

## CHAPTER-V

### TRANSACTION AUDIT

#### 5.1. Taxes deducted at source not deposited into Government accounts

Tax deducted at sources of Rs. 29.25 lakh on account of Income Tax, Sales Tax and Royalty were not credited to the heads concerned of Government Accounts.

Rs 29.25 lakh deducted on account of Income Tax, Sales Tax and Royalty not credited into Government Account.

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 financial year.

Test check of records revealed that seven ULBs deducted Income Tax, Sales Tax and Royalty of Rs 29.25 lakh, as detailed below, but had not credited it in the respective heads of government accounts and instead retained the money in their respective funds.

(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	Ranchi	2007-08	3.79	4.24	11.96	19.99
2	Medininagar	2006-08	0.54	0.54	1.11	2.19
3	Lohardaga	2006-07	0.53	0.48	0.81	1.82
4	Fusro	2006-07	----	1.04	0.61	1.65
5	Deoghar	2006-07	0.05	1.06	0.50	1.61
6	Koderma	2005-07	----	0.80	0.72	1.52
7	Jharia	2005-06	--	0.29	0.18	0.47
<b>Total</b>			<b>4.91</b>	<b>8.45</b>	<b>15.89</b>	<b>29.25</b>

This affected the budgetary provision of Government to the extent of Rs 29.25 lakh.

#### 5.2. Improper grant of contractor's profit

Rs. 59.64 lakh were paid improperly as contractors profit by ten ULBs to International Social Service Organization against the provision of State Public Works Account Code.

Improper payment of Rs 59.64 lakh to SISO as 10 per cent contractor's profit on estimated cost in addition to 15 per cent supervision charges.

The Government of Jharkhand sanctioned Grants and Loans (50 per cent each) during 2002-07 for construction of Sulabh Sauchalayas 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 (ii) the work would be executed by the Sulabh International Social Service Organization (SISSO) and 10 per cent contractor's profit would be paid to the SISSO on the estimated cost in addition to 15 per cent supervision charges. Scrutiny revealed that payment to SISSO includes 15 per cent supervision charge over and above the estimated cost and the government did not take into account this aspect while issuing directive for payment of 10 per cent contractor's profit on estimated cost. The State Public Works Account Code, which is applicable to municipal works, 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 contractors' profit in addition to supervision charge was not justified. Due to injudicious decision of the Government, Rs 59.64 lakhs was improperly paid as contractor's profits to the Organization on account of construction of Sulabh Sauchalayas and for conversion of dry latrines into septic ones by 10 ULBs as detailed below:

(Rs in lakh)				
Sl.No.	Name of ULBs	Period	Total amount paid	Amount paid to SISSO as 10% contractor's profits
1.	Ranchi	2007-08	433.67	37.72
2.	Koderma	2005-07	41.61	3.62
3.	Chaibasa	2006-08	40.26	3.50
4.	Bundu	2006-07	35.88	3.26
5.	Hazaribag	---do---	28.57	2.49
6.	Pakur	---do---	23.10	2.10
7.	Deoghar	2006-07	21.71	1.89
8.	Khunti	2006-07	20.80	1.81
9.	Mihijam	---do---	20.72	1.80
10.	Gumla	---do---	16.61	1.45
<b>Total</b>			<b>682.93</b>	<b>59.64</b>

### 5.3 Non-recovery of Sulabh sauchalaya Loan

Recovery of Sulabh Shauchalaya loan of Rs. 1.92 crore and interest thereon neither effected nor any account for the same was being maintained.

Recovery of Sulabh Sauchalaya loan of Rs 1.92 lakh and interest thereon neither effected nor any account for the same was being maintained.

The Government released 50 per cent grant and 50 per cent loan to ULBs for construction / conversion of dry latrines into septic ones during 1993-94 to 2007-08. As per terms and conditions of the scheme 50 per cent of the construction cost was to be borne by the Government as subsidy and balance 50 per cent i.e. loan portion along with interest was to be borne by the beneficiaries, whose dry latrines were converted into septic ones.

During audit, it was noticed that an expenditure of Rs 3.84 crore was incurred on account of construction/conversion of 2153 dry latrines into septic ones by eight ULBs, but recovery of such loan of Rs 1.92 crore (50 per cent of Rs 3.84 crore), as detailed below, was neither effected nor any account for the same was maintained by the concerned ULBs:

**(Rs in lakh)**

Sl. No.	Name of ULBs	Period	No. of conversions	Amount of Loan recoverable
1	Ranchi	2004-08	419	35.29
2	Khunti	2002-07	232	33.45
3	Deoghar	2001-07	379	30.76
4	Bundu	2002-07	156	25.71
5	Lohardaga	2001-06	287	23.41
6	Medininagar	2001-07	257	21.07
7	Latehar	NA	144	11.71
8	Koderma	1993-94 to 2006-07	279	10.85
Total			2153	192.25

For want of maintenance of loan accounts, dues against each beneficiary, whose dry latrine was converted into septic latrine, were not ascertainable at any date. Further, the liability of the ULBs on account of repayment of loan with interest thereon was increasing with the lapse of time and chances of recovery were also becoming remote.

#### 5.4 Suspected payment of Rs. 3.36 lakh at Chaibasa.

Double payment of Rs. 3.36 lakh on duplicate invoice was noticed at Chaibasa.

Payment of Rs 14.13 lakh was made to M/S Apee Automobiles Pvt. Ltd. vide Voucher No. 55 dated 15.4.06 through cheque No.A/2 380053 against their bill/invoice detailed below:

**(Rs in lakh)**

Sl.No.	In voice No.	Date	Amount	Particulars of supply
1	RSB/Fab/06/044	29.3.06	3.50	One road sweeper having 2.2 on width brush
2	RSB/Fab/06/041	29.3.06	3.36	7 Nos 4.5 cubic meter closed containers
3	RSB/Fab/06/042	29.3.06	7.27	Nala cleaning equipments mounted on a hydraulic tipping trailer takes drive from the P.T.O of suitable tractor
<b>Total</b>			<b>14.13</b>	

Again, Apee Automobiles Pvt.Ltd, Ratu Road, Ranchi was paid Rs 6.72 lakh vide Voucher No.226/16.6.06 against invoice mentioned below:

**(Rs in lakh)**

Sl.No.	In voce No.	Date	Amount	Particulars of supply
1	RSB/Fab/06/040	27.3.06	3.36	7 Nos 4.5 cubic meter closed containers suitable for loading on tractor Eicher 10.59 ECBC Dumper placer
2	RSB/Fab/06/041	27.3.06	3.36	-Do-

Thus, the Firm Apee Automobiles Pvt.Ltd was paid Rs 3.36 lakh twice against one invoice No.RSB/Fab/06/041 through Vr.No.55 dated 15.4.06 and Vr.No.226 dated 16.6.06.

The invoice No.RSB/Fab/06/041 vide which Rs 3.36 lakh was paid through Vr.No.55 dated 15.4.06 appeared to be duplicate. In spite of repeated requests, the concerned purchase file and stock register of container were not produced before audit. As a result, the actual position of quantity received against payments made on the said invoice could not be ascertained in audit.

Compliance of the Municipality in this regard is still awaited (July 2009).

#### **5.5. Irregular payment of cost of materials of Rs 56.44 lakh on Hand Receipts**

ULBs made payment to the Executing agents on Hand Receipt instead of proper purchase voucher/cash memo.

During the course of execution of departmental work, the Executing Agents purchased the materials (Chips, Sand, Bricks, Cement, M.S.Rod etc.) for schemes and payments were made on Hand Receipts instead of proper purchase voucher/cash memo etc. As per PWD Accounts Code, only departmental supply should be made on Hand Receipts, but in contravention of the said provision, the Executing Agents of the following two ULBs paid Rs.56.44 lakhs as cost of materials through Hand Receipts, which was irregular:

(Rs in lakh)

Sl.No.	Name of ULB	Period	Amount paid on Hand Receipts
1.	Hazaribag	2006-07	54.09
2.	Gumla	2006-07	2.35
<b>Total</b>			<b>56.44</b>

(Details of payment made to Agent and the works are given in *APPENDIX-VII*)

#### **5.6 Excess payment due to non-deduction of taxes**

Excess payments of Rs. 9.37 lakh due to non-deduction of Income Tax, Sales Tax, Royalty etc. from contractor bills, were made by 13 ULB's.

A sum of Rs 9.37 lakh as detailed in *APPENDIX-VIII*, was not deducted from running bills of civil works as Income Tax (Rs 1.23 lakh), Sales Tax (Rs 6.72 lakh), Royalty (Rs 0.76 lakh) and cost of empty cement bags (Rs 0.66 lakh), resulting in excess payment of Rs 9.37 lakh to the concerned Executing Agents/Contractors/Suppliers.

**5.7 Non-recovery of cost of excess Cement issued Rs. 4.42 lakh**

Issue of cement bags in excess to requirement and non-recovery of its cost from executing agents.

The Hazaribag Municipality issued cement from stock in excess of requirement for execution of development works. As per Rule, the cement bags issued in excess to the requirement should have been returned to stock or cost of the same to be recovered at market rate. But, the Municipality did not recover the cost of cement issued in excess, resulting excess payment of Rs.4.42 lakh to the concerned executing agent, who happens to be employee of the Municipality (**APPENDIX-IX**)

**5.8 Excess payment due to non-deduction of penalty from contractor's bills.**

Excess payment of Rs. 51.60 lakh due to non-deduction of penalty from contractor's bills was noticed in 13 ULB's.

The ULBs executed many civil works (construction of P.C.C.Road, Drains, and Culverts etc.) either by departmentally or by tender. The civil works, whose estimated cost was more than five lakh, were to be executed through tender for which the Local Bodies executed agreement with the contractors. As per clause no.02 of the agreement, the work shall be completed within stipulated time otherwise penalty will be charged at the rate of 0.5 *per cent* per day of the remaining 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, 13 ULBs neither granted extension to contractors nor deducted such penalty from their bills, resulting in excess payment of Rs 51.60 lakh to the contractors as detailed below:

(Rs in lakh)				
Sl.No.	Name of the ULBs	Period	No. of schemes/ works	Amount of Penalty not deducted.
1.	Ranchi	2007-08	12	12.45
2.	Hazaribag	2006-08	24	9.95
3.	Lohardaga	2006-08	07	7.13
4.	Gumla	2006-08	12	5.58
5.	Jugsalai	2006-08	04	4.44
6.	Jharia	2005-06	02	4.11
7.	Deoghar	2006-08	03	2.60
8.	Medininagar	2006-08	03	1.85
9.	Fusro	2006-07	01	1.01
10.	Khunti	2006-07	02	0.90
11.	Koderma	2005-07	01	0.73
12.	Dumka	2006-08	01	0.45
13.	Chaibasa	2006-08	01	0.40
<b>Total</b>			<b>73</b>	<b>51.60</b>

**5.9 Payment vouchers not produced to audit**

Vouchers worth Rs. 3.80 crore for the period 2005-08 were not produced to audit.

In case of nine ULBs, 442 payment vouchers (Establishment as well as Schemes) worth Rs 3.80 crore pertaining to the period 2005-08 were not made available to audit for test check as detailed below:

(Rs in lakh)

Sl.No.	Name of ULBs	Period of audit	No.of Vouchers not produced	Amount involved
1.	Chaibasa	2006-08	205	115.24
2.	Medninagar	2006-07	38	110.18
3.	Ranchi	2007-08	66	84.88
4.	Deoghar	2006-07	76	36.22
5.	Jharia	2005-06	23	15.87
6.	Lohardaga	2006-07	17	10.36
7.	Jugsalai	2006-07	05	5.39
8.	Dumka	2006-07	04	0.92
9.	Mihijam	2006-07	08	0.72
<b>Total</b>			<b>442</b>	<b>379.78</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.