 243Z of the Constitution “The Legislature of a State may by law, make provisions with respect to the maintenance of accounts by the Municipalities and the auditing of such accounts”. Government of Jharkhand has adopted the Bihar & Orissa Local Fund Audit Act, 1925 under which the Examiner of Local Accounts, Jharkhand, who heads the Local Audit Department in the office of the Principal Accountant General (Audit), Jharkhand, has been appointed for conducting audit of all the Local Bodies in Jharkhand.
2. This Report is prepared under the direction of the Comptroller & Auditor General of India for submission to the Government of Jharkhand. The cases mentioned in the Report are among those, which came to notice in course of test audit of accounts of 14 ULBs during 2009-10 as well as those which had come to notice in earlier years.
3. The purpose of this report is to give an overview of the functioning of ULBs in the State of Jharkhand and to draw the attention of the State Government and ULBs for remedial action for improvement, wherever necessary.
4. This is the fifth Annual Audit Report of the Examiner of Local Accounts, Jharkhand on the ULBs. The first such report was prepared for the year ending March 2006.

## OVERVIEW

The Report contains six chapters containing observations of audit on accounts and financial management, revenue receipts, establishment, transaction audit and implementation of schemes.

A synopsis of the audit findings contained in the Report is presented in this overview.

### 1. Introduction

The State Government dissolved all ULBs during the period 1986 to 1995 and since then fresh elections were held only in March 2008 in 28 out of the 39 ULBs. Devolution of functions, funds and functionaries to ULBs as envisaged in the 74<sup>th</sup> Constitutional Amendment Act, 1992 had not taken place as yet.

ULBs were financially dependent on Grants and Loans from the Government as their own resources were meager. The available manpower in ULBs was not sufficient. Shortage of staff ranged from 15.38 *per cent* to 72.23 *per cent*.

**[Paragraph 1.1 to 1.8]**

2605 audit paras involving Rs 211.63 crore were outstanding as of March 2010 due to inadequate/incomplete compliances from the Executives of auditee Units.

**[Paragraph 1.10]**

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.

**[Paragraph 1.11]**

As a result of audit of 14 ULBs, a sum of Rs 7.68 crore was suggested for recovery, of which Rs 3.98 lakh was recovered during audit, whereas Rs 11.00 crore was held under objection.

**[Paragraph 1.12]**

Replies/Action Taken Notes on the paras appeared in the previous Reports of the Examiner of Local Accounts, Jharkhand were not furnished by the State Government.

**[Paragraph 1.13]**

## **2. Accounts and Financial Management**

In contravention to the provisions of the Act, 12 ULBs irregularly maintained 85 additional Bank accounts and deposited Rs 20.14 crore in 77 accounts.

**[Paragraph 2.1]**

Six out of 14 test-checked ULBs had not prepared Budget Estimates during 2007-09. Remaining ULBs prepared unrealistic budgets and utilized only 2 to 42 *per cent* of the Budget provision.

**[Paragraph 2.2]**

Seven ULBs incurred unauthorized expenditure of Rs 63.09 crore during 2007-09 without preparing Budget Estimates.

**[Paragraph 2.3]**

The expenditure of Rs 130.97 crore incurred by 14 ULBs could not be scrutinized due to non-preparation of Annual Accounts for the period 2007-09.

**[Paragraph 2.4]**

Only 48.86 *per cent* of specific Grants & Loans was utilized during 2007-09.

**[Paragraph 2.5.1]**

Six ULBs did not refund Rs 69.95 lakh of old unspent balance of Government specific Grant & Loans to the sanctioning authority.

**[Paragraph 2.5.2]**

Internal control was very weak. The prescribed supervisory checks were not carried out. Basic records viz. Advance Ledger, Loan Register, Loan Appropriation Register, Grant Register, Demand and Collection Register, Work Register, Unpaid Bill Register, Annual Report, Deposit Ledger, Register of Lands, Register of Revenue Resources, Asset Register etc were not maintained by most of the ULBs.

**[Paragraph 2.6.1 & 2.6.2]**

In eight ULBs, a difference of Rs 8.37 crore between balances as per Cash book and Bank /Treasury Account was not reconciled.

**[Paragraph 2.6.3]**

Ten ULBs did not produce vouchers worth Rs 1.93 crore for the period 2007-09 before Audit.

[Paragraph 2.6.7]

Advances aggregating Rs 6.89 crore were outstanding against employees, suppliers, contractors and engineers of 13 ULBs.

[Paragraph 2.6.8]

### **3. Revenue Receipts**

Eleven ULBs did not take prescribed steps for recovery of outstanding Holding tax, although a huge sum of Rs 8.58 crore was outstanding.

[Paragraph 3.1]

Rates of taxes were not revised for the last 7 to 42 years despite provision for revision after every five years. This resulted in loss of revenue to the ULBs.

[Paragraph 3.2]

Madhupur Municipal Council did not revise the rates of Holding tax of Railway Buildings resulting in loss of Rs 2.41 crore to the Council.

[Paragraph 3.3]

**The collecting staff of 11 ULBs misappropriated Rs 10.90 lakh collected during 2007-2009. Out of this, Rs 3.92 lakh was recovered from the staff of ULBs at the instance of audit and Rs 6.98 lakh was still lying with them.**

[Paragraph 3.4]

Fifty-one Money Receipt Books were not produced before audit by four ULBs.

[Paragraph 3.5]

The settlement amount of Rs 72.70 lakh was outstanding for 2004-2010 in five ULBs.

[Paragraph 3.6]

Four ULBs sustained loss of Rs 13.13 lakh due to settlement of Sairats at lower values.

[Paragraph 3.6.1]

Proceeds of the collection of Rs 1.99 crore on account of Health/Education cess during 2007-09 were not remitted into the Government account.

**[Paragraph 3.7]**

Due to non/short collection of Health/Education cess by three ULBs, the State Government and the ULBs suffered a loss of Rs 27.59 lakh and Rs 3.07 lakh respectively during 2007-09.

**[Paragraph 3.8]**

Rupees 5.25 crore was outstanding on account of rent of municipal properties and taxes of Government buildings.

**[Paragraph 3.9]**

#### **4. Establishment**

Thirteen ULBs irregularly spent Rs 1.45 crore during 2007-09 on engaging casual staff despite Government prohibition.

**[Paragraph 4.1]**

Two ULBs paid Rs 32.86 lakh to NGOs/Trust/Contractors for cleaning roads etc. without the approval of State Government.

**[Paragraph 4.2]**

The employees of four ULBs sustained loss of interest due to non-remittance of Provident Fund subscription of Rs 25.18 lakh in the concerned bank accounts.

**[Paragraph 4.3]**

#### **5. Transaction Audit**

Taxes deducted at source of Rs 2.41 lakh on account of Income Tax, Sales Tax and Royalty were not credited to the Government Accounts.

**[Paragraph 5.1]**

Thirteen ULBs irregularly paid Rs 28.10 lakh as contractor's profit to Sulabh International Social Service Organization against the provision of State Public Works Account Code.

**[Paragraph 5.2]**

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Three ULBs made payment of Rs 13.34 lakh to the Executing Agents on Hand Receipts instead of proper vouchers.

[Paragraph 5.3]

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

[Paragraph 5.4]

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

[Paragraph 5.5]

## 6. Implementation of Schemes

Failure in completing the works within the timeframe resulted in blockade of Rs 8.89 crore in 11 ULBs.

[Paragraph 6.1]

Government Grant/Loan of Rs 3.97 crore received for Water Supply Scheme was blocked for years at Jhumri Tilaiya, depriving the people of the benefits of the scheme.

[Paragraphs 6.2]

The purpose of *Jawaharlal Nehru National Urban Renewal Mission* was defeated as the Central/ State Grant of Rs 4.12 crore received for Urban Transport System remained unutilized at Jamshedpur.

[Paragraph 6.3]

Delay in construction of Bye Pass Road at Lohardaga despite lapse of more than four years defeated the purpose of Government fund of Rs 3.03 crore.

[Paragraph 6.4]

The objectives of Water Supply Schemes could not be achieved in five ULBs due to delay in completion of the Projects despite transfer of Rs 84.76 crore to DWSD during 2005-10.

[Paragraph 6.5]

Delayed transfer of funds to Tata Steel by Jamshedpur NAC deprived the local people of the benefits of Street Lighting.

[Paragraph 6.6]

Excess payment of Rs 2.46 crore was made to the Contractor due to non-deduction of Excise duty from the Contractor's bills for Deoghar Urban Water Supply Scheme.

**[Paragraph 6.7]**

Irregular purchase of equipment at Lohardaga in implementation of Solid Waste Management Programme under UIDSSMT resulted into undue favour and excess payment of Rs 15.39 lakh to the Supplier.

**[Paragraph 6.8]**

Rupees 44.35 lakh spent on construction of Bus Stand at Medininagar proved infructuous as the work had not been completed despite lapse of more than four years.

**[Paragraph 6.9]**

The work of construction of Market Complex at Jugsalai remained incomplete although 87.83 *per cent* of the estimated cost was incurred on it.

**[Paragraph 6.10]**

In 14 ULBs, excess amount of Rs 26.09 lakh was paid to the Executing Agents/Contractors beyond the agreed rates/estimates.

**[Paragraph 6.11]**

# CHAPTER-1

## INTRODUCTION

### *1.1 Background*

Under Section 4 of the Jharkhand Municipal Act, 2000, the State Government may declare a town as a Municipal Corporation, a Municipality/Municipal Council or a Notified Area Committee/Nagar Panchayat on the basis of a population of more than two lakh, not less than forty thousand and twelve thousand respectively and if the town has (i) an average number of not less than four hundred inhabitants per square Kilometer and (ii) three-fourth of the adult population are engaged on pursuits other than agriculture.

The total population of Jharkhand State as per 2001 census was 26.95 million and the total population covered by the Urban Local Bodies (ULBs) was 5.93 million. Three Municipal Corporations, four Municipalities and 11 Municipal Councils, 18 Nagar Panchayats and three Notified Area Committees (NACs), declared by the State Government, were in existence in the State as on 31 March 2010. Deoghar Municipal Corporation was created (October 2009) by incorporating areas of Deoghar Municipality and Jasidih NAC whereas Kharsawan NAC was denotified (August 2009) and two Nagar Panchayats (Bishrampur and Manjhiaon) were created (August 2009). The Municipal Corporations are governed by Ranchi Municipal Corporation (RMC) Act, 2001, whereas Municipalities/Municipal Councils and NACs/Nagar Panchayats are governed by Jharkhand Municipal Act (JMA), 2000. Elections were held in March 2008 in 28 out of 39 ULBs. The other 11 ULBs were functioning without having elected bodies as on 31 March 2010.

### *1.2 Organizational Setup*

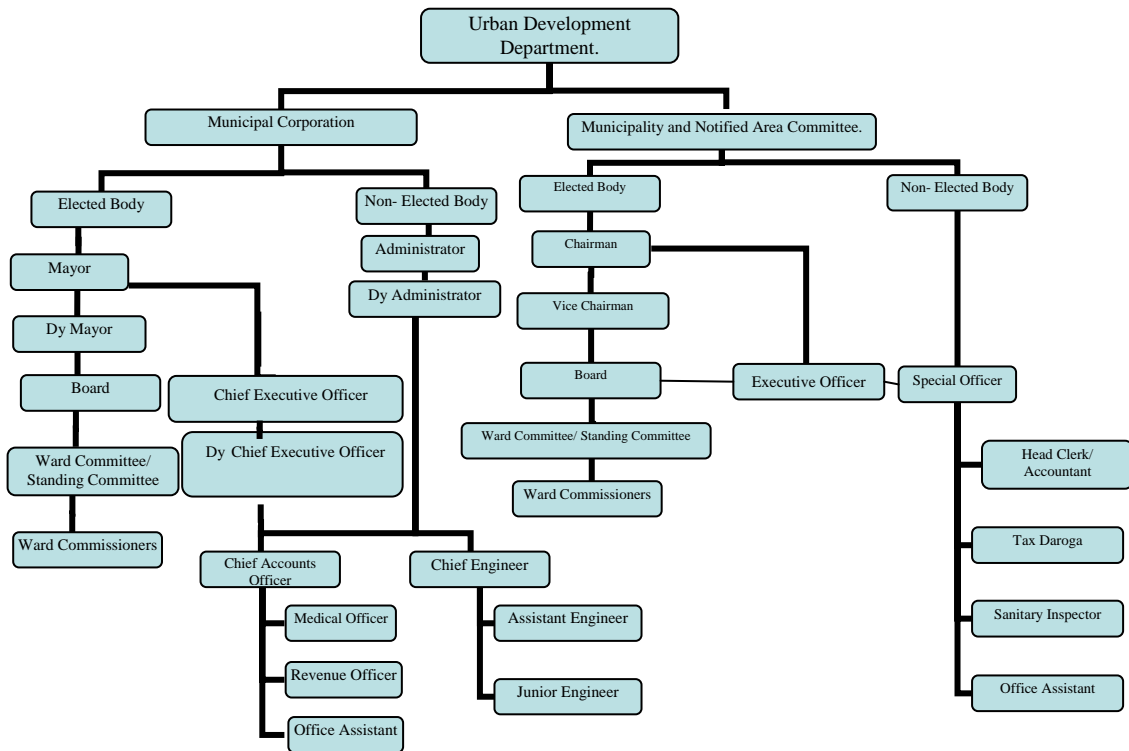
The Urban Local Bodies are under Administrative control of Urban Development Department, Government of Jharkhnad. The Chairman/Mayor elected by the public is the executive head of a ULB and presides over the meetings of the Board. Thus, the executive power of a ULB is exercised by the Board. To assist the Board, various committees and ward committees are constituted. The Chief Executive Officer/Executive officer appointed by the State Government is a whole time officer of the Corporation/Nagar Parishad/Nagar Panchayat and the executive power for the purposes of carrying on the administration of the ULB, subject to the provisions of this Act and of any rules and bye-laws made thereunder and the



general control of the Municipal Board, vests in him. He also carries into effect every resolution of the Board passed in conformity with the provisions of law. In absence of elected bodies, Municipal Corporations, Municipalities and NACs are administered by an Administrator, a Special Officer and a SDO (Civil)-cum-ex-officio Chairman of the NACs respectively. Other officers are also appointed to discharge specific functions.

**Organograph**

The following Organograph will show the Organisational structure of a ULB.



**1.3 Powers and Functions**

The ULBs are required to perform, *inter alia*, 18 functions enumerated in the Twelfth Schedule to the Constitution inserted by the 74<sup>th</sup> Constitutional Amendment Act, 1992 (**APPENDIX-I**). These Powers and functions of the ULBs are described in Section 11A of JMA, 2000 and Section 63A of RMC Act, 2001. Some of the important functions performed by the ULBs are as follows:

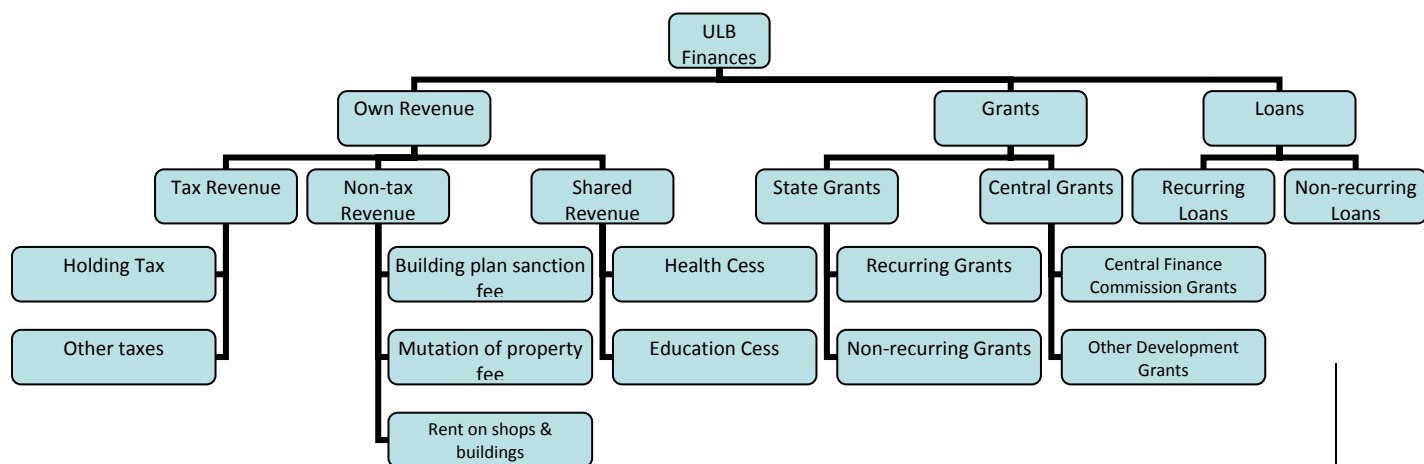
- Urban planning including town planning;
- Regulation of land use and construction of buildings;
- Construction of roads and bridges;

- Water supply for domestic, industrial and commercial purposes and
- Maintenance of public health, sanitation, conservancy and solid waste management.

In addition to the above, some other functions are also partly performed by the ULBs out of 18 functions given in **APPENDIX-I**.

#### 1.4. Financial Profile

The Urban Local Body Fund comprises of receipts from own resources and grants and loans from State Government and Central Government. A flow chart of finances of the ULBs is given below:



Under the provisions of the Acts in force, all collections such as tax on holding, water tax, latrine tax, collection charges of health cess & education cess, tax on vehicles, tax on trades, professions, callings and employments, fee on registration of vehicles etc. are sources of tax revenue and building plan sanction fees, mutation fees of property, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The State Government releases grant-in-aid and loans to the ULBs to compensate their establishment expenses. Grant and assistance are also received from the State Government and the Central Government for implementation of specific schemes and projects.

Financial profile of the 14 test checked ULBs was as summarized in the table below:

**Table-1**

(Rs in lakh)

Sl. No	Name of ULBs	Period	Opening Balance	Receipts			Grand Total	Expenditure		Total	Closing Balance
				Grant	Loan	Own/Other Sources		Establishment	Scheme		
1.	Deoghar	2007-09	1411.65	1040.16	1078.02	2419.22	5949.05	603.73	1431.25	2034.98	3914.07
2.	Dumka	2007-09	1578.44	964.20	1903.33	36.18	4482.55	91.26	3048.84	3140.10	1342.45
3.	Sahebganj	2007-09	480.98	596.05	159.10	106.84	1342.97	170.29	186.71	357.00	985.97
4.	Medininagar	2007-09	743.36	336.73	178.86	149.20	1408.15	176.85	168.85	345.70	1062.45
5.	Madhupur	2007-09	173.45	212.50	99.65	59.97	545.17	125.08	165.73	290.81	254.86
6.	Jugsalai	2007-09	142.13	281.81	624.50	37.09	1085.53	88.40	892.07	980.47	105.06
7.	Chaibasa	2008-09	345.29	251.26	150.01	44.67	791.23	91.15	199.23	290.38	500.85
8.	Jhumri Tilaiya	2007-09	278.20	278.83	472.25	61.80	1091.08	95.42	263.85	359.27	731.81
9.	Jamshedpur	2007-09	1868.50	941.96	1309.21	929.78	5049.45	258.54	2385.74	2644.28	2405.17
10.	Lohardarga	2007-09	979.33	287.74	275.12	76.54	1618.73	137.51	746.83	884.34	734.39
11.	Adityapur	2007-09	322.80	216.14	146.13	75.00	760.07	62.42	186.71	249.13	510.94
12.	Gumla	2007-09	455.70	604.10	211.12	184.31	1455.23	147.05	556.79	703.84	751.39
13.	Pakur	2007-09	545.60	361.31	274.73	76.11	1257.75	62.85	608.45	671.13	586.45
14.	Kodarma	2007-09	122.35	138.68	87.42	11.01	359.46	9.59	135.28	144.87	214.49

From the above table it was clear that the ULBs were financially dependent on grants/loans from the Government and their own revenues were meager.

### **1.5 Audit Arrangement**

Audit of the ULBs is conducted by the Examiner of Local Accounts, Jharkhand under Jharkhand & Orissa Local Fund Audit Act, 1925.

Under Section 120 (1) of RMC Act, 2001, the Annual Accounts of the Municipal Corporation are subject to audit under the Jharkhand and Orissa Local Fund Audit Act, 1925. For this purpose, the Corporation is deemed to be a local authority whose accounts have been declared by the State Government to be subject to audit under Section 3 of the Jharkhand and Orissa Local Fund Audit Act, 1925 and the municipal fund is deemed to be a local fund.

### **1.6 Audit Coverage**

Out of 39 ULBs, accounts of 14 ULBs covering the financial year 2007-09 (**APPENDIX-II**) were test checked and findings of audit are discussed in the succeeding paragraphs.

### **1.7 Accounting Reforms**

#### **1.7.1 Finalization of “State Municipal Accounts Manual”**

Based on C&AG’s Task Force Report on accrual accounting in ULBs, the National Municipal Accounts Manual (NMAM) was developed and circulated to all States and they were requested to prepare the State specific Accounts Manual (March 2004).

The Govt. informed (March 2007) that the draft of ‘State Municipal Accounts Manual’ had been prepared on the basis of National Municipal Accounts Manual and was under review at the Govt. level. Despite reminders (January 2008, July 2008 and January 2010), the Govt. did not intimate further progress in this regard (March 2010).

### **1.7.2 Adoption / Acceptance of database formats on finances of ULBs**

Formats of database on finances of ULBs prescribed by the C&AG as per Eleventh Finance Commission, were sent to the State Govt. (October 2003) and Hindi version of the same, as desired were also sent (August 2005) for adoption and implementation by ULBs.

In spite of several reminders, formal adoption / acceptance of the formats was not communicated by the Government (March 2010).

## **1.8 Devolution of functions, funds, and functionaries**

### **Functions:**

Visualizing ULBs as institutions of self-governance, the 74<sup>th</sup> Constitutional Amendment Act, 1992 left the extent of devolution to the wisdom of the State Legislatures. Major elements of devolution are transfer of functions, functionaries and funds to ULBs, accompanied by administrative control over staff and freedom to take administrative and financial decisions at local level. Though the functions listed in the 12<sup>th</sup> Schedule to the Constitution were inserted under Section 11-A of JMA, 2000, neither the extent to which the functions had been actually devolved on the ULBs nor any Action Plan for achieving devolution of all functions was communicated by the State Government though called for (August, September & November 2009; February 2010).

During audit, it was noticed that out of 18 functions mentioned in the Schedule, five functions (Sl.No.7, 8, 9, 13 & 15 of Appendix-I) were not being performed by the ULBs, whereas some functions were being partly performed by some ULBs. Two functions i.e. Urban Planning including Town Planning and Regulation of Land use and Construction of buildings were not being performed by two Corporations i.e. Ranchi and Dhanbad. These functions were performed by Ranchi Regional Development Authority (RRDA) and Mineral Area Development Authority, Dhanbad respectively. However, the powers and functions relating to Building Plan Approval for the buildings within the municipal limit of RMC were

transferred from RRDA to RMC wef 1<sup>st</sup> September 2009 by the orders of the State Government (August 2009).

**Funds:**

Devolution of funds to ULBs should be a natural corollary to implement the transferred functions. It was, however, noticed that no mapping of funds and functions was made by the State Government and financial assistance was being provided to ULBs by sanctioning recurring/non-recurring grants/loans. The quantum of assistance provided to ULBs by the Govt. during 2005-10 was as under:

**Table-2**

(Rs in crore)						
Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Revenue receipt of the State Government	8464	10010	12027	13213	15118
2	Revenue expenditure of the State Government	8491	9064	10832	12877	15128
3	Financial assistance to ULBs	77.28	109.58	146.07	50.90	114.27
4	Assistance as percentage of revenue receipt of State Government.	0.91	1.10	1.27	0.39	0.76
5	Percentage of assistance to revenue expenditure of State Government.	0.91	1.21	1.38	0.40	0.76

Though the financial assistance to ULBs had increased from 0.91 *per cent* to 1.27 *per cent* of revenue receipts of the State Government during 2005-08, it came down to 0.39 *per cent* during 2008-09 and 0.76 *per cent* during 2009-10, which was not enough keeping in view the insufficient resources of the ULBs and the fact that 22 *per cent* of the total population of the State resided in urban areas.

**Functionaries:**

Devolution of powers and functions to the ULBs required availability of qualified and trained personnel at all levels for efficient discharge of these functions. The ULBs should have administrative control over the staff to command loyalty and directions of purpose in the new scenario. A review of the system of transfer of functionaries to ULBs revealed that the available manpower in ULBs was not sufficient and required attention of the State Government.

The position of sanctioned post and men- in- position in respect of the 14 ULBs was as under:

**Table-3**

Sl.No.	Name of the ULBs	Sanctioned Strength	Men in Position	Shortage	Percentage of shortage	Position as of 31 st March
1.	Deoghar	311	173	138	44.38	2009
2.	Dumka	224	64	160	71.43	2009
3.	Sahebganj	210	85	125	59.52	2010
4.	Medininagar	195	88	107	54.88	2009
5.	Madhupur	156	89	67	42.94	2009
6.	Jugsalai	143	55	88	61.54	2010
7.	Chaibasa	137	61	76	55.48	2010
8.	Jhumri Tilaiya	82	51	31	37.81	2009
9.	Jamshedpur	73	35	38	44.38	2009
10.	Lohardarga	62	44	18	29.04	2009
11.	Adityapur	48	26	22	45.84	2009
12.	Gumla	36	10	26	72.23	2009
13.	Pakur	26	22	04	15.38	2010
14.	Kodarma	09	Nil	09	100.00	2010
<b>Total</b>		1712	<b>803</b>	<b>909</b>	<b>53.10</b>	

The above table shows that in Kodarma NAC, there was no permanent staff, whereas in other ULBs the shortage of staff ranged from 15.38 *per cent* to 72.23 *per cent*. Due to shortage of manpower, the ULBs were facing difficulties in running offices and in performing their primary duties of sanitation as well as other civic facilities to their inhabitants.

### **1.9 Non-receipt of Grants from the State Finance Commission**

The State Finance Commission (SFC) is constituted by the State Government under Section 80-B of JMA, 2000. The major function of the SFC was to frame the principle that would govern the distribution of the net proceeds of taxes, duties etc. between the State and ULBs and also the grants-in-aid to ULBs with the main aim of improving their financial position. No recommendation had, however, been made by the first SFC constituted in Jan 2004 (March 2010). The State Government has constituted the second SFC in December 2009 for five years.

### **1.10 Response to Audit Observations**

There was poor response to outstanding audit observations. 2605 audit paras up to the period 2009-10 involving Rs 211.63 crore were outstanding as of March 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 31 March 2010, 164 Audit Reports containing 2605 paragraphs involving total amount of Rs 211.63 crore were still outstanding even after settlement of 635 paragraphs during 2009-10.

**Table-4**

(Rs in crore)

Period	AUDIT REPORTS					PARAGRAPHS					
	Opening Balance	Additions	Total	Settlement	Outstanding	OB	Addition	Total	Settlement	Outstanding	Amount involved
FY08	103	23	126	Nil	126	3207	844	4051	641	3410	206.71
FY09	126	18	144	Nil	144	3410	449	3859	847	3012	214.87
FY10	144	20	164	Nil	164	3012	228	3240	635	2605	211.63
<b>Total</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 replies, wherever received, were mostly inconclusive and interim in nature. The matter was brought to the notice of the Secretaries of the Urban development Department and Finance Department as well as the Chief Secretary (March 2009, February 2010) demi-officially.

### **1.11 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 in respect of 21 ULBs (**APPENDIX-III**) 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.

### **1.12 Result of Audit**

As a result of audit of 14 ULBs, a sum of Rs 7.68 crore was suggested for recovery, of which Rs 3.98 lakh was recovered during audit, whereas Rs 11.00 crore was held under objection.

Besides proposal for recovery by surcharge, as dealt in previous paragraph, excess and irregular payment amounting to Rs 7.68 crore, which was detected in audit in 14 ULBs, was suggested for recovery from person(s) responsible. At the instance of audit, Rs 3.98 lakh was recovered from the persons concerned.

In addition, payment of Rs 11.00 crore was held under objection (*APPENDIX-IV*) owing to non-production of records/vouchers/supporting documents/sanction of competent authority, non-furnishing of desired informations/explanations, etc.

### **1.13 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

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 and March 2009, which were forwarded to the Government in September 2007, July 2008, August 2009 and January 2011 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 (February 2011).

### **1.14 Conclusions**

- The State Municipal Accounts Manual had not been finalized (March 2010).
- Formats of database on finances of ULBs as prescribed by the C&AG had not been adopted (March 2010).



- There was no mechanism of internal audit and no efforts were made by the ULBs for the settlement of paras raised in the Audit Reports.
- Lack of action on ARs and paragraphs resulted in continuation of serious financial irregularities and loss to Government

### **1.15 Recommendations**

- The Finances of ULBs should be improved by taking action to enhance own revenues and to curtail avoidable expenditure by the ULBs.
- The State Municipal Accounts Manual based on NMAM, incorporating inter-alia, standard policies, documentation, and reporting requirement under accrual based double entry accounting system, should be prepared and implemented to remove the present drawbacks in the accounting and financial management system of the ULBs
- The formats of Database on finances of ULBs should be adopted by the Govt. and preparation of Database by ULBs be ensured.
- Govt. should prepare a time-bound action plan for achieving devolution of functions, funds and functionaries as envisaged by the 74<sup>th</sup> Constitutional Amendment Act.
- 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

## CHAPTER-II

### ACCOUNTS AND FINANCIAL MANAGEMENT

An efficient and disciplined Financial Management System is required for smooth functioning of ULBs. As such, the State Government enacted various Acts and made Rules for this purpose. Sections 66 and 71 of the JMA, 2000, Sections 87 and 92 of RMC Act, 2001, Rules 2, 20, 64, 66, 83 and 105 of Bihar Municipal Accounts Rules, 1928; and Rule 30, 31 and 39 of Municipal Accounts (Recovery of Taxes) Rules, 1951 provide effective tools for Financial Management of ULBs. According to the provisions of these Sections/Rules, the ULBs, at least two months before the close of the year, should prepare budget estimates of probable receipts and expenditure which should be approved by the State Government. No expenditure should be incurred without making provisions in the budget. Every local body should prepare an Annual Account of actual receipt and expenditure at the end of each year. The cash and account branches of each municipal office should be kept distinct from each other. All sums received on account of the municipal fund should be credited intact to a treasury and should not be appropriated towards expenditure. The Cash book should be balanced at the close of every month and should be signed by the Executives. All corrections and alterations in accounts should be neatly made in red ink and attested by the Executives. Physical verification of Stock & Stores should be conducted each half yearly. The Advance Ledger should be balanced quarterly and signed by the Vice-chairman or Secretary. He should satisfy himself that steps are being taken to recover or adjust advances outstanding for more than three months. Further, ULBs are also required to maintain 86 types of Forms and Accounts as per Acts and Rules. Audit scrutiny revealed that these provisions of Acts/Rules were not followed by the Officers/Executives of the ULBs. Non-carrying out of the prescribed supervisory checks and non-adherence to the provisions resulted in a number of deficiencies, which were reported to the Government/ULBs through previous Reports also. These deficiencies continued to exist in the ULBs as discussed in succeeding paragraphs.

## 2.1 Irregular lodgment of Municipal Fund

Rs 20.14 crore was irregularly lodged in 77 additional Bank accounts of ULBs.

According to Section 66 of the JMA, 2000 and Section 87 of RMC Act, 2001, all sums received on account of Municipal Fund should be paid into a Government Treasury or into any Bank used as Government Treasury. But in contravention to the said provision, 12 ULBs maintained 85 additional Bank accounts during 2007-09 without approval of the Government and Rs 20.14 crore, as detailed below, was lying in 77 additional Bank accounts of the ULBs. The balances of eight Bank accounts of three ULBs were not available.

**Table-5**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 March	No. of additional Bank Accounts maintained	No of Bank Accounts whose balances were not available	Balance
1.	Deoghar	2009	04	-	1213.31
2.	Dumka	2009	08	-	78.51
3.	Medininagar	2009	10	-	52.24
4.	Madhupur	2009	06	-	21.38
5.	Jugsalai	2009	12	-	47.53
6.	Chaibasa	2009	04	01	12.61
7.	Jhumri Tilaiya	2009	06	06	25.23
8.	Jamshedpur	2009	14	-	383.11
9.	Lohardarga	2009	07	-	63.41
10.	Adityapur	2009	01	-	8.01
11.	Gumla	2009	10	01	81.66
12.	Kodarma	2009	03	-	26.99
<b>TOTAL</b>			<b>85</b>	<b>08</b>	<b>2013.99</b>

Maintenance of more than one account was not only in contravention of the Act but also implied lack of proper control over finances of the ULBs.

## 2.2 Non-preparation of Budget Estimates

As provided under Section 71 of JMA, 2000 and Section 94 of RMC Act, 2001, the Budget estimates showing details of probable receipts and expenditure should be prepared and placed before the Municipal Boards/Standing Committees in their meetings to be held at least two months before close of the year. Further, the budget estimates should be approved by the Municipal Body and copies thereof submitted to the Government. As the Municipal Bodies remained superseded during the period under test check, responsibility for preparation of budget estimates was on Administrator/ Special Officer appointed by the State Government.

Seven ULBs didn't prepare budget estimates whereas other ULBs utilized only 2.00 to 42.00 per cent of the provision.

As the budget proposals for these Local Bodies were to be the reflection of the aspirations of the people of those areas, utmost care in preparing budget proposals was needed to be taken. It was, however, noticed in audit that there was total absence of control over the budget formulation. There was no provision for citizens' involvement and/or bottom-up budgeting. Test check of records of 14 ULBs revealed that six ULBs had not prepared budget estimates at all, whereas, remaining ULBs had utilized only 2.00 per cent to 42.00 per cent of the budget provisions during 2007-09, rendering them unrealistic as detailed below:

**Table-6**

Sl. No.	Name of ULBs			Percentage of Actual Expenditure	(Rs in crore) Saving (+)
		Budget Estimate	Actual Expenditure		
<b>2007-08</b>					
1.	Dumka	66.90	12.79	19.12	54.11
2.	Sahebganj	12.60	1.99	15.79	10.61
3.	Madhupur	3.86	1.58	40.93	2.28
4.	Jugsalai	29.11	1.44	4.95	27.67
5.	Lohardarga	37.50	5.28	14.08	32.22
6.	Adityapur	10.83	1.22	11.26	9.61
7.	Pakur	15.39	4.43	28.78	10.96
<b>2008-09</b>					
1.	Dumka	57.05	18.61	32.62	38.44
2.	Sahebganj	12.60	1.58	12.54	11.02
3.	Medininagar	95.43	1.91	2.00	93.52
4.	Madhupur	3.15	1.32	42.00	1.83
5.	Jugsalai	33.35	8.37	25.10	24.98
6.	Lohardarga	57.71	3.56	6.17	54.15
7.	Adityapur	8.64	1.28	14.81	7.36
8.	Pakur	31.78	2.38	7.49	29.40

From above, it was clear that Budgets were either not prepared or prepared in an unrealistic manner without assessing the actual requirements which was indicative of weak and ineffective budgetary control. Moreover, people were deprived of the benefits of the development schemes through the budgetary provisions.

### **2.3. Unauthorized/Irregular expenditure without Budget provision**

Rs 63.09 crore was incurred without preparation of budget estimates by seven ULBs.

Section 76 of JMA, 2000 stipulates that no expenditure should be incurred without making provisions in the budget. Audit scrutiny revealed that out of 14 ULBs test checked, seven ULBs incurred expenditure of Rs 63.09 crore during 2007-09 without preparing budget estimates in contravention of the provisions of JMA, 2000 as detailed below:

**Table-7**

(Rs in crore)

Sl. No.	Name of ULBs	Period for which Budget was not prepared	Expenditure
1.	Deoghar	2007-09	20.35
2.	Medininagar	2007-08	1.31
3.	Chaibasa	2008-09	2.91
4.	Jhumri Tilaiya	2007-09	3.59
5.	Jamshedpur	2007-09	26.44
6.	Gumla	2007-09	7.04
7.	Kodarma	2007-09	1.45
<b>Total</b>			<b>63.09</b>

Thus, seven ULBs incurred unauthorized/irregular expenditure of Rs 63.09 crore during 2007-09. Non-preparation of Budget led to complete failure of budgetary control system in the said ULBs. Reasons for non-preparation of budget estimates were not on record.

#### **2.4 Non-preparation of Annual Accounts**

Rs 130.97 crore was incurred without preparation of Annual Accounts by 14 ULBs.

The benchmark of a good accounting system is the production of timely accurate accounts. Good accounting should appropriately reflect the transactions and balances of the entity, should adequately disclose all items that have a material impact on the financial status of the entity. Good accounting comprises provision of appropriate information with three broad purposes:-

- (a) Effectively record all transactions and balances of the urban local body;
- (b) Facilitate budgeting and planning of revenues, expenditures, and debt management; and
- (c) Help the local government be accountable to the public.

The three purposes reflect the progressive stages in the accounting spectrum, moving from routine recording of transactions to management decision making to accountability. To ensure progress in the three purposes, it is required that financial information should be complete, accurate, timely, and meaningful. The systems should generate information in a user-friendly way, and is integrated with the budgeting process. It should be prepared in accordance with accepted policies of accrual accounting and follow good practices on municipal accounting.

As per Section 83 of Bihar Municipal Accounts Rules, 1928, every Municipal body should prepare an Annual Account of actual receipt and expenditure at the end of each year but not later than 15 April. But scrutiny of records revealed that

none of the 14 ULBs had prepared Annual Accounts for the different periods as detailed below:

**Table-8**

(Rs in crore)			
Sl. No.	Name of Municipal Fund	Period for which Annual Accounts not prepared	Expenditure incurred during the said period
1.	Deoghar	2007-09	20.35
2.	Dumka	2007-09	31.40
3.	Sahebganj	2007-09	3.57
4.	Medininagar	2007-09	3.46
5.	Madhupur	2007-09	2.91
6.	Jugsalai	2007-09	9.81
7.	Chaibasa	2008-09	2.91
8.	Jhumri Tilaiya	2007-09	3.59
9.	Jamshedpur	2007-09	26.44
10.	Lohardaga	2007-09	8.84
11.	Adityapur	2007-09	2.49
12.	Gumla	2007-09	7.04
13.	Pakur	2007-09	6.71
14.	Kodarma	2007-09	1.45
<b>Total</b>			<b>130.97</b>

For want of the Annual Accounts, head wise receipt/expenditure, variation, if any and the financial performance of ULBs could not be ascertained.

## 2.5 Government Grants and Loans

Grant/Loan  
Appropriation  
Register and  
Loan Register  
were not  
maintained

The State Government releases Recurring Grants and Loans at the rate of 30 per cent and 40 per cent respectively of total Pay and Allowances admissible/payable to the regular employees (appointed within sanctioned strength) on the basis of annual demand furnished by the ULBs. Further, Non-Recurring Grants and Loans for specific purposes were suo-moto sanctioned by State Government or were sanctioned based on individual requests by the ULBs.

Despite repeated comments in successive audit reports, the ULBs failed to maintain grant/loan appropriation register showing the position of grants/loans received and spent during the year and balance of unutilized grants/loans at the end of the financial year. In absence of grant/loan appropriation register, audit checks were confined to grant/loan files, scheme registers and scheme files, to the extent produced before audit.

Further, none of the 14 test checked ULBs maintained Loan Register. As such, up to date position in respect of loans received, payable instalments along with interest accrued and amount repaid during the years could not be ascertained.

### 2.5.1 Poor utilization of Government specific Grants and Loans

Only 48.86 per cent of Government specific Grants and Loans was utilised.

Non-recurring Grants and Loans released by the State Government to the ULBs for execution of specific schemes were required to be utilized during the respective years. In absence of Grant/Loan appropriation register, it was not feasible to ascertain the exact utilization. However, the utilization was computed on the basis of the audit scrutiny of the Cash Books, Scheme Registers etc., and/or on the basis of information furnished by the ULBs. Accordingly, the utilization of Grants and Loans received for development purposes in respect of 14 test checked ULBs during the period 2007-09 was as under:

**Table-9**

(Rs in crore)						
Opening balance	Grant received	Loan received	Total	Grant and loan spent	Closing balance	Percentage of utilization
93.68	79.81	66.32	239.81	117.15	122.66	48.86

ULB wise and year wise details are given in *APPENDIX-V*

Non-recurring Grants and Loans amounting to Rs 122.66 crore were lying unutilized in 14 ULBs. Poor utilization of funds by the ULBs was mainly due to non-execution of schemes. Thus, delay in utilization of funds deprived the targeted beneficiaries of the desired benefits. This happened partially due to release of non-recurring Grants and Loans at the fag end of the year by the State Government and due to lack of monitoring by the executives of the ULBs in execution of development schemes.

### 2.5.2 Unspent balance of Government specific Grants and Loans not refunded

Six ULBs did not refund Rs 69.95 lakh of old unspent Grants and Loans to the sanctioning authority

Under Rule 14 B of Bihar Municipal Accounts Rules, 1928, unspent balance of Government Grants and Loans received for specific purposes, if not required, should be refunded to the sanctioning authority. Scrutiny revealed that six ULBs, as detailed below, did not refund the old unspent balances of Government specific Grants and Loans of Rs 69.95 lakh to the sanctioning authority and instead kept the same in their Municipal fund which was in violation of codal provisions.

**Table-10**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Old unspent balance		Total	Spent	Balance	Purpose
			Grants	Loans				
1.	Deoghar	2000-01	17.36	6.07	23.43	Nil	23.43	Various Purposes
2.	Dumka	1997-99	1.04	Nil	1.04	Nil	1.04	XIth Finance Commission Grant
3.	Lohardaga	Prior to 2004-05	6.99	Nil	6.99	Nil	6.99	Various Purposes
		Prior to 2008-09	10.75	Nil	10.75	1.86	8.89	SJSRY
		<b>Total</b>	<b>17.74</b>	Nil	<b>17.74</b>	<b>1.86</b>	<b>15.88</b>	
4.	Gumla	2007-08	6.56	19.68	26.24	22.03	4.21	Installation of Chapakal
5.	Pakur	Prior to 2007-08	22.94	Nil	22.94	Nil	22.94	SJSRY
6.	Koderma	Prior to 2000-01	2.45	Nil	2.45	Nil	2.45	SJSRY, TFC Grant, Balika Samridhi Yojna
<b>Total</b>			<b>68.09</b>	<b>25.75</b>	<b>93.84</b>	<b>23.89</b>	<b>69.95</b>	

## 2.6 Internal Control Mechanism

Provisions of internal controls were not followed by the Officers of the ULBs

Internal control system is an integral part of the functioning of an organization to govern its activities effectively to achieve its objectives. It is intended to provide reasonable assurance of proper enforcement of Act, Rules & bye-laws. Various internal control measures in financial and operational activities are built into the departmental rules and manuals and their strict adherence will minimize the risk of errors and irregularities. Audit scrutiny revealed that the provisions of internal controls such as Supervision, Documentation, Segregation of duties, Reconciliation, Physical Verification, Adjustment of advances etc were not effectively implemented by the officers of the ULBs, as discussed in the succeeding paragraphs.

### 2.6.1 Supervisory Checks

The supervisory checks prescribed in the Acts/Rules of the ULBs are important tools of internal control mechanism. Audit scrutiny, however, revealed that the following checks were not exercised by the concerned officers in any of the 14 test checked ULBs:

Supervisory checks, an important control tool, were not exercised as required under Acts and Rules.

- Rule 20 of Bihar Municipal Accounts Rules, 1928 provides that the Administrator/Special Officer/Chairman should, at least once, in every week, examine the Cashier's Cash Book together with the pass book so as to satisfy himself that all moneys received have really been remitted into the treasury without delay. He should further, at least once, in every fortnight, examine the Cashier's or the Accountant's Cash Book with all



the subsidiary forms and registers in which deposits are given or collections recorded, to check whether all sums received are actually brought to account;

- Under Rule 64 *ibid*, the Accountant should compare and verify the entries in pass book with the Cashier's Cash Book to ensure that all remittances have been duly brought to account;
- Rule 66 *ibid*, stipulates that the Cash Book should be balanced and signed by the Administrator/Special Officer/Chairman. Further, the balance of the Cash book should agree with that of the Bank/Treasury pass book;
- Under Rule 105 *ibid*, the 'Register of Rents' should be checked and signed by the authorities;
- Rule 126 *ibid*, provides for the checking of 'Register of Works' by the Accountant;
- Under Rule 30 of Municipal Accounts (Recovery of Taxes) Rules, 1951, the Tax-Daroga should check the Daily Collection Registers of collecting Sarkars by comparing the credits with duplicate receipts;
- Rule 31 *ibid*, stipulates that the Administrator/ Special Officer/Chairman would be responsible for ensuring that the postings of collection in Demand and Collection Register do not fall into arrears; and
- Under Rule 39 *ibid*, the Administrator/Special Officer/ Chairman should periodically and always at the end of every half-year, cause a list of outstanding on account of taxes of current and previous years to be prepared from the Demand and Collection Register. The purpose of the list is to check the entries with Sarkars' Ledger and Progress Statement and to reconcile the differences by tracing the error or recovering from the Tax Daroga or Sarkar and to detect any embezzlement in the collection.

Due to not carrying out of the prescribed supervisory checks, cases of misappropriation and embezzlement made by the collecting staff/cashier could not be detected by the authorities. Besides, delay in execution of schemes and heavy outstanding revenues could not be minimized as discussed elsewhere in the report.

### 2.6.2 Non-maintenance of Records/ Registers

The ULBs maintained 10 to 25 Forms and Accounts only against provision of 86.

Maintenance of records, registers and accounts is also one of the important tools of internal control mechanism. As per Rule 4-A of Bihar Municipal Accounts Rules, 1928 and Rule 9 of Municipal Accounts (Recovery of Taxes) Rules, 1951, the ULBs were required to keep and maintain 86 types of Forms and Accounts against which ULBs maintained very few, ranging from 10 to 25 only.

Even the prescribed basic records having serious financial implications were not maintained by most of the ULBs as detailed below:

**Table-11**

Sl. No.	Records/Registers not maintained	Implication
1.	Advance Ledger	The purpose, age and amount of advance to be realized /adjusted as of 31 March each year could not be ascertained. Due to this there is always probability of loss to the ULBs.
2.	Grant / Loan Appropriation Register	Grant/loan received, purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant/loan as on 31 March 2007 could not be ascertained.
3.	Loan Register	The date of receipt, amount, condition attached and overdue instalment of loan with interest could not be ascertained.
4.	Demand & Collection Register	Demand, collection and balance for a particular year could not be ascertained. In absence of posting of the collection money in the register, the detection of fraud and embezzlement becomes difficult.
5.	Work Register	In absence of work Register, schemes taken up, estimated cost, agency, the progress of work and its details viz. value of work done, payment made, materials issued, date of completion, works not completed/ suspended, outstanding amount to be paid against the work executed could not be ascertained. Any excess payment, in terms of cash/ material, is difficult to be detected.
6.	Unpaid bill Register	In absence of Unpaid Bill register, the amount of claims along with the reasons for withholding the payment and the actual liability of the ULBs could not be ascertained.
7.	Annual Report	The workings as well as functions of the ULBs with regard to the proper utilization of grants were not ascertainable.
8.	Deposit Ledger	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation and embezzlement of money could not be ruled out.
9.	Register of lands/ Register of Revenue Resources/Asset Register	Identification and valuation of assets, proper record of all lands, sites of buildings, tanks, ponds, ferries etc. could not be ascertained.

Some specific cases as noticed during audit are discussed later in this Report. Provision for preparation of Balance Sheet (Assets & Liabilities) has not been made in the Municipal Act and Account Rules. As such, position of Assets and Liabilities were not depicted in the accounts of ULBs. The National Municipal Accounts Manual provides for preparation of Balance Sheet by the ULBs. But, the Government has not adopted it as yet. Thus, complete financial picture of the ULBs and their Assets and Liabilities could not be ascertained.

### 2.6.3 Non-preparation of Bank Reconciliation statements

Difference of Rs 8.37 crore between Cash book and Bank balances was noticed

Cash Book and Bank /Treasury Pass Book balances at the end of the year were not reconciled by eight ULBs, though there was a difference of Rs 8.37 crore as detailed below:

**Table-12**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Balance as per Cash Book	Balance as per Pass Book	Difference
1.	Deoghar	2009	2406.53	2469.39	62.86
2.	Dumka	2009	1404.52	1423.27	18.75
3.	Jugsalai	2009	34.80	32.49	2.31
4.	Chaibasa	2009	4.81	2.37	2.44
5.	Jhumri Tilaiya	2009	22.45	23.45	1.00
6.	Jamshedpur	2009	2405.17	1665.53	739.64
7.	Lohardaga	2009	734.39	737.31	2.92
8.	Kodarma	2009	20.30	26.99	6.69
<b>Total</b>					<b>836.61</b>

Due to non-reconciliation, possibility of financial irregularities could not be ruled out. The authenticity of balances appearing in Cash Books also remained doubtful in the absence of reconciliation with Bank/Treasury balances. In case of two ULBs (Jugsalai and Gumla), difference between two sets of balances could not be worked out due to non-maintenance/ non-production of Treasury Pass Books.

### 2.6.4 Deficiencies in maintenance of Cash Books

Due to lack of internal controls, Cash Books had several deficiencies in all the test-checked ULBs as below:

A number of deficiencies was noticed in maintenance of Cash books

- Particulars of payment, voucher nos., cheque no., classification etc. were not indicated in the payment side of the Cash Book.
- Cash Book was not closed at the end of every month and signed by the Officer authorized.
- Deletion and overwriting were frequently made.
- Heads of receipts and expenditure were not allocated.
- List of uncashed cheques was not recorded in the Cash Book.
- Cash Book balances were not reconciled with the balances of Treasury/Bank in most of the ULBs.

**2.6.5 Cash and Accounts branches not kept distinct from each other**

Cash & Accounts branches were not kept distinct from each other in four ULBs

As per Rule 2C of Bihar Municipal Accounts Rules, 1928, the cash and accounts branches of each Municipal office should be kept distinct from each other and under distinct officer, who, for the purpose of this rule, would be termed Tax Daroga/Cashier and Accountant. In no case, the same person should compile the municipal accounts and superintend the collection of the rates and other municipal income.

However, in violation of the above provisions, the cash and accounts branches were not kept distinct and the same person compiled the municipal account and made/ superintended the collection of the rates and other municipal income in four ULBs (Medininagar, Chaibasa, Gumla and Kodarma). This rendered the system vulnerable to financial irregularity.

**2.6.6 Non-verification of Stock & Stores**

Physical verification of Stock & Stores were not conducted

Rule 127 of the Bihar Municipal Accounts Rules, 1928 prescribes that the closing balance of the Stock & Stores Register should be physically verified half yearly but, in contravention of the said provision, physical verification of Stock & Store was not conducted by any of the 14 test checked ULBs. Stock and Store account was also not maintained properly by most of the ULBs. Reason for non-verification of Stock & Store was not furnished to audit.

Due to improper maintenance of Stock Registers and non-conducting of physical verification of Stock & Stores, irregularities/loss of Store items could not be ruled out.

**2.6.7 Payment vouchers not produced before Audit**

Vouchers worth Rs 1.93 crore for the period 2007-09 were not produced by 10 ULBs

In case of 10 ULBs, 343 payment vouchers (Establishment as well as Schemes) worth Rs 1.93 crore pertaining to the period 2007-09 were not made available to audit for scrutiny as detailed below:

**Table-13**

(Rs in lakh)

Sl. No.	Name of ULBs	Period of audit	No. of Vouchers not produced	Amount involved
1.	Deoghar	2007-09	67	22.74
2.	Sahebganj	2007-09	12	1.56
3.	Medininagar	2007-09	13	5.45
4.	Madhupur	2007-09	25	0.41
5.	Jugsalai	2007-09	21	1.40
6.	Jamshedpur	2007-09	66	62.03
7.	Lohardaga	2007-09	50	22.50
8.	Adityapur	2007-09	21	16.94
9.	Gumla	2007-09	64	58.89
10.	Pakur	2007-09	04	0.87
<b>Total</b>			<b>343</b>	<b>192.79</b>

Due to non-production of the vouchers to audit, the genuineness of payment could not be ascertained in audit and the expenditure could not be vouchsafed. Thus, non-production of payment vouchers rendered the system vulnerable to fraud and corruption.

#### **2.6.8 Non-adjustment of Advances**

Advances aggregating Rs 6.89 crore were outstanding against Staff/Contractors/Engineers of 13 ULBs

Advance Ledger for the period under audit (2002-09) was either not maintained or maintained improperly by the ULBs. Deficiencies noticed during audit are listed below:

- i) Entries in the Ledger were not certified by any authority.
- ii) Break-up of opening balance brought forward from the previous year was not recorded.
- iii) Category wise and year-wise analysis of outstanding advances at the end of the year was not prepared by any ULB.
- iv) Quarterly list of outstanding advances as required under Rule 78 (Form XVA) of BMA Rules, 1928, was not prepared.
- v) Second and subsequent advances for the same purpose were made without adjustment of previous ones.
- vi) Advances were made for meeting immediate and urgent nature of work but the same were not adjusted promptly.

Thus, Rules 74 to 78 of the BMA Rules, 1928 were not followed strictly.

During Audit scrutiny, it was observed that the advances aggregating to Rs 6.89 crore (**APPENDIX-VI**) granted to employees, suppliers, contractors and engineers

for various purposes up to 2007-09 by 13 ULBs were yet to be adjusted (March 2010).

Laxity in adjustment of advances over the years had encouraged undesirable practice of blocking of institutional funds for indefinite period and was fraught with the risk of defalcation/misappropriation of Government money. It was also indicative of weak internal control mechanism.

## **2.7 Internal Audit**

Internal audit is a vital component of all controls to enable an organization to assure itself that the prescribed systems are functioning reasonably well. But, there is no specific provision either in the JMA, 2000, RMC Act, 2001 or in the Municipal Accounts Rules made thereunder for internal audit of accounts of ULBs. As such, no ULB has internal audit wing.

## **2.8 Conclusions**

- 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.
- 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.

- Advances given by the ULBs were found to have been lying unadjusted since long. Advance Ledger did not contain the required details and adjustments were not monitored on regular basis.
- Non-remittances of Government money collected by the ULBs, excess and irregular payments, misappropriation of collection money etc indicated that the internal control system was weak and non-functional. Non-utilization of grants/loans, diversion & blockade of funds indicated weak operational control.

## **2.9 Recommendations**

An improved Public Financial Management and Accountability (PFMA) environment is crucial to better urban governance and performance. All urban local bodies stand to gain from better PFMA in the form of improved governance and accountability, realistic and participatory planning of expenditures, and consequently stronger revenue flows and provision of better services. It is, therefore, recommended that:-

- The number of additional bank accounts should be minimized by the ULBs. Every deposit and withdrawal should be made after authorization of Competent Authority. Entry in the Cash Book may also depict Bank name, Account no. etc.
- Budget Estimates and Annual Accounts should be prepared every year on time. Budget planning should be used as an exercise for efficient resource allocation, supported by appropriate policy direction, participation by people, and realistic estimates. Focus of budgets should be on results achieved and not merely money spent by the Urban Local Body.
- The share from State taxes, Grants and Loans from Central and State Government should not be released without preparation and approval of the Budget of the ULB.
- Supervisory checks as prescribed in the Acts/Rules should be exercised invariably.

- Accounts/Records prepared/maintained by the ULBs should be as per the provision of the Acts/Rules.
- Reconciliation of Cash Book with the Treasury/Bank Pass Book should be carried out on a monthly basis.
- Cash book should be maintained as per codal provisions.
- Cash and accounts branches should be kept distinct from each other to avoid loss, misappropriation.
- Physical verification of Stocks and Stores should be conducted regularly.
- Laxity on the part of ULBs in respect of timely monitoring and adjustment of advances should be viewed seriously and proper maintenance of records/adjustment of advances be ensured.
- The provision for Internal Audit should be made to ensure compliance to the Internal Controls in all ULBs. For this, Internal Audit Wing should also be established through State enactment for audit of ULBs
- Vigilance mechanism should also be established in the Department.



## CHAPTER-III

### REVENUE RECEIPTS

The revenue receipts of an Urban Local Body comprise of receipts from its own sources of tax and non-tax revenues. Tax on Holding, water tax, latrine tax, collection charges of health cess & education cess, tax on vehicles, tax on trades, professions, callings and employments, fee on registration of vehicles etc. are the major sources of tax revenue and building plan sanction fees, mutation fees of property, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The municipal bodies, with the sanction of the State Government are empowered to impose different taxes/fees within their municipal limits. The rates of taxes should be revised once in every five years. Net receipts on account of Water and Latrine taxes should be spent for the execution of work for water supply and cleansing of private or public latrines. Health/Education cess collected by the ULBs should be remitted to Government account after retaining 10% as collection charges. Share of cess should be spent on providing better health & education service to the tax payer. Recovery of the arrear dues should be made by issuing Demand Notice, Distress Warrant to taxpayers, Public Demand and Civil suits. Rule 20 of Bihar Municipal Accounts Rules, 1928 provides that the Administrator/Special Officer/Chairman should, at least once, in every week, examine the Cashier's Cash Book together with the pass book to satisfy himself that all moneys received have been remitted intact into the treasury without delay. He should further, at least once, in every fortnight, examine the Cashier's or the Accountant's Cash Book to check whether all sums received are actually brought to account. The Executives of ULBs are also responsible for ensuring that the postings of collection in Demand and Collection Register do not fall into arrears and to cause a list of outstanding on account of taxes of current and previous years to be prepared from the Demand and Collection Register.

Audit scrutiny revealed that these provisions relating to imposition, collection and accounting of taxes/receipts etc. were not followed by the Executives/Officers of the ULBs resulting in a number of irregularities like deficiencies in management of resources, loss due to non-levy of tax, short/non-realization of the dues and charges etc. which were reported to Government through earlier reports. These deficiencies, however, continued to exist as discussed in succeeding paragraphs.

### 3.1 Outstanding Holding tax

The position of Demand, Collection and Outstanding Holding tax in respect of 11 ULBs was as under:

**Table-14**

(Rs in crore)			
Demand	Collection	Outstanding	Percentage of demand outstanding
10.67	2.09	8.58	80.00

(Unit-wise details are given in *APPENDIX- VII*)

Half yearly list of outstanding taxes as required under Rule 39 of Municipal Accounts (Recovery of Taxes) Rules, 1951 was not prepared by the ULBs. Thus, year-wise break up of arrear demand could not be vouched.

Further, ULBs did not take any of the following steps, prescribed in the Act, for recovery of outstanding dues:

- If the tax was not paid within fifteen days from the first day of the quarter in which it was payable, the local body should issue demand notice under Section 205 and 123 of RMC Act and JMA respectively.
- If the tax was not paid within twenty one/ fifteen days after receipt of the notice, *ibid*, the local body should issue warrant under Sections 206 and 124 respectively, of the Acts, *ibid*;
- ULBs should take action under Jharkhand and Orissa Public Demand Recovery Act, 1914 for recovery of the arrear as public demand under Section 218 and 129 A respectively, of the Act; and
- ULBs should bring suit in any civil court of competent jurisdiction for recovery of the arrears under Sections 219 and 130 respectively, of the Acts.

Due to the failure of ULBs in taking prescribed/legal action for collecting arrear taxes, a huge sum of Rs 8.58 crore remained unrealized in 11 ULBs.

### 3.2 Non-revision of Holding tax

Section 138 of RMC Act, 2001 and Section 106 of JMA, 2000 provide for revision of rate of tax once in every five years. Test check of assessment register revealed the following position:

Proper steps were not taken for realization of outstanding Holding tax of Rs 8.58 crore.

Non-revision of tax since long resulted into loss of revenue.

**Table-15**

Sl. No.	Name of ULBs	Year of Last Assessment	Year from when assessment due	Year from when initiated	Position of revision as of 31 March 2009
1.	Deoghar	1998-99	2003-04	Nil	Not initiated as yet
2.	Dumka	1992-93	1997-98	Nil	Not initiated as yet
3.	Sahebganj	1996-97	2000-01	Nil	Not initiated as yet
4.	Medininagar	2002-03	2007-08	Nil	Not initiated as yet
5.	Madhupur	1993-94	1997-98	Nil	Not initiated as yet
6.	Jugsalai	1974-75	1979-80	1997-98	Not completed
7.	Chaibasa	1982-83	1987-88	Nil	Not initiated as yet
8.	Jhumri Tilaiya	1995-96	2000-01	Nil	Not initiated as yet
9.	Lohardarga	1992-93	1997-98	Nil	Not initiated as yet
10.	Adityapur	1996-97	2001-02	Nil	Not initiated as yet
11.	Gumla	1984-85	1989-90	Nil	Not initiated as yet
12.	Pakur	1963-64	1968-69	Nil	Not initiated as yet

From the table it could be seen that:

1. 11 ULBs had not initiated the revision of assessment process though it was due for the last 7 to 42 years;
2. In other ULB, the revision had been pending for the last 31 years. The process of revision, though initiated after a lapse of 19 years, was still incomplete.

Non-revision of assessment in time resulted in loss of revenue to the ULBs. As provisions for the rate of increase or decrease per year were not laid down in the Municipal Act or Rules, the loss due to non- revision of tax could not be quantified.

### **3.3 Loss of Rs 2.41 crore due to non-revision of Annual value of Holdings of Railway Buildings by Madhupur Municipal Council**

As per agreement executed (July 97) between Madhupur Municipality and Deputy General Manager, Eastern Railway, Calcutta, if the License fee for three number of plots used by the Municipality for public as passage, being paid by the Municipality to Eastern Railway, increases or decreases; Annual valuation of the Holdings (Holding No 217, 218 and 219) on which Holding tax, payable by the Eastern Railway to the Municipality Madhupur will also change accordingly.

As per Railway Board's circular No WM/LC/IOLL/Pt-I Asansol (August 06) from 1.4.96, License fee has been escalated/increased @ 10% every year till 31.3.04 &

Madhupur Municipal Council did not revise the rates of Holding tax of Railway buildings resulting in loss of Rs 2.41 crore to the Council.

@ 7 % every year from 1.4.04 onwards and accordingly more money on account of License fee were adjusted against Holding tax payable to the Municipality.

Scrutiny revealed that the Municipality did not revise the Annual value of Holding No 217, 218 and 219 of Railways resulting loss of Rs 2.41 crore on account of Holding tax to the Council (*APPENDIX-VIII*). The matter was reported to the Government through the previous Report for the year ending March 2007 in which Rs 1.67 crore was suggested for recovery. In spite of it, no action was taken by the Council for recovery of the dues which ultimately raised to Rs 2.41 crore (March 2010).

### 3.4 Misappropriation of revenue collected

Rs 10.90 lakh misappropriated by the staff of 11 ULBs; Rs 6.98 lakh still lying in their personal custody.

As per instructions of the Government under Rule 22 of Bihar Municipal Accounts Rules, 1928, all money received on account of Municipal Fund should be remitted into the treasury as often as can be conveniently managed. During the audit it was found that in contravention of the above rule, staff of 11 ULBs did not remit Rs 10.90 lakh of collected money during 2007-09. Out of this, Rs 3.92 lakh was recovered from the staff of the ULBs at the instance of audit as detailed below:

**Table-16**

(Rs in lakh)

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
1.	Deoghar	2007-09	1.10	1.10	Nil
2.	Dumka	2007-09	0.03	0.03	Nil
3.	Sahebganj	2007-09	0.37	0.15	0.22
4.	Medininagar	2007-09	0.22	0.22	Nil
5.	Madhupur	2007-09	1.04	0.47	0.57
6.	Jugsalai	2007-09	0.03	0.03	Nil
7.	Jhumri Tilaiya	2007-09	0.08	0.08	Nil
8.	Lohardarga	2007-09	1.14	0.93	0.21
9.	Adityapur	2007-09	6.51	0.89	5.62
10.	Gumla	2007-09	0.03	Nil	0.03
11.	Pakur	2007-09	0.35	0.02	0.33
Total			10.90	3.92	6.98

A sum of Rs 6.98 lakh was still lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to Audit.

**3.5 Receipt Books not produced before audit.**

51 Receipt Books not made available to audit by four ULBs

Fifty-one Money Receipt Books of different types, as detailed in **APPENDIX-IX**, were not produced before audit by four ULBs:

**Table-17**

Sl. No.	Name of ULBs	Period	No. of Books not produced
1.	Deoghar	2007-09	13
2.	Madhupur	2007-09	17
3.	Jugsalai	2007-09	2
4.	Gumla	2007-09	19
<b>Total</b>			<b>51</b>

Non production of Receipt Books was fraught with risk and it could lead to serious financial irregularities in future. Thus, possibility of leakage of revenue in this regard could not be ruled out.

**3.6 Short realization of Settlement amount**

Short realization of bid money of Rs 72.70 lakh in five ULBs

The ULBs derive their non-tax revenues by settlement of Bus Stand, Sairats<sup>1</sup>, Hats etc. every year. As per terms and conditions of settlements, 50 per cent of the bid money was to be realized at the time of agreement and balance 50 per cent in three equal instalments after the expiry of the month of the agreement, failing which the agreement was to be cancelled. These conditions were not followed by five ULBs, which resulted in short realization of bid money of Rs 72.70 lakh as detailed below:

**Table-18**

(Rs in lakh)					
Sl. No.	Name of the ULBs	Period	Settlement Amount	Amount realized	Unrealised Amount
1.	Deoghar	2006-10	41.57	17.33	24.24
2.	Medininagar	2004-09	17.47	5.42	12.05
3.	Jhumri Talaiya	2007-09	15.74	13.74	2.00
4.	Lohardaga	2007-09	NA	NA	32.09
5.	Gumla	2007-09	18.37	16.05	2.32
<b>Total</b>			<b>NA</b>	<b>NA</b>	<b>72.70</b>

Due to short realization of amount, the availability of fund to be spent on providing essential services to the inhabitants was reduced with ULBs. Action taken to realize the dues was not on record.

<sup>1</sup> Properties to be settled annually or to be leased out.

**3.6.1 Loss due to settlement of Sairats at lower values**

As per rules of settlement, the Minimum Guarantee for settlement is to be arrived at by 10% increase on average of last three years of settlement value. But, in contravention of the said provision, four ULBs settled 12 Sairats at lower values than the actual Minimum Guarantee resulting in loss of Rs 13.13 lakh to the ULBs.

Four ULBs sustained loss of Rs 13.13 lakh due to settlement of Sairats at lower values

**Table-19**

(Rs in lakh)						
SI No	Name of ULBs	Period	No. of settlements made	Amount of Minimum Guarantee	Settlement actually made	Loss to ULBs
1.	Deoghar	2007-09	01	14.14	10.15	4.29
2.	Medininagar	2007-09	09	11.75	9.72	2.03
3.	Madhupur	2007-09	01	1.84	1.21	0.63
4.	Pakur	2007-09	01	27.84	21.66	6.18
<b>Total</b>			<b>12</b>	<b>55.57</b>	<b>42.74</b>	<b>13.13</b>

**3.7 Health and Education cess not credited into Government Account.**

Rs 1.19 crore on account of Health & Education cess not remitted into Government account.

Health cess and Education cess at the prescribed percentage is to be levied & collected by the ULBs under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 in the Municipal areas from 1 April 1959 and 4 May 1972 respectively. The State Government revised the *per cent* of cess from time to time and 50 *per cent* of Holding tax was fixed with effect from April 01, 1982. The cess is collected for providing better health and education services to the inhabitants. The proceeds of the cess are to be credited into the State revenue after deducting 10 *per cent* as collection charge.

Audit scrutiny revealed that Rs 1.32 crore was collected on account of Health cess and Education cess by 10 ULBs during 2007-09. Hence, Rs 1.19 crore was to be credited to State revenue after retaining 10 *per cent* as collection charges, but the same was not done and the ULBs spent the total collection money of Health and Education cess on administrative expenditure. This was in violation of the codal provisions and resulted into loss of Government revenue of Rs 1.19 crore impacting the social services provided by the Government.

**Table-20**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount of Cess collected			Less 10 percent as collection charges	Amount to be remitted to Government Treasury
			Health cess	Education cess	Total		
1.	Deoghar	2007-09	22.75	22.75	45.50	4.55	40.95
2.	Dumka	2007-09	1.95	1.95	3.90	0.39	3.51
3.	Sahebganj	2007-09	10.17	10.17	20.34	2.03	18.31
4.	Medininagar	2007-09	5.73	5.73	11.46	1.15	10.31
5.	Madhupur	2007-09	6.05	6.05	12.10	1.21	10.89
6.	Chaibasa	2008-09	3.77	3.77	7.54	0.75	6.79
7.	Jhumri Tilaiya	2007-09	5.81	5.80	11.61	1.16	10.45
8.	Lohardarga	2007-09	6.92	6.92	13.84	1.38	12.46
9.	Adityapur	2007-09	1.59	1.33	2.92	0.29	2.63
10.	Gumla	2007-09	1.49	1.49	2.98	0.30	2.68
<b>Total</b>			<b>66.23</b>	<b>65.96</b>	<b>132.19</b>	<b>13.21</b>	<b>118.98</b>

**3.8 Non/short collection of Health and Education cess**

Loss of Rs 30.66 lakh due to non/short collection of Health & Education cess by three ULBS.

Under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 Education cess and Health cess was levied by the State Government from the year 1959-60 and 1972-73 respectively. The State Government revised the percent of cess from time to time and 50% of Holding tax was fixed wef April 1982. Scrutiny revealed that two ULBs (Jugsalai and Pakur) did not collect the above cess whereas Adityapur NAC realized Health cess & Education cess at lesser rate during 2007-09 resulting in loss of Rs 27.59 lakh to State revenue and Rs 3.07 lakh to the ULBs as 10 per cent collection charges which form part of Municipal revenue, as detailed below:

**Table-21**

(Rs in lakh)

Name of ULBs.	Holding Tax Realised	Health cess to be realized @50% of Holding Tax	Amount of Health cess actually realized	Non/Short Realisation of Health cess	Education cess to be realized @50% of Holding Tax	Amount of Education cess actually realized	Non/Short Realisation of Education cess.	Total loss
1. Jugsalai	8.91	4.46	Nil	4.46	4.45	Nil	4.45	8.91
2. Pakur	7.43	3.72	Nil	3.72	3.71	Nil	3.71	7.43
3. Adityapur	17.24	8.62	1.59	7.03	8.62	1.33	7.29	14.32
<b>Total</b>	<b>33.58</b>	<b>16.80</b>	<b>1.59</b>	<b>15.21</b>	<b>16.78</b>	<b>1.33</b>	<b>15.45</b>	<b>30.66</b>
Less 10% as collection charges (loss to ULBs)								3.07
Loss to State Revenue								27.59

When pointed out in audit, no reply/reason for non-collection of cess was furnished by the ULBs. Thus, it was evident that non-collection was nothing but

the failure on the part of Revenue Officers/collecting staff which was compounded by non-carrying out of supervisory checks by the Executives of the ULBs as per codal provisions.

### 3.9 Outstanding rent/taxes of Municipal Properties and Government Buildings

Rs 5.25 crore was outstanding as rent of Municipal properties and taxes against Government buildings in 12 ULBs

Taxes outstanding against Government Buildings are payable by the concerned departments of State Government. In 12 ULBs, Rs 0.80 crore was outstanding on account of rent of Municipal properties and Rs 4.45 crore was outstanding on account of taxes against Government Buildings as of 31 March 2009 as detailed below:

**Table-22**

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding rent of Municipal properties	Outstanding tax on Government Buildings
1.	Deoghar	2009	5.78	48.34
2.	Dumka	2009	15.86	19.33
3.	Sahebganj	2010	13.39	60.68
4.	Medininagar	2009	21.37	197.57
5.	Madhupur	2009	3.94	2.78
6.	Jugsalai	2009	0.27	7.61
7.	Chaibasa	2009	5.12	5.12
8.	Jhumri Tilaiya	2009	2.67	15.39
9.	Lohardarga	2009	2.91	31.46
10.	Adityapur	2009	0.68	48.34
11.	Gumla	2009	7.64	8.76
12.	Pakur	2009	0.65	4.60
<b>Total</b>			<b>80.28</b>	<b>444.98</b>

The ULBs made no effort to recover these dues from the concerned rentpayers and department/authorities of the State Government. Moreover, neither age wise analysis of outstanding dues was made by the ULBs nor was list of arrears prepared. No reason for non-realization was furnished to audit by the ULBs.

### 3.10 Conclusions

- Non imposition of Municipal taxes, short realization of tax, non-revision of tax and misappropriation of revenue collected, huge outstanding tax & rent were indicative of non-compliance to the provision of Acts



### **3.11 Recommendations**

- Overall financial management needs to be strengthened by improving collection of revenues including through legal recourse in case of arrears and preventing leakage of revenue due to delay in assessment/revision of rates of taxes.
- Misappropriation cases should be investigated on priority and recovery made from the persons concerned.
- Timely collection of taxes, fees and cess on behalf of Government and their timely remittance into the Government Account/Treasury should be ensured.

## CHAPTER-IV

### ESTABLISHMENT

#### 4.1 Irregular engagement of casual staff

Rs 1.45 crore was spent irregularly on wages of casual staff

The State Government is empowered for sanctioning the post of Officers and Servants of the ULBs. However, Municipal Officers and Servants (Appointments, Duties, Discipline and Appeal) Rules made under Section 42 (1) (a) of JMA, 2000, provide power to the Chairman/Board for appointment of officers & servants in the ULBs. A person should neither be appointed as a whole time officer or servant of the Board nor undertake any work on remuneration without the previous sanction of the Board. All vacancies whether permanent or temporary, not filled by promotion from among the officers or servants of the Board should be advertised in at least two consecutive issues of a newspaper with the highest circulation in the area. The person who possesses the best qualification and is otherwise most suitable should be appointed as an officer or servant by the Chairman/Board. There was no provision for engagement of casual/daily wages staff in the ULBs. Further, under the orders of the State Government of June 1986, engagement of casual staff in ULBs was prohibited. Audit scrutiny revealed that although, there was acute shortage of manpower in the ULBs ranging from 15.38 per cent to 72.23 per cent, the ULBs did not appoint staff on regular basis. Rather, the ULBs violated the Government directions/rules and engaged casual staff for performing their routine works which was reported to the Government through earlier reports also. The deficiency continued to exist in the ULBs and despite such prohibition, 13 ULBs engaged large number of casual staff during 2007-09 and a sum of Rs 1.45 crore was spent on payment of their wages as detailed below:

**Table-23**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount incurred
1.	Deoghar	2007-09	43.74
2.	Dumka	2007-09	0.62
3.	Sahebganj	2007-09	14.66
4.	Medininagar	2007-09	38.92
5.	Madhupur	2007-09	0.33
6.	Jugsalai	2007-09	1.75
7.	Jhumri Tilaiya	2007-09	2.60
8.	Jamshedpur	2007-09	4.74
9.	Lohardarga	2007-09	8.39
10.	Adityapur	2007-09	12.12
11.	Gumla	2007-09	8.49

Sl. No.	Name of ULBs	Period	Amount incurred
12.	Pakur	2007-09	4.14
13.	Kodarma	2007-09	4.51
	<b>Total</b>		<b>145.01</b>

ULBs stated that casual staff were engaged to combat the shortage. This was, however, irregular in view of codal provisions/Government instructions.

#### **4.2 Irregular expenditure of Rs 32.86 lakh on payment to NGOs.**

Without sanction of the Government Rs 32.86 lakh was paid irregularly to NGOs.

Two ULBs engaged Trusts/Contractors/NGOs for the purpose of cleaning of roads etc. without obtaining the sanction of the State Government as required under Section 68 (xxvi) of JM Act. Hence, the expenditure of Rs 32.86 lakh incurred by two ULBs during 2007-09, as detailed below, towards payment to these NGOs was irregular and unauthorized.

**Table-24**

(Rs in lakh)			
Sl. No.	Name of ULBs	Period	Amount paid
1.	Jamshedpur	2007-09	24.26
2.	Pakur	2007-09	8.60
	<b>Total</b>		<b>32.86</b>

#### **4.3 Loss of interest due to non-deposit of Provident Fund subscription**

Four ULBs did not remit Rs 25.18 lakh as Provident Fund resulting into loss of interest to the employees

In exercise of the powers conferred by Section 8 of the Provident Fund Act 1925, the State Government issued (December, 1933) Model Rules for the management of Provident Fund, 1933. As per Rule 12A *ibid*, the Vice Chairman is responsible /custodian of the Provident Fund accounts. He should satisfy himself that the transactions in the Provident Fund accounts have actually taken place and as to the correctness of Provident Fund ledger before entering his initials. He is also responsible for the calculation of interest due in each account and issue of copy of the annual ledger account of Provident Fund to each depositor. As per Rule 6 of Model Rules for the Management of Provident Fund, 1933, Provident Fund Subscription collected by ULBs by deduction from salary of the employees was required to be credited to their Savings bank accounts between the first and fourth of the next month to avoid loss of interest payable to the subscribers. Audit scrutiny revealed that PF subscription of employees amounting to Rs 25.18 lakh, as detailed below, deducted from salary of employees during July 2004 to March 2009 in four ULBs, was not remitted to the concerned individual bank accounts till

March 2010. This not only resulted in avoidable liability of the ULBs but also deprived the employees of accrued interest on their PF subscriptions.

**Table-25**

			(Rs in lakh)
Sl. No.	Name of ULBs	Period of deduction	Amount deducted but not deposited
1.	Dumka	5/08 to 11/08	6.86
2.	Madhupur	4/08 to 3/09	8.07
3.	Chaibasa	7/04 to 3/09	8.79
4.	Adityapur	4/07 to 3/09	1.46
<b>Total</b>			<b>25.18</b>

#### **4.4 Recommendations**

- The ULBs should consider appointment of regular staff against vacancy/Sanctioned Strength instead of engaging staff on casual basis for smooth functioning of ULBs.
- Provident Fund subscription deducted from salary of employees should be credited to their accounts timely to avoid loss of interest to the subscribers.

## 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
<b>Total</b>			<b>1.04</b>	<b>0.76</b>	<b>0.61</b>	<b>2.41</b>

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
<b>Total</b>			<b>323.06</b>	<b>28.10</b>

### 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
<b>Total</b>			<b>13.34</b>

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
<b>TOTAL</b>			<b>0.97</b>	<b>3.25</b>	<b>5.16</b>	<b>9.38</b>

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
<b>Total</b>			<b>93</b>	<b>89.30</b>

**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.



## CHAPTER-VI

### IMPLEMENTATION OF SCHEMES

ULBs were assigned the implementation of various Central/State sponsored development schemes during the period under audit. Various irregularities including blockade of Government funds, infructuous expenditure, irregular engagement of contractors, diversion of Government specific grants and other shortcomings in the implementation of the schemes were noticed during audit which are described in the subsequent paragraphs. These were indicative of poor planning and lack of monitoring by the respective ULBs.

#### 6.1 Incomplete Civil Works

198 civil works taken up by 11 ULBs during 2004-09 were not completed within the time frame resulting in blockade of Rs 8.89 crore.

State Government released non-recurring Grants & Loans for various schemes of construction/renovation of roads, drains, drilling of tube wells, water supply schemes etc. during 2004-09. During audit, it was noticed that 198 schemes taken up by 11 ULBs during 2004-09 remained incomplete till March 2010, although a sum of Rs 8.89 crore, as detailed below, was spent on these schemes:

**Table-31**

(Rs in lakh)					
Sl. No.	Name of ULBs	Position as of 31 March	No. of pending works	Estimated expenditure on incomplete works	Expenditure incurred on incomplete works
1.	Dumka	2009	18	131.55	80.63
2.	Sahebganj	2009	02	19.13	15.90
3.	Madhupur	2009	17	114.01	66.50
4.	Jugsalai	2009	08	41.29	26.55
5.	Chaibasa	2009	09	18.00	15.45
6.	Jhumri Tilaiya	2009	05	93.19	11.85
7.	Lohardaga	2009	71	352.79	262.73
8.	Adityapur	2009	25	88.04	29.35
9.	Gumla	2009	27	546.37	348.76
10.	Pakur	2009	02	3.72	2.30
11.	Kodarma	2009	14	62.83	29.12
<b>Total</b>			<b>198</b>	<b>1470.92</b>	<b>889.14</b>

The said works remained incomplete even after lapse of considerable period beyond the scheduled date of completion. The execution of the works was delayed

due to improper planning, constraints of funds and lack of monitoring by the ULBs.

Failure in completing the works within the stipulated dates not only deprived the local people of the intended benefits but also caused blockade of funds of Rs 8.89 crore. Reasons for non-completion of these pending works were not stated.

A few major works of higher money value were examined in detail and findings are discussed in the succeeding paragraphs.

### ***6.2 Blockade of Government Grant and Loan of Rs 3.97 crore for Jhumri Tilaiya Water Supply Scheme***

Government fund of Rs 3.97 crore received for augmentation of Jhumri Tilaiya Water Supply Scheme was blocked for years.
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The Urban Development Department, Government of Jharkhand, Ranchi released (March 2008) Rs 104.50 lakh (Rs 78.375 lakh as Loan and Rs 26.125 lakh as Grant) to Jhumri Tilaiya Municipality for reorganization of Jhumri Tilaiya Shahari Water Supply Scheme at an estimated cost of Rs 21.68 crore which was later on revised to Rs 22.59 crore due to extra item of works.

As per Government directives, the work was to be executed by Drinking water & Sanitation Division (DWSD), Koderma as deposit work and for this fund was to be transferred to the Division by the Municipal Council as per requirement and progress of the work. The Special Officer, Jhumri Tilaiya Municipality requested Executive Engineer, DWSD for execution of the scheme and for sending demand for Government Grant & Loan of Rs 104.50 lakh (April 2008 and July 2008) but the later did not respond.

Meanwhile, the State Government again released (March 2009) Rs 292.57 lakh (Rs 73.1425 lakh as Loan Rs 219.4275 lakh as Grant) to the Municipality. The Special Officer, Jhumri Tilaiya Municipality again requested (July 2009) DWSD, Koderma for execution of the scheme and intimated that Rs 104.50 lakh (2007-08) & Rs 292.57 lakh (2008-09) was lying in the municipal fund. DWSD informed (October 2009) the Municipality that the work had been started and requested for transfer of the fund. However, the Municipality did not transfer the fund till September 2010 and Rs 3.97 crore remained blocked with the result that the scheme was delayed depriving the general public of the benefits of the scheme.

**6.3 Blockade of Fund of Rs 4.12 crore due to delay in procurement/operation of Buses under Jawahar Lal Nehru National Urban Renewal Mission**

Rs 4.12 crore received for Urban Transport System under JNNURM at Jamshedpur remained unutilized.

Under the second stimulus package announced by the Government Of India (January 09), the Ministry of Urban Development, Government of India approved one-time assistance to States upto 30.06.09 under JNNURM for the purchase of buses for their Urban Transport Systems. Urban Transport System is one of the main component of Urban Infrastructure and Governance (UIGs). Additional Central Assistance in the form of Grant was to be provided to all JNNURM cities for the purpose.

For Jamshedpur, one of the mission cities under JNNURM, the Central Sanctioning and Monitoring Committee (CSMC) approved procurement of 50 Mini/Midi buses at an estimated cost of Rs 5.50 crore with Central share of Rs 2.75 crore. The procurement orders were to be placed by March 2009 and the positioning of buses for Public Transport was to be done latest by June 2009. Urban Mass Transit Company (UMTC) was appointed as the consultant by UDD for providing assistance in developing City Bus Service in Jamshedpur.

The Greater Ranchi Development Agency (GRDA), the State Level Nodal Agency (SLNA), released Rs 412.50 lakh (Additional Central Assistance Rs 137.50 lakh, State share Rs 110 lakh and ULB's share Rs 165 lakh) to Jamshedpur NAC (June 2009) for Urban Transport Scheme for Jamshedpur under UIGs.

The Tender Committee constituted for the purpose selected Swaraj Mazda Ltd. for procuring Mini Buses (32 seater) @ Rs 9.32 lakh per bus on the basis of Technical Evaluation Report submitted by UMTC. Letter of Acceptance-cum-Purchase order for supplying 50 nos. 32 seater Mini buses was placed by the Committee (June 2009).

M/s Swaraj Mazda Ltd. vide their several e-mail, Fax and letter (December 2009, January 2010 and February 2010) repeatedly intimated about the arrival of the buses and requested to intimate the site for parking of these buses, which were ready for delivery since December 2009. After inspection of the vehicles conducted by the Committee constituted for the purpose on February 2010, M/s Swaraj Mazda Ltd. submitted invoice copies of 50 nos. of Mini Buses and

requested to release 80% of the payment amounting to a total of Rs 3.73 crore (March 2010). However, no payment was made to the Agency (June 2010).

But, till June 2010 neither infrastructural needs i.e. creation of public transport system, Special Purpose Vehicle (SPV) routes, nominating agency/contractor for plying the buses etc had been completed nor were the buses plied in the city as per agreement. Consequently, the entire Grant of Rs 4.12 crore remained unutilized and kept in the accredited bank account (June 2010).

**6.4 Delay in construction of Bye-Pass Road in Lohardaga due to unauthorized intervention by EE RWD Lohardaga.**

Delay in construction of Bye-Pass Road at Lohardaga despite lapse of more than four years defeated the purpose of Government fund of Rs 3.03 crore.

A total sum of Rs 3.03 crore was sanctioned during 2006-07 by the UDD for construction of Bye-Pass Road from Gangupara to Oyena More via Bamandiha (3.19 Kms. Length). Administrative sanction was accorded by UDD (August 2007) and Rural Engineering Organization (REO), Lohardaga was appointed as implementing agency thereby. The work was allotted to M/s AS Construction at an agreed cost of Rs 205.05 lakh. An agreement was also executed with the Agency (March 2008). The project was to be completed in 12 months. A sum of Rs 50.00 lakh was paid to the Executive Engineer, Road Works Division (RWD), Lohardaga (September 2008).

Scrutiny of records revealed that the estimate had been approved technically by the Chief Engineer, Technical Cell, UDD for Rs 209.78 lakh and tenders were invited by RWD (December 2007) indicating estimated cost at Rs 209.78 lakh. However, the BOQ prepared by the Executive Engineer, REO, Lohardaga was approved by the Superintending Engineer, REO, Ranchi for Rs 205.05 lakh. But, the approval of the Chief Engineer UDD was not obtained for the modifications/additions/alterations, in the rates and quantities, made in the DPR/estimates.

During the course of execution of work by M/s AS Construction, EE, RWD, Lohardaga pointed out six technical deficiencies in the sanctioned estimates and asked the Council for compliance. Reasons for pointing out the deficiencies in the sanctioned estimates immediately after release of Rs 50.00 lakh to RWD and after the tender was finalized and the work was in progress, could not be ascertained. Copy of agreement executed, Measurement Book and physical/financial progress

report were also not made available by RWD despite correspondence made by the Council (January 2010). The Chief Engineer, UDD desired (July 2010) to get the cross-section of the proposed road examined by the Central Designing Organization, RCD as to whether it would sustain the traffic load and to submit the report in this regard by July 2010 so that the revised estimates could be approved. The needful was not noticed to be done and the revised estimate had not been approved (August 2010).

Thus, it was evident from above that due to untimely action by the RWD and exercise of powers beyond its jurisdiction, the revised estimates could not be approved by the UDD. As a result the work of construction of Ring Road could not be started (June 2010). Delay in completion of the project not only deprived the local people of the due benefits of the Scheme but also caused blockade of Government fund of Rs 3.03 crore.

### 6.5 Inordinate delay in execution of Urban Water Supply Scheme

The objectives of Water Supply Schemes could not be achieved in five ULBs due to delay in completing the Projects.

Government of Jharkhand sanctioned and released Rs 90.10 crore (Grant Rs 22.52 crore & Loan Rs 67.57 crore) to the following five ULBs for renovation and augmentation of town Water Supply Scheme during 2002-10. As per Government directives, the schemes were to be executed by DWSD of the concerned District. Accordingly, out of total allotment of Rs 90.10 crore, a sum of Rs 84.76 crore was transferred to DWSD during 2003-10 leaving a balance of Rs 5.34 crore (Sep 2010)

**Table-32**

(Rs in crore)

Sl No	Name of ULBs	Period of receipt	Amount received			Amount transferred	Balance	Remark
			Grant	Loan	Total			
1	Dumka	2007-10	9.38	28.13	37.51	34.19	3.32	Renovation and augmentation of Water Supply Scheme
2	Jugsalai	2007-10	2.87	8.63	11.50	11.50	Nil	Water Supply Scheme
3	Lohardaga	2005-08	2.47	7.41	9.88	8.84	1.04	Augmentation of Water Supply Scheme
4	Jamshedpur	2005-09	5.22	15.67	20.89	19.91	0.98	Implementation of Water Supply Scheme
5	Gumla	2005-06	2.58	7.73	10.31	10.31	Nil	Water Supply Scheme
<b>Total</b>			<b>22.52</b>	<b>67.57</b>	<b>90.09</b>	<b>84.75</b>	<b>5.34</b>	

Although, the funds were transferred to the concerned DWSD during 2003-09, the renovation and augmentation of Water Supply Scheme have not been completed in those towns. Due to non-completion of the Scheme, the very purpose of the same was defeated as the beneficiaries of the towns were deprived of the intended benefits and the objectives of the implementation of Water Supply Scheme were yet to be achieved(September 2010).

#### ***6.6 Delay in provision of Street Light outside Auditorium at Jamshedpur***

Delayed transfer of funds to Tata Steel by Jamshedpur NAC deprived the local people of the benefits of Street Lighting.
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An estimate for Rs 47.76 lakh was technically sanctioned by the Engineer, Energy Department, Government of Jharkhand on (March 2006) for providing Street Light outside Auditorium at Sidhgora. The State Government while according administrative approval sanctioned a sum of Rs 16.00 lakh only (September 2007). Balance allotment of Rs 31.76 lakh was released by the Government (March 2009). The work was to be executed by Tata Steel and the period of completion was 12 months. Out of the allotment received, a sum of Rs 16.00 lakh only was remitted to Tata Steel in December 2008 whereas amount of Rs 12.43 lakh was remitted in August 2009. Tata Steel intimated (December 2008) that the work would be started only after receipt of the entire estimated amount of Rs 47.76 lakh. However, the Committee did not remit the balance amount of Rs 19.33 lakh to Tata Steel (June 2010). The reasons for the delay in remitting the amount despite receiving the same from Government in March 2009 were not on record. Meanwhile, the work was initiated by Tata Steel (September 2009) which was yet to be completed.

From the position stated above it was evident that delay in release of funds to Tata Steel delayed the initiation of the work which ultimately would effect its completion time. Had the funds been remitted to Tata Steel promptly by the Committee, the work would have been initiated and completed much earlier. Thus, due to delay in transfer of fund to Tata Steel, the work of providing Street Light could not be completed thereby defeating the purpose for which the fund was sanctioned (June 2010).

**6.7 Excess payment of Rs 2.46 crore on account of augmentation and reorganisation of Deoghar Urban Water Supply Scheme**

Excess payment of Rs 2.46 crore was made to the Contractor due to non-deduction of Excise duty from the Contractor's bills for Deoghar Urban Water Supply Scheme.

Augmentation and re-organisation of Deoghar Urban Water Supply Scheme, a centrally sponsored scheme under Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) was administratively approved by the UDD, for Rs 58.16 crore (March 2007) on the technical sanction of Engineer-in-chief of Drinking Water & Sanitation Department, GoJ, (November 2006). The work was to be executed by the Drinking Water & Sanitation Division, Deoghar.

Tender was invited by Drinking Water & Sanitation Department (July 2007), at an estimated cost of Rs 45.57 crore for augmentation and reorganization of Deoghar Urban Water Supply Scheme with date of opening of tender on 21.08.07. The work was allotted at 8.75% above BOQ rate to M/s IVRCL Infrastructure and Project Ltd., Hyderabad i.e. for Rs 49.56 crore (8.75% above Rs 45.57 crore) by DWSD out of seven agencies (October 2007). But, due to non-production of rate bid and Comparative Statement, the competitiveness of other agencies and suitability of M/s IVRCL could not be verified. However, an agreement was executed with M/s IVRCL (December 2007). The work was to be completed by December 2009.

Deoghar Municipality received Rs 30.36 crore (State Grant Rs 2.67 crore, State Loan Rs 8.03 crore and Additional Central Assistance Rs 19.66 crore) till March 2010 which was transferred to DWSD, for on account bill payment of the agency. A sum of Rs 30.14 crore was paid to the agency upto 17th on account bill (March 2010) by DWSD, Deoghar.

Central Excise Notification No. 6/2007 dated 1.3.2007 stipulates that pipes of outer diameter exceeding 20 cm are exempted from Central Excise duty, when such pipes are integral part of a water supply project. This condition of outer diameter exceeding 20 cm was replaced to outer diameter exceeding 10 cm in the Notification No. 26/2009 dated 4th December 2009. Benefit of Central Excise duty exemption was to be availed on the basis of certificate issued by the concerned Deputy Commissioner that such goods are for the intended use. Scrutiny of work-order revealed that approved rate of the contract was inclusive of excise duty as applicable (Para I of work order) and for getting exemption from excise duty, the

contractor had to submit written request for such exemption as per various current notifications of excise department (Para 9 of work order) which would be facilitated by concerned DC.

Certificate for 44681 meter of DI pipes was issued by the DC, Deoghar (March 2008) to the Agency, whereas, certificate for 1500 meter was issued (September 2009). But, prior to issuance of Central Excise duty exemption certificate, neither necessary adjustment in the tendered rate (as it was inclusive of excise duty) was made nor was the excise duty deducted from the on account bill payment of the agency by the EE, DWSD resulting in excess payment to the tune of Rs 2.46 crore to the agency (which was receiving the payment on account of Central Excise duty but was not remitting the same amount into the Government account) vide details given in **Appendix-XI**.

As per literature of SOR, Rising main pipes are inclusive of 8% Excise duty and distribution main are inclusive of 16% Excise duty. As break-up of rate was not available, hence, the amount of excise duty has been calculated on the whole amount vide details below:

**Table-33**

(Rs in lakh)

	Amount with excise duty	Amount without excise duty	Difference amount of excise duty
Rising main	569.26	$569.26 \times \frac{100}{108} = 527.09$	42.17
Distribution main	1316.04	$527.09 \times \frac{100}{116} = 1134.52$	181.52
MS pipeline	35.95	$35.95 \times \frac{100}{108} = 33.29$	2.66
<b>Total</b>			<b>226.35</b>
<b>Add 8.75% above payment-</b>			<b>246.16</b>

Thus, excess payment to the tune of Rs 2.46 crore was made to the Contractor. Further, the scheme remained incomplete till date (June 2010) and the revised estimate of Rs 63.49 crore was under approval.



**6.8 Undue favour and excess payment of Rs 15.39 lakh in implementation of Solid Waste Management Programme Under UIDSSMT at Lohardaga**

Irregular purchase of equipment at Lohardaga in implementation of Solid Waste Management Programme under UIDSSMT resulted into undue favour and excess payment of Rs 15.39 lakh to the supplier.

Allotment to the tune of Rs 208.23 lakh was received through Greater Ranchi Development Agency, Ranchi, the State Level Nodal Agency appointed for implementation of Solid Waste Management Programme under UIDSSMT in Lohardaga Town. The project cost as per the DPR prepared by Nav Bharat Jagriti Kendra, Ranchi, was Rs 230.17 lakh while the cost approved by the State Level Steering Committee (SLSC) was Rs 447.80 lakh (Central share Rs 358.24 lakh, State share Rs 44.78 lakh and ULB's share Rs 44.78 lakh).

The contract for supply of requisite equipment was awarded to M/s Apee Automobiles Pvt. Ltd., Ranchi. The purchase order was placed and an agreement was also executed with the firm (June 2008). The Chairman, Lohardaga MC enquired (June 2008) on the Comparative Statement itself whether the specifications and the rates quoted were in conformity with the DPR and also instructed to ensure against deviation from the DPR. Scrutiny of records revealed that the rates quoted by M/s Apee Automobiles Pvt. Ltd, Ranchi for a number of equipment were higher than the rates approved in the DPR, even then the rates were accepted and Purchase Order was placed (June 2008) with the said firm without obtaining approval of UDD. As a result, a total sum of Rs 15.39 lakh was spent in excess, vide details indicated below:-

**Table-34**

Sl.No.	Particulars of equipments	Quantity ordered	Purchase rate per unit	Approved rate per unit	Difference	Excess Exp. (III x VI)
I	II	III	IV	V	VI	VII
1.	Containerized Hand Carts	30	4,625	3,250	1,375	41,250
2.	Containerized Rickshaw Trolley	25	13,720	8,000	5,720	1,43,000
3.	Seamless Hand Cart	5	4,625	2,500	2,125	10,625
4.	Community Dust Bins	20	61,900	40,000	21,900	4,38,000
5.	Hydraulic Tractor Trailer	2	4,57,900	2,50,000	2,07,900	4,15,800
6.	Closed Dumper Placer	2	9,45,500	9,00,000	45,500	91,000
7.	Small vehicle for direct waste collection	2	4,74,500	2,75,000	1,99,500	3,99,000
<b>TOTAL</b>						<b>15,38,675</b>

The specifications of a number of items supplied were not as per the approved DPR. Thus, inferior equipment were supplied/procured at higher rates. The equipments purchased/supplied were also lying in the open Office premises and they were not being used.

Further, it was noticed that the Notice Inviting Tenders (NIT) was published by the Municipal Council on its own and not through the Information & Public Relations Department, as required under Clause (e) contained in the letter of Chief Secretary, Government of Bihar dated July 1998. The NIT was published on 24.05.08 in such Local Dailies (Sahara Samay/Ranchi Express) whose circulation was negligible. Thus, possibility of extending undue favour to the firm could not be ruled out besides loss of Government money due to improper tender process adopted by the Council.

**6.9 Infructuous expenditure of Rs 44.35 lakh on construction of Bus Stand at Medininagar**

Rupees 44.35 lakh spent on construction of Bus Stand at Medininagar proved infructuous as the work had not been completed despite lapse of more than four years.

The State Government sanctioned and released Rs 75.44 lakh (Grant Rs 37.72 lakh and Loan Rs 37.72 lakh) during 2001-02 for construction of Bus Stand Cum Taxi stand at Sadique Chowk (Estimate Rs 17.54 lakh) and Bus Stand near Mohan Cinema (Estimate Rs 57.90 lakh). But, the said works were cancelled due to (i) stalls and Girls hostel at Sadique Chowk (ii) pending court cases respectively. As such, construction of Bus Stand at Baireya Thana No 197, in 3.60 acres was proposed. For this, tenders were invited for appointment of consultant (June 2004). The lowest bidder M/s Nano System was selected as consultant at an agreed cost of 1.25% of cost of DPR (July 2004). The firm submitted DPR of Rs 1.01 crore (July 2005) and a sum of Rs 1.00 lakh was paid to the firm against his fees. However, technical sanction was accorded for Rs 99.50 lakh. The Deputy Commissioner ordered (December 2005) for floating open tender of the work. Accordingly, the lowest tenderer M/s Ganga construction was selected as consultant (Feb 2006) at 15% less than the estimated cost. An agreement was also executed with the firm (March 2006). In between, the Council requested UDD to release the extra cost of Rs 25.32 lakh with administrative approval. The State

Government released Rs 24.06 lakh (Grant Rs 12.03 lakh and Loan 12.03 lakh) against demand (February 2006).



(Photos showing incomplete/damaged work of construction of Bus Stand at Medininagar)

The works of Bus Bays, Boundary wall, platform, Roads, Water tank and Building relating to Bus Stand were taken up by the Contractor under the supervision of Sri BK Singh, JE & District Engineer during 2006-07 and payment of Rs 40.95 lakh upto Vth on account bill was made to the Agent during the said period.

The Council informed (May 2006 and June 2006) the Contractor that the work was substandard. However, the Contractor replied that the specific designs and estimates were not made available to him (July 2006) which was finally provided

in August 2006. Since then, no work was done by the contractor further. A number of correspondences was made by the Council and the Contractor showing lapses on the part of each other. No fruitful action was taken by the Government/Council/Contractor for completion of remaining work of construction of Bus Stand, although, a huge amount of Rs 44.35 lakh was incurred on it. A team of UDD also inspected the site (July 2007) but no inspection report was submitted, although, the Council requested for the same and the work had since been stopped (June 2010). The Contractor sent legal notice showing laches on the part of the Council but the Council replied that no laches had been made on their part.

Thus, the construction of Bus stand started in May 2006 still remained incomplete despite a lapse of more than four years and an expenditure of Rs 44.35 lakh against estimate of Rs 84.58 lakh (52.43 percent of the estimate). The work of construction was being damaged also as it had shown a number of cracks. Thus, the total expenditure incurred on construction of Bus Stand to the tune of Rs 44.35 lakh proved wasteful and infructuous.

#### ***6.10 Incomplete work of construction of Market/Commercial Complex at Jugsalai***

The work of construction of Market Complex at Jugsalai remained incomplete although 87.83 percent of the estimated cost was incurred on it.

Government of Jharkhand released (March 2006) Rs 1.00 crore as Loan for construction of Market/Commercial complex at Jugsalai. Administrative approval was also accorded by the UDD under the same letter. Tenders for an estimated cost of as 149.80 lakh were invited (May 2006). Accordingly, M/S Golra Enterprises was selected as Agency at 0.01% below the estimated cost. An agreement was also executed with the Agency (July 2006). As per the terms of the agreement, the work of construction of Commercial complex was to be completed in a year from the date of agreement. The work was taken up by the Agency and against the 12<sup>th</sup> A/c bills of Rs 131.57 lakh, a sum of Rs 125.63 lakh (2006-07 Rs 20.76 lakh, 2007-08 Rs 70.49 lakh, 2008-09 19.60 lakh & 2009-10 Rs 14.78 lakh) was paid to the Agency excluding compulsory deductions till March 2010 but the same could not be completed as yet (Aug 2010) despite lapse of more than four years since agreement, although 87.83 percent of the estimated cost had already been paid to the Agency till Aug 2010.

Further, due to delay in completion of the work, the Municipality has been sustaining recurring loss on account of shops rent which might have enhanced the income of the Municipality to sort out the financial imbalance. The execution of the works was delayed due to improper planning and lack of monitoring by the Executives of the Municipality. Failure in completing the work within the stipulated date not only deprived the local people of the intended benefits of the scheme but also caused blockade of Government fund of Rs 1.00 crore.

### **6.11 Excess Payments of Rs 26.09 lakh to the Executing Agents/Contractors**

In 14 ULBs, excess amount of Rs 26.09 lakh was paid to the Executing Agents/Contractors beyond the agreed rates/estimates.

A sum of Rs 26.09 lakh, as detailed below, was paid in excess to the concerned Executing Agents/Contractors of 14 ULBs, due to various reasons such as excess carriage charge, non-recovery of excess cost of cement, deviation in works etc as shown in the table below:

**Table-35**

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Excess payment	Reasons
1.	Deoghar	2007-09	2.41	Excess work done and non-deduction of cost of empty cement bags
2.	Dumka	2007-09	3.28	Excess carriage charge and rates charged
3.	Sahebganj	2007-09	1.13	Excess payment of advance
4.	Medininagar	2007-09	0.32	Non-deduction of contractors' profit and excess advance
5.	Madhupur	2007-09	0.82	Excess Advance and non-deduction of cost of empty cement bags
6.	Jugsalai	2007-09	0.16	Non- deduction of cost of empty cement bags & Bitumen drums
7.	Chaibasa	2008-09	1.79	Excess payment of advance
8.	Jhumri Tilaiya	2007-09	1.06	Excess labour engagement, non-deduction of cost of empty cement bags
9.	Jamshedpur	2007-09	1.89	Less vouchers, Excess carriage charge, excess labour engagement and non-deduction of cost of empty cement bags
10.	Lohardaga	2007-09	9.70	Extra cost with extra item of work
11.	Adityapur	2007-09	0.09	Non deduction of cost of empty Bitumen drums
12.	Gumla	2007-09	1.34	Less vouchers and extra rates charged
13.	Pakur	2007-09	0.40	Non deduction of voids and cost of empty cement bags
14.	Kodarma	2007-09	1.70	Excess payment of advance
<b>TOTAL</b>			<b>26.09</b>	

### **6.12 Other irregularities/deficiencies in execution of Schemes**

- Dumka Municipal Council diverted Rs 5.78 lakh sanctioned for repairing of tubewells towards installation of tubewells during 2007-09 in contravention of Rule 14 A of Bihar Municipal Accounts Rules, 1928.
- Government fund of Rs 9.89 crore (Grant Rs 6.61 crore & Loan Rs 3.28 crore) received for different specific purposes by four ULBs (Deoghar Rs 5.58 crore, Dumka Rs 2.68 crore, Medininagar Rs 1.5 crore & Madhupur Rs 0.13 crore) during 2001-08 was blocked for two to eight years thereby depriving the people of the intended benefits of the scheme.
- Two ULBs (Lohardaga and Jamshedpur) irregularly awarded two to four works to the Contractors at a time/before completion of 75% *per cent* of previous work during 2007-09 resulting irregular expenditure of Rs 4.27 crore (1.76 crore + 2.51 crore) respectively in utter violation of Bihar Public Works Accounts Code.
- A sum of Rs 1.91 crore was paid to the District Land Acquisition Officers (DLAOs) by four ULBs (Sahebganj Rs 13.36 lakh, Madhupur Rs 18.16 lakh, Chaibasa Rs 25.00 lakh and Pakur Rs 135.00 lakh) for acquisition of land for construction of Modern Bus Stand, Solid Waste Management Programme (SWMP) during 2007-09, but the land could not be acquired/made available to the ULBs. As such, the work of construction could not be started defeating the purpose of the fund apart from blockade (March 2010).
- In contravention of Government instructions, two ULBs (Deoghar and Jamshedpur) executed 22 (10 + 12) works of estimated cost less than five lakh at a cost of Rs 32.71 lakh (25.92 lakh + 6.79 lakh) during 2007-09 through Contractors in lieu of departmental work resulting into loss of Rs 3.97 lakh (2.36 lakh + 1.61 lakh) on account of Contractor's profit @ 9.1 *per cent* of the work value.

### **6.13 Conclusions**

- Poor utilization of assistance under several schemes indicated insufficient appreciation of Government objectives and policies for providing basic amenities and services to the public at large.
- Non/improper implementation of schemes not only resulted in blockade of Government Fund but also defeated the objectives for which the Government released development grants to the ULBs.

**6.14 Recommendations**

- Close monitoring of the utilization of assistance and periodical evaluation of achievement of schemes is needed.
- Cases of gross financial irregularities should be investigated and action taken against the erring official(s).
- All schemes/projects for which Grants/Loans are released to the ULBs should be completed in time so as to provide due benefits to the people. Responsibilities should be fixed in case of all unjustified delays.

**Ranchi**

**The**

**(R.K. AGRAWAL)**  
**Examiner of Local Accounts,**  
**Jharkhand, Ranchi**

**Countersigned**

**Ranchi**

**The**

**(R.K. VERMA)**  
**Principal Accountant General (Audit),**  
**Jharkhand, Ranchi**

## APPENDIX-I

### **List of Powers and Functions of ULBs as per the 74<sup>th</sup> Constitutional Amendment Act (Schedule XII)**

(Reference to: para 1.3; page 3)

1. Urban planning including town planning
2. Regulation of land-use and construction of buildings
3. Planning for economic and social development;
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation, conservancy and solid waste management
7. Fire Services;
8. Urban forestry, protection of the environment and promotion of ecological aspects;
9. Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded;
10. Slum improvement and upgradation;
11. Urban poverty alleviation;
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds;
13. Promotion of cultural, educational and aesthetic aspects;
14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums;
15. Cattle ponds, prevention of cruelty to animals;
16. Vital statistics including registration of births and deaths;
17. Public amenities including street lighting, parking lots, bus stops and public conveniences;
18. Regulation of slaughter houses and tanneries;



## **APPENDIX-II**

### **Statement showing name and period of 14 Urban Local Bodies test checked** (Reference to: para 1.6, page 4)

<b>Sl.No.</b>	<b>Name of ULBs</b>	<b>District</b>	<b>Period of Audit.</b>
1.	Deoghar Municipality	Deoghar	2007-09
2.	Dumka Municipal Council	Dumka	2007-09
3.	Sahebganj Municipal Council	Sahebganj	2007-09
4.	Medininagar Municipal Council	Palamau	2007-09
5.	Madhupur Municipal Council	Deoghar	2007-09
6.	Jugsalai Municipality	East Singhbhoom	2007-09
7.	Chaibasa Municipal Council	West Singhbhoom	2008-09
8.	Jhumri Tilaiya Municipality	Koderma	2007-09
9.	Jamshedpur NAC	East Singhbhoom	2007-09
10.	Lohardrga Municipal Council	Lohardaga	2007-09
11.	Adityapur Municipal Council	East Singhbhoom	2007-09
12.	Gumla Nagar Panchayat	Gumla	2007-09
13.	Pakur Nagar Panchayat	Pakur	2007-09
14.	Koderma NAC	Koderma	2007-09

**APPENDIX-III****Statement showing position of pending Surcharge cases pending in respect of selected Urban Local Bodies**

(Reference to: para 1.11, page 8)

(Rs in lakh)

Sl. No.	Name of ULBs	Period	No. of proposed Surcharge Cases	Amount involved
1.	Ranchi	2000-02	42	10.68
2.	Pakur	2001-02	6	2.51
3.	Godda	2001-02	4	1.55
4.	Mihijam	2001-02	3	14.00
5.	Madhupur	2004-09	12	3.42
6.	Jugsalai	2002-03	1	0.53
7.	Lohardaga	2002-06	5	13.95
8.	Khunti	2003-04	1	0.26
9.	Jharia	2003-06	5	67.80
10.	Chas	2003-04	18	12.26
11.	Garhwa	2004-05	10	3.91
12.	Jamtara	2004-05	1	2.75
13.	Hazaribagh	2005-06	3	0.50
14.	Gumla	2005-09	6	5.41
15.	Medininagar	2005-06	1	0.52
16.	Simdega	2006-07	1	0.02
17.	Dhanbad	2006-07	2	0.90
18.	Giridih	2008-09	2	0.04
19.	Sahebganj	2007-08	1	0.25
20.	Chaibasa	2006-07	1	0.75
21.	Chakradharpur	2009-10	1	0.72
<b>Total</b>			<b>126</b>	<b>142.73</b>

**APPENDIX-IV**

**Statement showing Result of Audit**  
(Reference to: para 1.12, page 9)

(Rs in lakh)

Sl. No.	Name of ULBs	Period of Audit	Amount suggested for recovery	Amount recovered at the instance of audit	Amount held under objection
1.	Deoghar	2007-09	284.39	1.10	72.92
2.	Dumka	2007-09	82.28	0.03	1.92
3.	Sahebganj	2007-09	15.74	0.15	26.70
4.	Medininagar	2007-09	24.60	0.22	86.88
5.	Madhupur	2007-09	3.88	0.47	12.99
6.	Jugsalai	2007-09	3.93	0.03	21.69
7.	Chaibasa	2008-09	87.40	Nil	5.03
8.	Jhumri Tilaiya	2007-09	11.39	0.08	21.02
9.	Jamshedpur	2007-09	55.65	Nil	384.81
10.	Lohardaga	2007-09	163.38	0.96	222.16
11.	Adityapur	2007-09	9.64	0.89	31.99
12.	Gumla	2007-09	13.98	0.03	70.56
13.	Pakur	2007-09	8.76	0.02	132.27
14.	Koderma	2007-09	3.05	Nil	4.51
<b>Total</b>			<b>768.07</b>	<b>3.98</b>	<b>1095.45</b>

**APPENDIX-V****Statement showing position of Non-Recurring Grants & Loans received for development purposes during 2007-09.**

(Reference to: para 2.5.1; page 16)

(Rs in crore)

Sl. No.	Name of ULBs	Period	Opening Balance	Grants	Loans	Total	Grant & Loan spent	Closing Balance as on 31March	Percentage of utilization
1.	Deoghar	2007-09	14.12	27.13	10.10	51.35	20.35	31.00	39.63
2.	Dumka	2007-09	15.78	8.97	18.75	43.50	30.49	13.01	70.10
3.	Sahebganj	2007-09	4.76	5.72	1.25	11.73	1.87	9.86	15.94
4.	Medininagar	2007-09	7.08	3.13	1.51	11.72	1.73	9.99	14.77
5.	Madhupur	2007-09	1.56	1.95	0.67	4.18	1.79	2.39	42.83
6.	Jugsalai	2007-09	1.42	2.68	5.98	10.08	8.92	1.16	88.50
7.	Chaibasa	2008-09	3.45	1.98	1.15	6.58	1.99	4.59	30.25
8.	Jhumri Tilaiya	2007-09	2.78	2.60	4.52	9.90	3.59	6.31	36.26
9.	Jamshedpur	2007-09	18.68	9.94	12.92	41.54	23.85	17.69	57.41
10.	Lohardaga	2007-09	9.75	2.67	2.53	14.95	7.65	7.30	51.17
11.	Adityapur	2007-09	3.23	2.08	1.35	6.66	1.87	4.79	28.08
12.	Gumla	2007-09	4.12	6.00	2.06	12.18	5.57	6.61	45.73
13.	Pakur	2007-09	5.45	3.55	2.65	11.65	6.08	5.57	52.19
14.	Koderma	2007-09	1.50	1.41	0.88	3.79	1.40	2.39	36.93
<b>Total</b>			<b>93.68</b>	<b>79.81</b>	<b>66.32</b>	<b>239.81</b>	<b>117.15</b>	<b>122.66</b>	<b>48.86</b>

## **APPENDIX-VI**

### **Statement showing position of Outstanding Advances.**

(Reference to: para 2.6.8 , page 22)

(Rs in lakh)

<b>Sl.No.</b>	<b>Name of ULBs</b>	<b>Position as of 31<sup>st</sup> March</b>	<b>Amount of Advances outstanding</b>
1.	Deoghar	2009	37.88
2.	Dumka	2009	0.60
3.	Sahebganj	2009	2.50
4.	Medininagar	2009	10.59
5.	Madhupur	2009	40.44
6.	Jugsalai	2009	1.26
7.	Chaibasa	2009	3.85
8.	Jhumri Tilaiya	2009	37.90
9.	Jamshedpur	2009	43.29
10.	Lohardaga	2009	215.89
11.	Adityapur	2009	133.59
12.	Gumla	2009	150.27
13.	Koderma	2009	10.68
	<b>Total</b>		<b>688.74</b>

**APPENDIX-VII****Statement showing arrears of Holding tax.**

(Reference to: para 3.1; page 28)

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Arrear Demand	Current Demand	Total Demand	Collection	Arrear	Percentage of Collection
1.	Deoghar	2008-09	106.97	64.62	171.59	85.71	85.88	49.95
2.	Dumka	2008-09	26.97	17.09	44.06	9.61	34.95	21.81
3.	Sahebganj	2008-09	NA	NA	165.12	10.94	154.18	6.63
4.	Medininagar	2008-09	43.25	22.40	65.65	19.59	46.06	29.84
5.	Madhupur	2008-09	15.69	10.34	26.03	8.64	17.39	33.19
6.	Chaibasa	2008-09	61.94	23.81	85.75	27.26	58.49	31.79
7.	Jhumri Tilaiya	2008-09	28.78	17.03	45.81	14.42	31.39	31.48
8.	Lohardaga	2008-09	9.64	12.25	21.89	13.46	8.43	61.49
9.	Adityapur	2008-09	359.62	53.27	412.89	9.51	403.38	2.31
10.	Gumla	2008-09	5.29	14.00	19.29	6.13	13.16	31.78
11.	Pakur	2008-09	4.91	4.07	8.98	3.53	5.45	39.31
<b>Total</b>			<b>NA</b>	<b>NA</b>	<b>1067.06</b>	<b>208.80</b>	<b>858.76</b>	<b>19.57</b>

## APPENDIX-VIII

### Statement showing loss due to non-revision of Annual value of Holdings of Railway Buildings by the Madhupur Municipal Council (Reference to: para 3.3; page 29 )

#### Holding No 219

(in Rs)

Fin Year	Annual valuation of Holding No 219	10 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 10% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realised
1996-97	2,66,10,581	26,61,058	2,92,71,639	20,49,015	18,62,740	1,86,275
1997-98	2,92,71,639	29,27,164	3,21,98,803	22,53,916	18,62,740	3,91,176
1998-99	3,21,98,803	32,19,880	3,54,18,683	24,79,308	18,62,740	6,16,568
1999-00	3,54,18,683	35,41,868	3,89,60,551	27,27,239	18,62,740	8,64,499
2000-01	3,89,60,551	38,96,055	4,28,56,606	29,99,962	18,62,740	11,37,222
2001-02	4,28,56,606	42,85,660	4,71,42,267	32,99,959	18,62,740	14,37,219
2002-03	4,71,42,267	47,14,227	5,18,56,494	36,29,955	18,62,740	17,67,215
2003-04	5,18,56,494	51,85,649	5,70,42,143	39,92,950	18,62,740	21,30,210
<b>Sub-Total</b>						<b>85,30,384</b>

Fin Year	Annual valuation of Holding No 219	7 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 7% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realised
2004-05	5,70,42,143	39,92,950	6,10,35,093	42,72,457	18,62,740	24,09,717
2005-06	6,10,35,093	42,72,457	6,53,07,550	45,71,529	18,62,740	27,08,788
2006-07	6,53,07,550	45,71,529	6,98,79,079	48,91,536	18,62,740	31,28,796
2007-08	6,98,79,079	48,91,536	7,47,70,615	52,33,943	18,62,740	33,71,203
2008-09	7,47,70,615	52,33,943	8,00,04,558	56,00,319	18,62,740	37,37,579
<b>Sub-Total</b>						<b>1,53,56,083</b>
<b>Total</b>						<b>2,38,86,467</b>

#### Holding No 217

Fin Year	Annual valuation of Holding No 217	10 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 10% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realised
1996-97	98,939	9,894	1,08,833	7,618	6,925	693
1997-98	1,08,833	10,883	1,19,716	8,380	6,925	1,455
1998-99	1,19,716	11,972	1,31,688	9,218	6,925	2,293
1999-00	1,31,688	13,169	1,44,857	10,140	6,925	3,215
2000-01	1,44,857	14,486	1,59,343	11,154	6,925	4,229
2001-02	1,59,343	15,934	1,75,277	12,269	6,925	5,344
2002-03	1,75,277	17,528	1,92,805	13,496	6,925	6,571
2003-04	1,92,805	19,281	2,12,086	14,846	6,925	7,921
<b>Sub-Total</b>						<b>31,721</b>

Fin Year	Annual valuation of Holding No 217	7 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 7% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realized
2004-05	2,12,086	14,846	2,26,932	15,885	6,925	8,960
2005-06	2,26,932	15,885	2,42,817	16,997	6,925	10,072
2006-07	2,42,817	16,997	2,59,814	18,187	6,925	11,262
2007-08	2,59,814	18,187	2,78,001	19,460	6,925	12,535
2008-09	2,78,001	19,460	2,97,461	20,822	6,925	13,897
<b>Sub-Total</b>						<b>56,726</b>
<b>Total</b>						<b>88,447</b>

### Holding No 218

Fin Year	Annual valuation of Holding No 218	10 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 10% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realised
1996-97	95,986	9,599	1,05,585	7,391	6,719	672
1997-98	1,05,585	10,559	1,16,144	8,130	6,719	1,411
1998-99	1,16,144	11,614	1,27,758	8,943	6,719	2,224
1999-00	1,27,758	12,776	1,40,534	9,837	6,719	3,118
2000-01	1,40,534	14,053	1,54,587	10,821	6,719	4,102
2001-02	1,54,587	15,459	1,70,046	11,903	6,719	5,184
2002-03	1,70,046	17,005	1,87,051	13,094	6,719	6,375
2003-04	1,87,051	18,705	2,05,756	14,403	6,719	7,684
<b>Sub-Total</b>						<b>30,770</b>

Fin Year	Annual valuation of Holding No 218	7 % of the Annual Value (which should have been added in the Annual Value)	Annual valuation after increase of 7% upto 2003-04	Holding Tax @ 7% which should have been realized	Holding tax realized	Balance to be realized
2004-05	2,05,756	14,403	2,20,159	15,411	6,719	8,692
2005-06	2,20,159	15,411	2,35,570	16,490	6,719	9,771
2006-07	2,35,570	16,490	2,52,060	17,644	6,719	10,925
2007-08	252,060	17,644	2,69,704	18,879	6,719	12,160
2008-09	2,69,704	18,879	2,88,583	20,201	6,719	13,482
<b>Sub-Total</b>						<b>55,030</b>
<b>Total</b>						<b>85,800</b>

### Abstract

**Holding No 219 — Rs 2,38,86,467/-**  
**Holding No 217 — Rs 88,447/-**  
**Holding No 218 — Rs 85,800/-**  
**Grand Total— Rs 2,40,60,714/-**



**APPENDIX-IX**

**Statement showing list of Receipt Books not produced before audit.**  
(Reference to: para 3.5, page 31)

Sl.No.	Name of ULBs	Receipt Book	Date of issue of Books.	To whom issued (S/Sri)	No. of Books	Type of Receipt Books
1.	Deoghar	1701-1800	5.11.07	Prakash Bhardwaj	01	Holding
		6001-6100	17.6.08	Rajeshwar Mishra	01	Holding
		201-300	26.11.08	Ajay Kumar	01	Miscellaneous
		1001-1100	7.2.09	Badri Narayan Jha	01	Miscellaneous
		9801-9900	22.8.07	Shankar Nath Jha		Miscellaneous
		1401-1500	6.5.05	Shankar Nath Jha		Miscellaneous
		1701-1800	6.5.05	Shankar Nath Jha		Miscellaneous
		1801-1900	6.5.05	Shankar Nath Jha		Miscellaneous
		2501-2800	4.8.05	Shankar Nath Jha	07	Miscellaneous
		3201-3300	5.9.05	Balanand Jha	01	Miscellaneous
		301-400	NA	Shyam Nath Mishra	01	
			<b>Total</b>			<b>13</b>
2.	Madhupur	4001-4400	31.3.04	Madan Mohan Prasad	04	Bus stand
		2901-3200	31.3.04	Madan Mohan Prasad	03	Bus stand
		901-1000	31.1.08	SK Dubey	01	Professional tax
		3701-3800	6.8.02	SK Dubey	01	Holding
		901-1000	31.12.08	Asim Ansari, TC	01	Holding
		3101-3200	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		4801-4900	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		5601-5700	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		8101-8200	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		9201-9300	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		9301-9400	Not issued	IBP Singh, Heat clerk		Nazir Receipt
		9601-9700	Not issued	IBP Singh, Heat clerk	07	Nazir Receipt
	<b>Total</b>			<b>17</b>		
3.	Jugsalai	101-200	20.3.07	Anil Kumar		Miscellaneous
		401-500	23.4.07	Anil Kumar	02	Miscellaneous
	<b>Total</b>			<b>02</b>		
4.	Gumla	551-600	NA	NA	01	Miscellaneous
		2101-2200	NA	NA	01	Miscellaneous
		2201-2300	NA	NA	01	Miscellaneous
		3501-3600	NA	NA	01	Miscellaneous
		801-850	NA	NA	01	Holding
		01-400	NA	NA	04	Vegetable Market
		801-900	NA	NA	01	Vegetable Market
		1101-1200	NA	NA	01	Vegetable Market
		1801-1900	NA	NA	01	Vegetable Market
		2001-2200	NA	NA	02	Vegetable Market
		2401-2500	NA	NA	01	Water Tax
		01-300	NA	NA	03	Water Tax
		801-900	NA	NA	01	Water Tax
			<b>Total</b>			<b>19</b>
	<b>Grand Total</b>			<b>51</b>		

**APPENDIX-X****Statement showing cost of materials paid on Hand Receipts**  
(Reference to: para 5.3, page 43)

(In Rupees)

Sl. No.	Name of Scheme	Executing Agent (S/Sri)	Chips		Sand		Bricks		MS Rod / Cement/Mooram		Total Amount
			Qty. (in Cum)	Amount	Qty. (in Cum)	Amount	Qty. (Nos.)	Amount	Qty.	Amount	
<b>Sahebganj</b>											
1	Construction of four seater Urinals at Wd No-11	Laxman Prasad Tati	-	900	-	1800	-	1144	-	-	3844
<b>Total</b>											<b>3844</b>
<b>Jugsalai</b>											
2	Drain in Ashraf House to Ahmad Raza House	Khiod Ch. Mahto	-	4,698	-	2,559	-	7,025	-	272	14,554
3	Drain in Toti Bhai House to National School	Brihaspati Sardar	-	9,663	-	5,772	-	26,869	-	583	42,887
4	Drain in Masjid Miraz to Gulfam House	Sudhir Kr. Singh	-	6,392	-	4,065	-	18,628	-	385	29,470
<b>Total</b>											<b>86911</b>
<b>Jhumri Tilaiya</b>											
5	Drain from Addi Bangla Road to NH-31 Bye Pass Road (Scheme No 13/07-08)	Departmental	1000	2,100	2700	17,550	42,250	1,05,625	-	-	1,25,275
6	PCC path at Tulsi Yadav house to Wd No 3 (Scheme No 7/07-08)	Departmental	3800	91,200	4800	33,600	31,000	86,800	3900	11,700	2,23,300
7	Drain from Dr. Suresh Singh's house to Bye Pass chowk (Scheme No 3/07-08)	Departmental	1060	24,660	3500	25,000	54,500	1,22,800	-	-	1,72,460
8	Drain from Shiv Mandir to culvert Pitch Road (Scheme No 18/07-08)	Departmental	907	21,117	2276	17,408	37,678	94,195	-	-	1,32,720
9	Drain from B. Singh house to Madhusudan's house (Scheme No 17/07-08)	Departmental	1100	23,650	3100	23,250	51,000	1,22,400	-	-	1,69,300
10	Drain from B. Singh house to N. Madi's house (Scheme No 12/07-08)	Departmental	1100	23,100	2900	18,850	46,900	1,07,870	-	-	1,49,820
11	Construction of pond at Raja Mohalla Bhelwa (Scheme No 2/07-08)	Departmental	2100	44,100	4700	30,550	52,000	1,14,400	-	-	1,89,050
12	Drain construction from Kali Mandir to Nala (Scheme No 10/07-08)	Departmental	400	8400	1300	8450	20500	45100	-	-	61950
<b>Total</b>											<b>12,23,875</b>
<b>Grand Total</b>											<b>13,14,630</b>

**APPENDIX-XI**

**Statement showing details of payment made to M/S IVRCL Infrastructure & Projects Limited, Hyderabad on account of augmentation & re-organisation of Deoghar Urban Water Supply Scheme  
(Reference to: para 6.7, page 52)**

<b>Zone I</b>						
<b>Raw water/clear water Rising main(D.I. K-9 pipe)</b>						
<b>Sl. No.</b>	<b>Description of item</b>	<b>Quantity executed (as per MB)</b>	<b>Rate per meter</b>	<b>Value (Rs.)</b>	<b>Amount paid (Rs.)</b>	<b>Percentage of payment</b>
1	Supply-150mm Dia	1050M	1134.87	11,91,613.50	9,53,290.80	80%
2	-do- -300mm	200M	2534.21	5,06,842.00	4,05,473.60	80%
3	-do- -350mm	500M	3183.74	15,91,870.00	12,73,496.00	80%
4	Laying-350mm	474M	3183.74	15,09,092.00	3,01,818.55	20%
<b>Total</b>					<b>29,34,078.95</b>	
<b>Distribution main (D.I. K-7 pipe)</b>						
5	Supply-100mm Dia	20196.5M	693.84	1,40,13,139.56	1,12,10,511.65	80%
6	Laying-100mm	23514.5M	693.84	1,63,15,300.68	32,63,060.14	20%
7	Supply-150mm	709.5M	1003.94	7,12,295.43	7,12,295.43	100%
8	Laying-150mm	2150.5M	1003.94	21,58,972.97	4,31,794.59	20%
9	Supply-150mm	2219M	1003.94	22,27,742.86	17,82,194.29	80%
10	-do- -200mm	938M	1352.34	12,68,494.92	10,14,795.94	80%
11	Laying-200mm	821.5M	1352.34	11,10,947.31	2,22,189.46	20%
12	Supply-250mm	3385M	1509.60	61,25,496.00	49,00,396.80	80%
13	Laying-250mm	1289M	1809.60	23,32,574.40	4,66,514.88	20%
14	-do- -350mm	156M	2940.10	4,58,655.60	91,731.12	20%
15	-do- -400mm	230M	3595.38	8,26,937.40	1,65,387.48	20%
16	-do- -500mm	48M	5117.55	2,45,642.45	49,128.49	20%
<b>Total</b>					<b>2,43,10,000.27</b>	

<b>Zone II</b>						
<b>Raw water Rising main ( D.I. K-9 pipe)</b>						
17	Supply -250mm	3484.5M	2005.64	69,90,658.22	55,92,526.58	80%
18	-do- -300mm	50M	2534.21	1,26,710.50	1,01,368.40	80%
19	Laying -350mm	2189M	3183.74	69,69,206.86	13,93,841.37	20%
20	Supply -350mm	2595.5M	3183.74	82,63,397.17	66,10,717.74	80%
21	-do- -450mm	10273.5M	4613.22	4,73,93,915.67	3,79,15,132.54	80%
22	Laying -450mm	2578M	4613.22	1,18,92,881.16	23,78,576.23	20%
<b>Total</b>					<b>5,39,92,162.86</b>	

Distribution main (D.I. K-7 pipe)						
23	Supply -100mm	90544.5M	693.84	6,28,23,395.88	5,02,58,716.70	80%
24	Laying -100mm	60406.5M	693.84	4,19,12,445.96	83,82,489.19	20%
25	Supply -150mm	3530.5M	1003.94	35,44,410.17	28,35,528.14	80%
26	Laying -150mm	2851M	1003.94	28,62,232.94	5,72,446.59	20%
27	Supply -200mm	4943.5M	1352.34	66,85,292.79	53,48,234.23	80%
28	Laying -200mm	770.5M	1352.34	10,41,977.97	2,08,395.59	20%
29	Supply -250mm	5154M	1809.60	93,26,678.40	74,61,342.72	80%
30	Laying -250mm	4469M	1809.60	80,87,102.40	16,17,420.48	20%
31	Supply -300mm	5470M	2316.38	1,26,70,598.60	1,01,36,478.88	80%
32	Laying -300mm	3035.5M	2316.38	70,31,371.49	14,06,274.30	20%
33	Supply -350mm	1553M	2940.10	45,65,975.30	36,52,780.24	80%
34	-do- -400mm	1984M	3595.38	71,33,233.92	57,06,587.14	80%
35	-do- -450mm	1702M	4318.95	73,50,852.90	58,80,682.32	80%
36	Laying -450mm	1416M	4318.95	61,15,633.00	12,23,126.64	20%
37	Supply -500mm	636M	5117.55	32,54,761.80	26,03,809.44	80%
<b>Total</b>					<b>10,72,94,312.60</b>	
250mm dia MS pipeline as common raising main connecting 10 nos. of river bed tube well to river bank sump						
38	Providing & laying-250mm	1498M	3000.00	44,94,000.00	35,95,200.00	80%

**Abstract of different pipes****Rs.**

Total rising main payment -	5,69,26,241.81
Total distribution main payment-	13,16,04,312.87
Total MS pipe common rising main payment-	35,95,200.00

## GLOSSARY OF ABBREVIATIONS

<b>AR</b>	Audit Report
<b>ATN</b>	Action Taken Notes
<b>BMA Rules</b>	Bihar Municipal Accounts Rules
<b>B &amp; O LFA Act</b>	Bihar & Orissa Local Fund Audit Act
<b>BOQ</b>	Bill Of Quantity
<b>BPL</b>	Below Poverty Line
<b>C&amp;AG</b>	Comptroller & Auditor General of India
<b>CDO</b>	Central Designing Organization
<b>CEO</b>	Chief Executive Officer
<b>CSMC</b>	Central Sponsored Monitoring Committee
<b>DC</b>	Deputy Commissioner
<b>DLAO</b>	District Land Acquisition Officer
<b>DPR</b>	Detailed Project Report
<b>DWSD</b>	Drinking Water & Sanitation Department/Division
<b>EFC</b>	Eleventh Finance Commission
<b>ELA</b>	Examiner of Local Accounts
<b>GOI</b>	Government of India
<b>GOJ</b>	Government of Jharkhand
<b>GRDA</b>	Greater Ranchi Development Agency
<b>JE, AE, EE</b>	Junior Engineer, Assistant Engineer, Executive Engineer
<b>JMA</b>	Jharkhand Municipal Act
<b>JNNURM</b>	Jawaharlal Nehru National Urban Renewal Mission
<b>MOA</b>	Memorandum of Agreement
<b>MS ROD</b>	Metallic Steel Rod
<b>NA</b>	Not Available
<b>NAC</b>	Notified Area Committee
<b>NGOs</b>	Non-Government Organizations
<b>NIT</b>	Notice Inviting Tenders

<b>NMAM</b>	National Municipal Accounts Manual
<b>PAG</b>	Principal Accountant General
<b>PCC</b>	Pavement in Cement Concrete
<b>PF</b>	Provident Fund
<b>PFMA</b>	Public Financial Management and Accountability
<b>PHED</b>	Public Health & Engineering Department
<b>PWD</b>	Public Works Department
<b>RCD</b>	Road Construction Department
<b>REO</b>	Rural Engineering Organization
<b>RMC</b>	Ranchi Municipal Corporation
<b>RWD</b>	Road Works Division
<b>SDO</b>	Sub-Divisional Officer
<b>SFC</b>	State Finance Commission
<b>SISSO</b>	Sulabh International Social Service Organisation
<b>SJSRY</b>	Swarn Jayanti Shahari Rojgar Yojna
<b>SLNA</b>	State Level Nodal Agency
<b>SPV</b>	Special Purpose Vehicle
<b>SWMP</b>	Solid Waste Management Programme
<b>TC</b>	Tax Collector
<b>TDS</b>	Tax Deducted at Source
<b>TFC</b>	Twelfth Finance Commission
<b>UDD</b>	Urban Development Department
<b>UIDSSMT</b>	Urban Infrastructure Development Scheme for Small and Medium Towns
<b>UIG</b>	Urban Infrastructure Governance
<b>ULBs</b>	Urban Local Bodies
<b>UMTC</b>	Urban Mass Transit Company
<b>VAT</b>	Value Added Tax