

CHAPTER-VII
Audit of Municipal Corporations

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7.1 Undue benefit extended to Supplier on hiring of Poclain machines

The Guwahati Municipal Corporation (GMC) deviated from the terms and conditions of tender while issuing work order for hiring of Poclain machines and thereafter extended undue financial benefit of ₹65.19 lakh to the supplier by not recovering the price of fuel issued by the GMC for those hired machines.

As per Section 98 of Guwahati Municipal Corporation Act, 1971, every contract for execution of any work or the supply of the materials or goods shall *inter alia* specify the work to be done or the materials or goods to be supplied and the amount to be paid for such work, materials or goods. The National Municipal Accounts Manual⁵³, vide its para 5.8, also emphasised upon necessary pre-payment checking of claims by the functional department and the accounts department of the Urban Local Bodies.

The Guwahati Municipal Corporation (GMC) invited (December 2021) tender for hiring of Poclain machines (excavator machines) for dump-site dressing at the Boragaon dumping ground, Guwahati. Clause 2(h) of the tender document specified that all rates to be quoted, should be inclusive of POL⁵⁴ and no POL would be issued by the GMC. GMC selected M/s One To Ten Solutions Pvt. Ltd. (Supplier) for supply of two Poclain machines at the rate of ₹25,560 per day for each machine.

Though the offered rate was inclusive of POL, the Engineering Wing, Division IV of GMC, while issuing the work order⁵⁵ in March 2022, deviated from the terms and conditions of the tender and mentioned that the fuel would be issued by GMC (Janxala Branch⁵⁶ of GMC) to those hired machines and the price of fuel would be deducted from the bills submitted by the supplier.

Scrutiny (December 2023) of records of the Commissioner, GMC, revealed that during April 2022 to November 2022, two Poclain machines were used and 97,790 litres of diesel was issued during this period. The supplier claimed ₹1.96 crore against supply of poclain machines, which was paid in full by GMC between June 2022 and February 2023.

Scrutiny of bills and the log-books of the Poclain machines revealed that while submitting the claims for April and May 2022, the supplier deducted ₹19.90 lakh at rates mentioned in the bills, being the price of 22,035 litres of diesel departmentally issued by GMC. Such deduction was in conformity to the work order stipulation.

⁵³ Brought out by the Ministry of Urban Development, Government of India in November 2004 comprehensively detailing the policies, procedures, guidelines for maintenance of accounts of ULBs.

⁵⁴ Petroleum, Oil and Lubricant

⁵⁵ Signed by the Commissioner, GMC

⁵⁶ Erstwhile Garage Branch, GMC

However, while submitting the hiring bills for the period from June 2022 to November 2022, the quantity and price of the diesel (75,755 litres of diesel valuing ₹65.19 lakh) was neither indicated in the bills by the supplier, nor was the same deducted from the bills by the GMC. The verifying authority (the Engineering Division) in the GMC did not cross verify the bills with the log books maintained at *Janaxala* Branch of the GMC and forwarded the bills for payment to accounts wing. The details of amount claimed by the supplier, actual payment made and value of diesel not deducted, are shown in the **Table 7.1** below:

Table 7.1: Details of bill claimed by the supplier and paid by the GMC

Claim for the month	Diesel issued (litre)	Rate of diesel per litre (₹)	Amount claimed by Supplier (₹)	Cost of diesel not deducted(₹)	Payment made (₹)	Excess payment made (₹)
April 2022	22,035	91.4 for 46 days	26,15,516 (after adjusting 19,89,978)	Nil	26,15,516	Nil
May 2022		83.94 for 10 days				
June 2022	13,260	96.01	26,82,202	12,73,093	26,82,202	12,73,093
July 2022	13,702	83.94	44,57,664	11,50,146	44,57,664	11,50,146
Aug 2022	13,256	83.94	26,50,891	11,12,709	26,50,891	11,12,709
Sept 2022	12,754	83.94	26,00,730	10,70,571	26,00,730	10,70,571
Oct 2022 & Nov 2022	22,783	83.94	45,99,522	19,12,405	45,99,522	19,12,405
Total	97,790		1,96,06,525	65,18,924	1,96,06,525	65,18,924

Thus, though the supplier was required to bear the cost of POL for the Poclairn machines as per tender and work order, the supplier did not deduct the price of the departmentally issued POL while submitting the claims, except for the months of April and May 2022. The GMC authorities also did not recover the price of POL by cross verifying the records of issue of POL to those machines.

Thus, an undue financial benefit of ₹65.19 lakh was extended to the supplier, first by issuing work order in deviation from tender conditions and thereafter, by not recovering the cost of POL issued by the GMC from the bills against supply of Poclairn machines.

The Commissioner, GMC, during exit meeting, stated (February 2024) that the matter would be verified and if required, the amount would be recovered from the supplier.

The Commissioner, GMC may ensure that proper verification of bills with the terms and conditions of contract/ supplies is done before making payments. Further, responsibility may be fixed at the appropriate levels for the lapse leading to excess payment.

The matter was reported to the Government in July 2024; their reply has not been received (July 2025).

7.2 Infructuous expenditure on construction of market complexes in Guwahati

The construction of two market complexes by Guwahati Municipal Corporation was closed after incurring an expenditure of ₹3.07 crore as the funds earmarked for these works were diverted for payment of an arbitral award. The unfinished constructions remained abandoned even after eight years of scheduled date of completion rendering the expenditure infructuous.

Under the award of the 4th Assam State Finance Commission (ASFC) for improvement of city services, Finance (Economic Affairs) Department⁵⁷, Government of Assam sanctioned (March 2013) ₹26.00 crore (being the 1st Instalment) to Guwahati Municipal Corporation (GMC). Out of ₹26.00 crore⁵⁸, ₹5.00 crore was earmarked for construction of two market complexes at Ulubari (₹3.00 crore) and Ganeshguri (₹2.00 crore).

The construction work of the two market complexes at Ulubari and Ganeshguri was awarded in May 2014 to the respective lowest bidders following tendering process. The work was stipulated to be completed within 18 months from the date of issue of work order *i.e.*, by November 2015.

Scrutiny (November 2023) of records of the Commissioner, GMC revealed that neither of those two market complexes, though scheduled to be completed by November 2015, were completed before the works were decided to be closed in August 2021 after incurring an expenditure of ₹3.07 crore. The summarised position was as under:

Table 7.2: Physical and financial progress of two construction of market complexes

Name of the market	Contract value	Expenditure incurred	Since when the construction work has been lying abandoned
Ulubari multi-storey market complex	₹2.60 crore	₹1.49 crore (last payment in January 2021)	August 2021
Ganeshguri multi-storey market complex	₹1.85 crore	₹1.58 crore (last payment in November 2021)	March 2021

The situation was attributable to the fact that out of the 4th ASFC award of ₹26.00 crore, ₹7.80 crore was diverted by GMC in September 2015 for paying the arbitral award ordered by the Hon'ble Gauhati High Court in some other cases⁵⁹. In August 2021, construction of both the market complexes⁶⁰ were decided to be closed in a meeting chaired by the Additional Chief Secretary, Housing & Urban Affairs Department due to paucity of funds.

Ulubari multi-storey market complex: The work of Ulubari market complex was awarded (May 2014) to the contractor at ₹2.60 crore. Records showed that the GMC handed over the site in October 2014 and the date of completion postponed to April 2016. However, due to non-

⁵⁷ The nodal Department for release of funds of SFC

⁵⁸ The breakup of ₹26.00 crore is as follows: (i) Construction of Zonal Office – ₹ 4.00 crore (ii) Solid Waste Management – ₹ 5.00 crore (iii) Roads & Drains – ₹ 5.00 crore (iv) Construction of four Markets – ₹ 10.00 crore and (v) Water Supply Production – ₹ 2.00 crore.

⁵⁹ ₹7.80 crore was paid by GMC in September 2015, to three construction firms from the 4th ASFC grant as Arbitral award including interest.

⁶⁰ Along with one more market complex at Fatasil, Guwahati which is under multiple litigations.

payment of the 2nd Running Account bill (₹ 0.61 crore), the work was left incomplete by the contractor for three years since 2017. The contractor restarted the work in October 2020 and the second (₹0.61 crore) and third (₹0.25 crore) RA bills were paid in January 2021 and September 2021, respectively. The GMC, however, did not pay the fourth RA Bill for ₹0.22 crore on the ground of paucity of funds and the



work was closed as per decision taken in August 2021 at the Department level. The construction remained stalled for more than three years till date (August 2024).

(B) Ganeshguri multi-storey market complex:

The work of Ganeshguri market complex was awarded (May 2014) to the contractor at ₹1.85 crore with a target of completion by November 2015. However, owing to paucity of funds the work could not be completed and the work remained un-executed since March 2021. A payment of ₹1.58 crore was made to the contractor till November 2021. The incomplete work remained abandoned as of August 2024 even after more than eight years of its scheduled date of completion as the work was prematurely closed as per Department level decision of August 2021.



Thus, payment of the court arbitral award by diverting the ASFC funds meant for specific schemes⁶¹ was irregular. The same may further be viewed with the fact that during the financial year 2015-16, GMC had substantial balance⁶² accumulated as its own fund from its tax revenue, income from municipal markets, user charges, *etc.* However, instead of meeting the arbitral burden from GMC's own accumulated funds or from any other source, the 4th ASFC funds meant for ongoing construction of market complexes were diverted. The GMC did not mobilise further funds from its own resources for next six years, neither did the Department arrange for completion of the projects before the works were finally decided to be closed in August 2021. Thus, the work of construction of two market complexes remained abandoned even after eight years of scheduled dates of completion. As a result, the expenditure of ₹3.07 crore incurred so far by the GMC out of 4th ASFC award became infructuous.

⁶¹ Construction of zonal offices, roads and drains, market complexes and improvement of existing water supply schemes.

⁶² ₹ 80.34 crore

The matter was reported to Government in December 2024; their reply has not been received (July 2025).