

Chapter-VII

Special Audit of ULBs

7.1 Withdrawal of ₹ one lakh from Council funds without complying with codal provisions

Section 17.1(4) of the Punjab Municipal Accounting Manual, 2017, stipulates that a cheque drawn shall be signed by the Executive Officer (EO) only after he has verified that the payment voucher is duly passed. Section further provides that the cheque drawn shall bear a pay order supported by the voucher approved and signed by the Officer in-charge of the accounts function and it shall give full particulars with regard to the payee in whose favour the payment is being made. Further, Section 6.6 of the Manual provides that the entry shall be recorded in the cashbook on the same day the money is withdrawn, deposited, or transferred.

Section 6.10(1) of the Manual provides that no payment shall be made out of the Corporation Fund or Municipal Fund except in the manner provided in these rules and in particular no payment shall be made out of cash.

Review of records including cash book, voucher register, cheque register, bank statements etc. (April 2019 to March 2023) of Town Council, Maluka revealed that the EO passed two bills of ₹ 4,964 each against voucher nos. 6 and 7 of July 2021 for the purchase of choke LED, tap roll, etc. which was found recorded as paid with corresponding entry in the cash book vide cheques No. 001249 (₹ 4,964) and 001250 (₹ 4,964).

Based on review of Bank Statements of July 2021, Audit however, observed that total amount of ₹ 1,09,928 (₹ 54,964 plus ₹ 54,964) was withdrawn vide each of above-mentioned cheque No. 001249 and 001250 dated 01.07.2021. This highlighted shortfalls in internal controls as the EO did not comply with the prescribed checks resulting in withdrawal of council funds of ₹ one lakh. Further, despite lapse of about two years, no enquiry or disciplinary action was initiated by the Town Council till the time of audit in June 2023 to fix the responsibility or to avoid recurrence of such instances.

Town Council, Maluka assured (June 2023) to investigate the matter in light of missing vouchers, if any, not posted in the cash book and take action accordingly. Subsequently, the Director, Local Government provided (January 2024) two additional vouchers of ₹ 50,000/- each, both bearing the same voucher numbers 6 & 7, originally used for payments of ₹ 4,964/- each.

The withdrawal of ₹ one lakh beyond authorised voucher amounts, coupled with the subsequent submission of duplicate-numbered vouchers in an apparent attempt to justify the unauthorised withdrawal, constitutes potential embezzlement of public funds. This is not a mere internal control lapse but a prima facie case of fraud requiring immediate investigation under

IPC Sections 408 (criminal breach of trust by public servant) and 477-A (falsification of accounts). The failure to initiate inquiry or disciplinary action for 29 months raises serious concerns about accountability mechanisms in TC Maluka.

Recommendation: The Government should direct the Department to make recovery immediately from the employee concerned along with interest and initiate departmental proceedings against the delinquent person. It may also be contemplated to lodge First Information Report with the approval of appropriate authority to initiate criminal proceedings as well.

7.2 Excess payment of security deposits to the contractor by tampering with the records- ₹ 1.33 lakh

As per Rule 19.8(1) of the Punjab Municipal Accounting Manual, 2017, the contractor shall deposit in advance the security, including the earnest money, equal to ten *per cent* of the contract value. If the security is not deposited in advance, an amount equivalent to ten *per cent* of the amount of each Running Bill will be deducted as the Performance Security. Further, Rule 16.13 (1) of the Manual provides the officer-in-charge of accounts would be responsible to verify the particulars in the payment voucher and ensure the correctness of sanction, availability of budget and adequacy of supporting documents. The officer-in-charge, after verifying the balances payable in the payee's ledger account, forwards the voucher to the Executive Officer for payment and recording of entry thereof.

The Punjab Municipal Infrastructure Development Company released an amount of ₹ 150.00 lakh to the Municipal Council, Amluh, for the execution of 31 development works.

Based on review of records (April 2019 to March 2023), Audit observed that Municipal Council, Amluh released (August 2019) ₹ 1,79,148/- to the contractor (M/s Sarvaya Co-operative L/C Society) towards Performance Security after completion of work against the deducted amount of ₹ 46,267/-, resulting in excess payment of ₹ 1.33 lakh, as tabulated below:

Table 7.1: Details of excess released security

(Amount in ₹)

Sr. No.	Name of the Work	Security deducted	Security released
1.	Laying of interlocking tiles from Vohra Motor Street Colony to Gobindgarh Road, W.No.4.	2,345	23,450
2.	Laying of interlocking tiles from Motor Patwari Sucha Singh to Swami Namonath Kutia W.No.13.	4,470	44,470
3.	Laying storm water drain from Darbara Singh to Ashoka Medical Street ward no. 8, Nabha road.	7,676	47,676
4.	Laying storm water drain from Gobindgarh Chowk towards Petrol Pump bypass road Nabha road.	31,776	63,552
Total		46,267	1,79,148

Excess payments to the contractor and instances of record tampering

highlighted shortfalls in internal controls and monitoring mechanisms at the Municipal Council, Amloh, which led to this incident.

On being pointed out (November 2023), the Executive Officer, MC Amloh stated (November 2023) that the reply would be submitted after verification of the record. The matter was referred to the Government in December 2023, with subsequent reminders (May 2024, September 2024 and October 2025).

The physical alteration of payment voucher figures to inflate security deposit releases from ₹ 0.46 lakh to ₹ 1.79 lakh resulting in excess payment of ₹ 1.33 lakh to the contractor, constitutes record tampering and fraud. This was not a procedural lapse but a criminal act requiring FIR registration under IPC Sections 420 (cheating), 467 (forgery of valuable security) and 477-A (falsification of accounts). The persistent failure to recover excess amounts or identify/discipline responsible officials over 24 months suggest either complicity or a complete breakdown of governance in MC Amloh.

Recommendation: The Government should ensure recovery of excess amount of ₹ 1.33 lakh paid to the contractor towards security release and take appropriate measures including fixing the responsibility for excess withdrawals of funds and tampering of records so as to avoid recurrence of such instances in future.

Chandigarh
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Countersigned

New Delhi
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(K. SANJAY MURTHY)
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