CHAPTER 9

Other Compliance Audit of Urban Local Bodies

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9.1 Audit Paragraphs

9.1.1 Avoidable loss of interest

Loss of interest due to retention of scheme funds in Saving accounts of bank instead of Flexi accounts

As per instructions issued (October 2012, November 2014 and March 2019) by the Finance Department, scheme/programme funds which are authorized to be deposited in a bank, should be kept in Flexi Accounts to avail higher interest from the bank, which can be used to expand the coverage of the scheme/programme.

Audit noticed (March 2023 to February 2024) that during the period 2019-23, two ULBs – NAC Attabira and NAC Barpali deposited funds pertaining to 12[46] different schemes in Savings accounts of various banks instead of keeping these in Flexi accounts. As the rates of interest[47] in the deposit of Savings Bank Account varied across the period ranging from 2.7 *per cent* and 3.25 per *cent*, these ULBs received interest of ₹1.46 crore from these unspent scheme funds.

During the same period, the rate of interest in the deposit of Flexi accounts was between 2.9 to 5.75 *per cent*. Considering the above higher rate of interest, had the funds been deposited in Flexi accounts, the ULBs would have received interest of ₹1.61 crore instead of ₹1.46 crore. Thus, non-adherence to the instructions of the Finance Department to deposit the unspent funds of the scheme in Flexi accounts, resulted in loss of interest of ₹15.17 lakh, as detailed in the **Table 9.1**.

Table 9.1: Loss of Interest by keeping Scheme Funds in Savings Accounts instead of Flexi Accounts

(₹ in Lakh)

Sl. No	Name of the ULB	No. of bank A/Cs	Financial years	Interest earned in SB Account	Interest earned if in Flexi Account	Loss of Interest
1	NAC Attabira	6	2019-2023	39.04	45.67	6.63
2	NAC Barpali	10	2020-2023	106.51	115.05	8.54
Total		**16**		**145.55**	**160.72**	**15.17**

***Source*: Records of ULBs concerned.**

The Executive Officer of NAC, Attabira and NAC, Barpali stated (February 2024) that action would be taken to convert all these Savings accounts into Flexi accounts. However, the fact remains that the ULBs had missed the opportunity

46 Central Finance Commission, State Finance Commission, Urban Infrastructure Development Initiative, Member of Parliament Local Areal Development, Special Problem Fund, Western Odisha Development Council, Creation and Maintenance of Capital Assets, Kalyan Mandap and Water Bodies, Road and Bridges, Flood, Auditorium, Odisha Tourism Development Corporation.

47 Historic interest rate data of State Bank of India.

to earn interest of ₹15.17 lakh, which could have been Utilised as an additional source of funds to expand the coverage of these schemes/programmes. Hence, responsibility may be fixed and appropriate action may be taken against those responsible for such loss to ULBs. The fact had been intimated (July 2024) to the Department. No reply was received (October 2025).

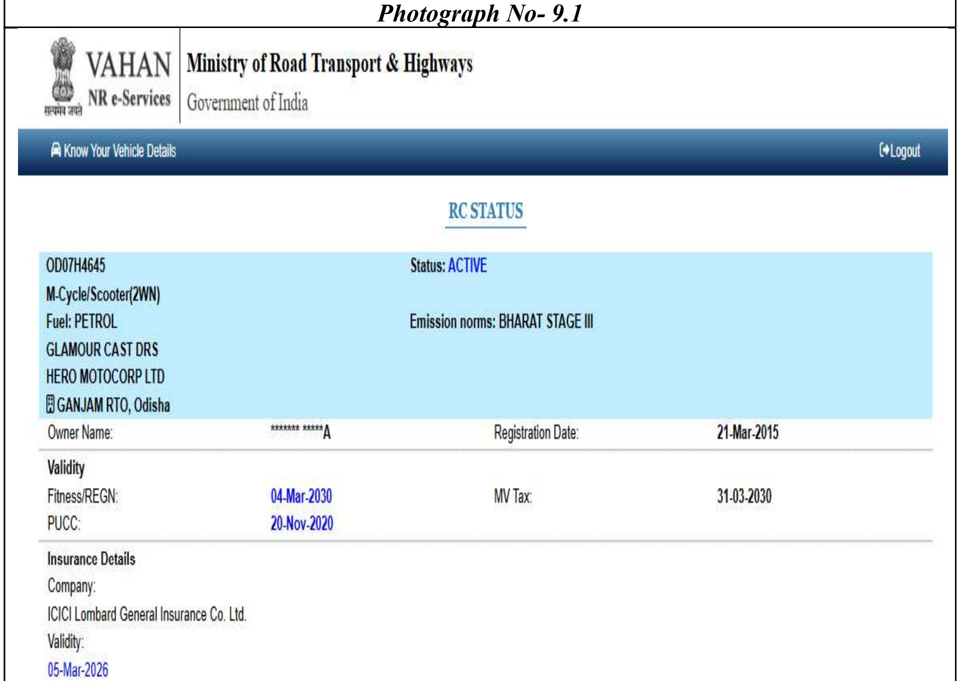
9.1.2 Suspected fraudulent payment

Suspected fraudulent payment of hire charges of vehicle on official tour

As per Section 163 of Odisha Treasury Code, a government officer, entrusted with the payment of money, shall obtain a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. Further, as per Rule 51 of Odisha General Financial Rules, every officer should be held personally responsible for any loss sustained by the Government through fraud or negligence on his part.

Audit noticed (December 2020) that the Executive Officer, Gudari, Rayagada conducted official tours during December 2018 to July 2020. Being the head of office, she herself got the supporting bills verified by her subordinates, approved the bills and received ₹1.09 lakh towards reimbursement of hire charges of vehicles mentioning use of hired cars, as detailed in ***Appendix-9.1***. Audit cross-checked the vehicle registration numbers with data from the Parivahan portal[48] and found that the vehicles mentioned in the bills were two-wheelers, not four-wheelers as claimed. Screenshot of one such vehicle status from Parivahan Portal is shown in the **Photograph** below. Thus, the vehicles stated to be used in the tour were not motor cars.

Photograph No- 9.1



M-cycle/Scooters Vehicle no OD07H4645 shown as car for claiming Tour Allowance

Vehicle registration verification revealed discrepancies between claimed four-wheelers and registered two-wheelers. This indicates irregular claim procedures

48 https://parivahan.gov.in : It provides detailed information on all registered vehicles.

requiring investigation. The audit documented ₹1.09 lakh in questionable vehicle hire charges.

On this being pointed out in Audit, the Executive Officer, Gudari, without giving any specific reply, stated (December 2021) that early action would be initiated. The matter requires detailed investigation by appropriate authorities to determine the nature and extent of irregularities in vehicle hire charge procedures. The fact had also been brought (January 2024) to the notice of the H&UD Department. No reply was received from the Department (October 2025).

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