

CHAPTER - II

Accounting Procedures

2.1 Non implementation of Budget and Accounts Format recommended by Comptroller and Auditor General's (C&AG's) task force

A state level steering committee was to be constituted to see and help to speed up the implementation of Budget and Accounts format. Secretary Urban Administration and Development Department (December 2003) intimated that the Budget and Accounts Format as recommended by the C&AGs task force have been accepted by the Government but the implementation has not been made in the State. No instructions were issued by the Government to the field units to prepare the Budget and maintain Accounts in the prescribed format. Scrutiny of records of 23 Nagar Palikas by the audit had revealed that the Budget and Accounts Format have not been implemented by any of the Nagar Palikas.

2.2 Bank-reconciliation statement not prepared

Rules 97-98 of Madhya Pradesh Nagar Palika Lekha Niyam 1971, provides that the reconciliation of any difference between the balances of cash book and bank accounts is required to be conducted every month. Difference of cash balance of Rs. 47.73 crore between Cashbook and Bank statement at the close of the year (2001-02 to 2006-07) was not reconciled by 18 ULB's. Due to non-reconciliation of cash balance, possibility of embezzlement of funds could not be ruled out. The authenticity of cash balance in the cashbook also remained doubtful in the absence of reconciliation with bank statement as shown in **Appendix - IV**.

2.3 Non-recovery of advances from individuals

Temporary advances were paid to Staff/officials for making petty payments. The accounts of the same should be closed as soon as possible and unutilised cash balances should be refunded/recovered. In 20 Nagar Nigam/Nagar Palika/Nagar Panchayat a sum of Rs. 2.62 crore paid to officials/ staff for various purposes were outstanding against them for the last one to thirteen years as shown in **Appendix - V**. Scrutiny of the records of Nagar Nigam Jabalpur revealed that Rs. 33.23 lakh was also outstanding against five companies (October 2008) for more than two years as shown in the **Appendix -VI**. Lack of effective action to recover/adjust the old outstanding advances may lead to loss with the passage of time.

2.4 Diversion of funds

Central Government / State Government released funds in the shape of grants-in-aid for development of urban areas which were to be spent exclusively on the projects for which these were sanctioned. Diversion of funds from one scheme to another was not to be made without prior approval of the Central/ State Government.

Scrutiny of records revealed irregular diversion of funds amounting to Rs. 2.89 crore for the purposes not covered under the schemes or for routine municipal activities as shown in **Appendix - VII**.

2.5 Non utilisation of government grants within stipulated period

Centrally Sponsored Schemes such as Conversion of dry latrines, Mid-day-meal, Integrated Development of Small and Medium Towns (IDSMT) Swarna Jayanti Shahari Swarojgar Yojna (SJSSRY) etc. and State Plan Schemes were being implemented through ULB's during 2001-07

Scrutiny of records revealed that grants of Rs. 5.61 crore released to 12 ULB's for aforesaid specific purposes were lying unspent for a period ranging from one year to eight years as shown in **Appendix - VIII**. No action was taken to refund the unspent balance of grants to government. The ULB's also did not review the implementation of schemes to ascertain reasons for the non-utilisation of grants. This deprived the public from intended benefits.

2.6 Non recovery of taxes

Urban Local Bodies earn their revenue from their own resources through taxes, rent, fees, issue of licenses etc. In (20) test checked Nagar Nigam/Nagar Palika/Nagar Panchayat, demand for Rs. 190.44 crore tax was raised for the year 2001-07 out of which only Rs. 90.21 crore (47 percent) were recovered during the years. A sum of Rs. 100.23 crore (53 percent) was outstanding against the taxpayers as shown in **Appendix - IX**.

Non-recovery of outstanding taxes by the ULBs under Madhya Pradesh Municipalities Act, 1956, resulted in resource crunch and subsequent hindrance in development works.

2.7 Non depositing of amount in Provident Fund Accounts

Rule 102 (4) of M.P. Nagar Palika Lekha Niyam 1971 provides that the deduction of P.F. subscription will be credited in P.F. Account. Government of Madhya Pradesh, Department of Local Bodies further directed (February 1998) to all Commissioners / Chief Municipal Officers that Provident Fund (PF) subscriptions collected by deductions from salary was required to be credited to the fund account of the employees and Dy. Directors will keep a note on records of irregularities, if any, while visiting the units. However it was noticed that one Nagar Nigam, nine Nagar Palikas and six Nagar Panchayats did not deposit provident fund subscription of Rs. 3.01 crore in the fund account of the employees during 2001 to 2006 which resulted not only in loss of interest on provident fund account but also put additional burden on the ULBs as shown in **Appendix - X**.

2.8 Non-creation of Reserve Fund of ULB's

Sub rule 3 (3) of Madhya Pradesh Nagar Palika Budget Rules, 1962 provides that every Nagar Palika is required to create a reserve fund account (Sanchit

Nidhi) and five per cent of net income should be deposited in this account every year.

Scrutiny of records of twenty Nagar Panchayat/ Nagar Palika / Nagar Nigam revealed that a sum of Rs. 5.03 crore was not deposited in the reserve fund account from their net income during 2001-06 as shown in **Appendix - XI**.

2.9 Non recovery of rent and premium of shops.

Shops were constructed at various places by the ULBs with the object to increase the revenue by way of premium and monthly rent of these shops.

Test check of records of two Nagar Nigam, one Nagar Palika and eleven Nagar Panchayat revealed that the premium of 823 shops amounting to Rs. 2.24 crore and rent of shops amounting to Rs. 0.73 crore was not recovered for the last three to five years.

This resulted in loss of revenue of Rs. 2.97 crore to the ULBs as shown in **Appendix - XII**.

2.10 Non deduction of Labour Welfare Cess from contractor on bills of construction work

According to the provisions of Section 3 (2) of M.P. Bhawan and Sannirman Karmkar Kalyan (Regulation of employment and service condition), Rules 2002 read with Rule 4 (3) of Central Rules 1998, labour welfare cess at the rate of one percent of the construction cost was to be deducted from the bill of the construction works done by the contractor and sent to Madhya Pradesh Bhawan and Sannirman Karmkar Kalyan Mandal, Madhya Pradesh, Bhopal (Mandal).

Test check of records of four Nagar Nigams, two Nagar Palikas and one Nagar Panchayat revealed that the during the year 2001-06 the cess of Rs. 63 lakh was not deducted from the contractor's bill as per details shown in the **Appendix - XIII**.

2.11 Purchases of material without inviting tender or purchases not made from LUN

According to the provisions of Madhya Pradesh Store Purchase Rules and notification issued by the Government (April 1978 and September 1997) it was directed that the purchases must be made from M.P. Laghu Udyog Nigam (LUN) or otherwise after obtaining no objection certificate from LUN, the purchases should be made after inviting open tenders.

Test check of records of one Nagar Nigam, 4 Nagar Palika and 4 Nagar Panchayat revealed that the purchases amounting to Rs. 2.31 crore as shown in **Appendix - XIV** were made from local market without inviting tender and also without obtaining no objection certificate from LUN.

2.12 Non-realisation of loan amount and contribution from the beneficiaries for conversion of dry latrines into pour flush latrines.

In pursuance of Centrally Sponsored Scheme Government of Madhya Pradesh decided (1982-83) to convert the dry latrines into pour flush latrines. The programme was to be implemented from grants from GOI (50 per cent), loan from HUDCO (45 per cent) and contribution from beneficiaries (5 per cent).

The repayment of HUDCO loan was to be made from the Octroi compensation fund by the Directorate Urban Administration and Development. Subsequently the recovery of loan and contribution from beneficiaries was to be collected by the ULBs.

Test check of records of one Nagar Nigam, Three Nagar Palika and six Nagar Panchayat revealed that an amount of Rs. 1.77 crore on account of repayment of loan and contribution from 18916 beneficiaries was not recovered as shown in **Appendix - XV**. Though no reasons were intimated but the recovery could not be effected as the agreements were not executed between the beneficiaries and the Panchayats.

2.13 Pending Utilisation Certificate

Funds were to be given to executing agencies for execution of works in two or three instalments and they were required to submit utilisation certificates (UCs) within 14 days of incurring expenditure to obtain subsequent instalments of funds. UCs/CCs worth Rs. 7.30 crore pertaining to various schemes in 2 Nagar Palika and 3 Nagar Panchayat were awaited for the last five years as shown in **Appendix - XVI**.