

## CHAPTER - VI

### TRANSACTION AUDIT

#### 6.1 Non-credit of Education Cess to State Government

**Patan Nagar Palika failed to credit the Education Cess collected upto March 2003 to the State Government account resulting in arrears of Rs.1.65 crore still to be credited to State Government accounts.**

Under Section 12 of Gujarat Education Cess Act – 1962, education cess was levied and collected by Municipal Corporation, Nagar Palika as the case may be. Nagar Palika was recovering the taxes on behalf of the Government and was looking after the responsibility of primary education. From the year 1992-93, Government fixed a ratio for grants to ULBs for maintenance of schools according to the percentage of education cess deposited to Government Account by the ULBs.

It was observed that up to the year ended 31 March 2003, the education cess collected by Patan, Nagar Palika was credited to its own fund. However, during the subsequent years, the Patan Nagar Palika transferred the amount in excess of the collection to Government as detailed under.

(Rs. in lakh)

Year	Education cess Collected	Amount credited to State Government
Up to 31-03-2003	316.78	Nil
2003-04	65.87	84.93
2004-05	56.35	103.63
2005-06	86.21	113.59
2006-07	86.54	144.61
<b>Total</b>	<b>614.75</b>	<b>446.76</b>

As on 31 March 2007, an amount of Rs. 1.65 crore was still to be credited to State Government.

The Chief Officer, Nagar Palika, Patan stated (May 2007) that due to financial constraints faced by the Nagar Palika, the education cess collected has been utilized for the day to day expenditure of the Nagar Palika. However, it was assured that the remaining amount would be credited to State Government in due course.

## **6.2 Avoidable loss**

### **Failure of the Patan Nagarpalika to pay the electricity bills within due dates resulted in avoidable payment of delayed payment charges.**

Government of Gujarat, Urban Development and Urban Housing Department vide circular No-GEB / 112003/M-24/R dated 16 August 2003 instructed all Nagar Palikas that they should pay their electricity bills regularly and for this purpose, the Nagar Palikas were authorized to increase property tax, water charges and other taxes. The Director of Municipalities vide circular dated 27 July 2003 also issued the instructions to all Nagar Palika for payment of electricity bills regularly.

It was observed that Patan, Nagar Palika failed to pay electricity bills pertaining to 18 bore wells and pumping stations on time and an amount of Rs. 32.46 crore was payable to Uttar Gujarat Vij Company Ltd as on 31 March 2008 which included delayed payment charges of Rs.20.48 lakh for the year from 2004-05 to 2007-08.

Further, it was noticed that though the Nagar Palika had an average cash balance of Rs. 3.35 crore during the last three years ending 31 March 2007, it did not pay the amount in time. This resulted in levy of delayed payment charges of Rs. 20.48 lakh for these years. It was also observed that Nagar Palika had not taken any initiative to increase the rates/charges of property tax, water charges and other taxes and make the payment of electricity bills in time. This led to accumulation of arrears of Rs.32.64 crore which could have been avoided.

## **6.3 Engagement of daily wages staff in excess of permissible limit**

### **Amreli Nagar Palika incurred unauthorized expenditure of Rs.1.40 crore during 2003-04 to 2005-06 on engagement of daily wages staff in excess of permissible limit.**

As per Gujarat Government, Panchayat Housing and Urban Development G.R.No.-155/1178/3827/Muni. dated 12 June 1978, Nagar Palikas are not authorized to create any post without the prior approval of State Government. However, to meet the day to day exigencies, the Nagar Palikas were permitted to engage daily wages staff up to 10 per cent of their sanctioned strength. Section 260 of the Nagar Palika Act, 1963 also prevents the Nagar Palikas in extravagance in employment of staff/personal.

It was observed that Amreli Nagar Palika engaged and deployed daily wage employees in excess of 10 per cent of the sanctioned strength and incurred unauthorized expenditure of Rs.139.81 lakh during 2003-04 to 2005-06. The Regional Director Municipalities, Rajkot had instructed Amreli Nagar Palika in November 2000 not to employ daily wagers in excess of the permissible limit.

The Chief Officer, Amreli Nagar Palika stated (December 2008) that the sanctioned strength of the municipality staff was approved in the year 1960 and due to increase of population and municipal limit, it was necessary to employ daily wagers. Reply is not tenable as neither steps were taken by the Nagar Palika to increase the sanctioned strength nor prior approval of the Government was obtained before employing daily wage employees in excess of the permissible limit.

**Ahmedabad**  
the            day of            2009

**Deputy Accountant General**  
**(Local Bodies Audit & Accounts)**  
**Gujarat, Ahmedabad**

**Countersigned by**

**Rajkot**  
the            day of            2009

**Accountant General (Civil Audit)**  
**Gujarat, Rajkot**