

## CHAPTER - IV

### AUDIT PARAGRAPH

#### 4.1 Outstanding recovery of taxes

**Taxes amounting to Rs.14.63 crore pertaining to periods from prior to 2003-04 to 2006-07 were pending recovery in nine municipalities test checked.**

As per Article 99, 132 and 133 of the Gujarat Municipality Act, 1963, the Municipality can impose the taxes on building or land, vehicles, boats, special sanitary cess, general sanitary cess, drainage tax, water tax or special water tax, lighting tax, special education cess and any other taxes for providing civic services to the people. The municipalities are to raise demands of taxes and are to see that the dues are collected within 15 days of issuing demand notice.

It was noticed from the records of nine test checked municipalities that there was unrecovered taxes to the tune of Rs.14.63 crore as on 31<sup>st</sup> March 2009. As against the total demand of Rs.26.68 crore, the municipality could collect only Rs.12.05 crore (48.99 percent) as shown in **Appendix - XI**. The unrecovered dues pertained to the period prior to and for the years 2003-04 to 2006-07. The pending recoveries included Rs.3.27 crore towards education cess which form the part of State Government revenue and has to be credited to Government Accounts.

Poor recovery of dues can affect the finances of the Municipality adversely as the day to day liabilities cannot be fully met due to paucity of fund. It also indicates that effective planning was not made to have efficient system for recovery.

The Chief Officer stated (May 2008) that effective steps would be taken to recover dues. Further actions are awaited (July 2009).

#### 4.2 Unfruitful expenditure under IDSMT scheme

**Lack of planning and poor implementation of a project taken up under IDSMT Scheme by Wankner Nagarpalika rendered the expenditure of Rs.70.90 lakh incurred on the project unfruitful besides cost escalation.**

Based on the proposal of Government of Gujarat (May 2001), Government of India, Ministry of Urban Development and Poverty Alleviation approved five works costing Rs.226.74 lakh for Nagarpalika Wankner under the scheme Integrated Development of Small and Medium Towns (IDSMT) on 5<sup>th</sup> December 2001. As per the scheme, the project cost was to be shared by the Central Government, State Government and by the concerned Municipality in proportion of Rs. 90 lakh, Rs. 60 lakh and Rs. 76.74 lakh respectively. The first installment for Rs 45 lakh of central share was released (October 2001) and correspondingly the Government of Gujarat also released its share of Rs. 30 lakh (October 2002 to 22 May 2003).

A review of scheme records for the year 2004-05 to 2006-07 revealed that out of five works sanctioned, only one work of constructing a shopping complex at old Town Hall was taken up at a cost of Rs.68.37 lakh (June 2006). On further review, it was observed that the work was left abandoned without any reason from August 2007 after incurring an expenditure of Rs.70.90 lakh. As per the latest status, a revised estimate of Rs 124.65 lakh was sent to the Joint secretary, Urban Development and Urban Housing department Government of Gujarat (September 2007) for approval. Action of the State Government in this regard was not available on records. The other five works were either not commenced or were at the initial state of execution after lapse of more than 7 years without any concrete reason as detailed in **Appendix-XII**.

It is evident that the works sanctioned during 2001, remained incomplete due to poor planning and improper monitoring resulting in unfruitful expenditure of Rs 70.90 lakh and the intended benefit did not reach the people of the town. Moreover, the estimated project cost had increased to Rs 124.65 lakh as against the original estimated cost of Rs 68.37 lakh.

On this being pointed out, the Chief Officer did not furnish any reason for incomplete works.

#### **4.3 Loss due to irregular deposit of fund in a non-Government financial institution.**

**Due to liquidation of CRB Capital Markets Ltd, Wankaner Nagarpalika lost Rs.15.00 lakh irregularly deposited in the financial institution without the approval of the State Government.**

As envisaged in Section 86(3) of Gujarat Municipal Act, 1963, the Municipality should invest/deposit surplus money in any scheduled bank or with the prior approval of State Government, it can park surplus funds in other than the scheduled bank also.

Scrutiny of records of deposits of Wankaner Nagarpalika revealed that the Nagarpalika had deposited a sum of Rs. 15.00 lakh under short term deposits in CRB Capital Markets Ltd. (CRB) for three months in November 1996 without approval of the State Government. CRB was neither a Scheduled Bank nor a Bank. The term of deposit was renewed for another period of three months in February 1997 with maturity date in May 1997. The CRB went into liquidation before maturity of the deposit and the Wankaner Nagarpalika made a reference to the Official Liquidator in December 2002 to refund the invested amount. However, it has not received the sum so far (July 2009). The act of the Nagarpalika to invest in a non-Government financial institution without approval of State Government was not proper and has resulted into a loss of Rs. 15.00 lakh (principal) besides loss of interest amounting to Rs.24.69 lakh. No actions have since been taken against the officials responsible for the loss.

On this being pointed out, the Chief Officer sent a reminder to the official liquidator, Delhi in July, 2008. Further outcome is awaited (July 2009).

#### 4.4 Delay in completion of work

**Due to poor monitoring, a work taken up by Unjha Nagarpalika under Vajpayee Nagar Vikas Yojana got delayed by more than eight years and the benefits of the scheme to the beneficiaries were delayed to that extent.**

The work of widening drain slab on Falka Nalla at Unjha town was administratively approved for Rs 49.66 lakh (May 2000) and was technically approved for Rs 49.89 lakh (March 2000). The work was awarded to an agency at a tendered cost of Rs.51.19 lakh (January 2000). The work was initially taken up from own fund of Unjha Nagarpalika which was later on covered under Vajpayee Nagar Vikas Yojana (VNVY) scheme. The stipulated date of completion of the work was January 2001 (Twelve months).

A review of work files related to this work revealed the following.

1. The work was awarded to the agency before administrative and technical sanctions. Again, the work was awarded without observing statutory procedure of land clearance which caused a stay order (February 2001) on the aforesaid work. On vacation of the stay order, the work was resumed in May 2001. However, it was actually completed only in October 2008, after delay of nearly 8 years. No concrete reason had been given by the municipality for the delay. The final bill was however not paid even till December 2008.
2. The tendered cost of the work was Rs 51.19 lakh. However, the agency was paid Rs 88.60 lakh upto 6<sup>th</sup> running bill which included a number of extra items. The excess expenditure over tendered cost works out to Rs 37.41 lakh (73 percent). In absence of any revised administrative/technical sanctions, the excess expenditure was irregular.

Thus, due to lack of proper monitoring, the project got delayed by about 8 years and the intended benefits to the beneficiaries got delayed to that extent.

The Under Secretary, Urban Development and Urban Housing Department, Government of Gujarat stated (December 2008) that the work was actually approved in March 1999 by the Municipal Council. As regard the excess expenditure, it was stated that in the context of total plan layout of Rs 1.09 crore, the actual expenditure works out to Rs 88.60 lakh. The department did not furnish any reply in respect of the Administrative Approval/Technical Sanction.

The reply is not acceptable as no concrete reason were given for abnormal delay in completion of work and the revised Administrative Approval/Technical Sanction of the competent authority was not furnished.

#### **4.5 Unproductive expenditure on construction of Yatri Niwas and irregular payment for the work done.**

**Nagar Palika Dakor constructed a Yatri Niwas under IDSMT at a cost of Rs.33.86 lakh. However, the Yatri Niwas was not leased out rendering the entire expenditure unproductive. Moreover, the payments were made to the contractors without any measurements.**

As provided under Rule 142(1 to 4) of Municipal Account Code read with Para 5.1.9 and 6.2 of Public works procedure and accounts (fundamental), all works executed on rate list, piece work or contract basis should be recorded in the measurement book. The measurement should be recorded by an authorized person and should be checked by engineer in charge. In absence of an engineer, it should be checked by the Chief Officer or by his authorized officer. When the bills are produced by the contractor or supplier, the quantities therein are to be verified with those recorded in the measurement book. As provided under Para 130 of Public Works Manual, administrative approval and technical sanction are required to be obtained from the competent authority before execution of work. During the year 2003-04 two major works of constructing one shopping centre at Sardar shopping and constructing of Yatri Niwas at Dakor were taken up under the scheme IDSMT, a centrally sponsored scheme by NagarPalika Dakor. A total expenditure of Rs.33.86 lakh was incurred on these works As verified from the files no revenue was projected for these projects.

A review of work files revealed that:

1. Measurement books were not maintained by NagarPalika Dakor for any of the works and a payment of Rs. 33.86 lakh was released to the contractors during October 2003 to April 2005 without verification of measurement. In the absence of any measurement, the possibility of excess payment or payment without execution of work to the contractors cannot be ruled out. Since measurement book is a very important basic record and also is the basis on which claims are checked and passed, it is considered as a serious lapse on the part of officers allowing such payments without any verification of measurement.
2. It was further noticed that Administrative and Technical approvals were not obtained from the competent authority for the aforesaid works. In absence of any technical sanction, the technical soundness of the buildings constructed could not be vouchsafed.
3. The work of Yatri Niwas was completed in April 2004. However, it was noticed that no income from the project was realized up to 2005-06. Thus, the expenditure of Rs. 19.37 lakh incurred on construction of the Yatri Niwas remained unproductive (July 2009).

On this being pointed out, the Chief Officer while accepting the audit contentions stated (May 2008) that public notice was issued to lease out Yatri Niwas in the past but the process was stopped by the District Collector as there was some confusion. The facts remains that intended benefit did not reach the beneficiaries.

#### 4.6 Unfruitful Expenditure

**Non obtaining of proper approval for land clearance by Unjha Municipality for construction of a shopping complex resulted in infructuous expenditure of Rs.10.14 lakh.**

The work of constructing Shopping Complex of Falku Vehla at Unjha Town, having estimated cost of Rs. 59.10 lakh was awarded to an agency at a tendered cost of Rs.58.05 lakh in January 2000. The stipulated date for completion of work was January 2001. The work was initially taken up from own fund of the Municipality which was later on covered under Vajpayee Nagar Vikas Yojana (VNVY) in the year 2000.

A review of files related to this work revealed the following:-

1. The work order was issued and work was started by the contractor in January 2000 without observing statutory procedure of obtaining prior approval for land clearance. This resulted into imposition of Stay Order by the district administration (February 2001). No concrete action had been taken by the Municipality Unjha to obtain approval of the Government even after Stay Order which led to non vacation of the stay order till October 2008 leaving the project without any progress. The project was left abandoned after incurring expenditure of Rs. 10.14 lakh. Thus, poor planning and monitoring and follow up resulted in the project not being completed even after lapse of 7 years rendering the expenditure of Rs.10.14 lakh incurred on the project unfruitful.
2. Necessary administrative approval/Technical Sanction from the competent authority had also not been obtained by the Municipality. This has violated general norms of work as the work can not be started without Administrative Approval/Technical Sanction.

The Chief Officer replied (October 2008) that since the stay order was in force till October 2008 and the work could not be started, the municipality had to relieve the agency from the work in October 2008. It was further added that the Administrative approval/technical sanction were not required because the work has been taken up from own fund of Nagarpalika. As regards non obtaining Government approval before starting the work, the auditee did not offer any comment.

The reply was not acceptable as administrative approval/technical sanction are required in every case of civil works even when it is taken up from own fund which also constitutes of public money. Had the prior approval of the Government taken before starting the project, expenditure of Rs. 10.14 lakh could have been avoided.

#### 4.7 Irregularities in rate contract

**Materials worth Rs.1.99 crore were procured by Gandhidham Municipality without inviting tenders as stipulated in the Acts.**

As envisaged in section 66 and 67, Chapter-IV (4) of Gujarat Municipalities Act, 1963, tender should be invited from the contractors for the works involving expenditure more than Rs. 5000.

Audit scrutiny of contract files of Gandhidham Municipality for the periods 2004-05 to 2006-07 revealed that the aforesaid procedures were not followed and contracts were awarded without inviting tender for the works of printing and stationery, purchase of street light and fixtures and purchase of drainage items for an expenditure of Rs. 1.99 crore during the audit period as detailed below:-

**(Rs. in lakh)**

<b>Name of the work</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>Total</b>
Purchase of PVC pipes	63.05	59.37	52.86	175.28
Purchase of tube lights	7.81	5.15	3.99	16.95
Printing and stationery	2.07	1.79	2.68	6.54
<b>Total</b>	<b>72.93</b>	<b>66.31</b>	<b>59.53</b>	<b>198.77</b>

The Chief Officer accepted (May 2008) the audit objection and agreed to follow the audit instruction in future.

#### **4.8 Irregularities in utilization of Tenth/Eleventh/Twelfth Finance Commission grants**

During the test check of accounts of eight Municipalities the following discrepancies were noticed in utilisation of Tenth/Eleventh/Twelfth Finance Commission grants:

**4.8.1** The work of providing and laying Drainage Pipelines in Halav Mission Area (NP Valsad) was awarded to an agency in May 2005 at a cost of Rs.3.24 lakh with the stipulated date of completion as July 2005. It was observed that the work was actually completed on 31<sup>st</sup> January 2007, after a delay of 564 days. Neither the procedure for extending time limit was followed nor any liquidated damages (Rs. 0.16 lakh) were recovered from the agency.

**4.8.2** As per procedure, mobilization advance of 75 per cent of the material purchased and kept at site can be given after it is physically verified and certified by the Engineer in charge. Before paying advance, guarantee bonds are to be obtained as security. However, it was observed that advance aggregated to Rs 6.50 lakh was paid during May to August 2004 to the executing agencies in respect of the works of constructing drainage of RCC Pumping station at Halav Morivia colony(NP Valsad) without observing any norms of verification/guarantee bonds. This led to undue financial aid to the agency.

**4.8.3** The work of constructing road drainage in Ambedkar shopping area (NP Valsad) costing Rs. 1.08 lakh was sanctioned on 6<sup>th</sup> January 2005. However, it was observed that the work was not started till August 2008 though the term of the 11<sup>th</sup> Finance Commission

expired on 31<sup>st</sup> March 2005. Thus the grant for Rs 1.08 lakh remained unutilized for more than 3 years due to lack of proper planning by NP Valsad.

**4.8.4** The funds received under the recommendations of the Finance Commission are to be utilized within the period of respective Finance Commission. It was, however noticed in four test checked municipalities (Dhandhuka, Porbandar, Valsad and Upleta) that an amount aggregated Rs 84.87 lakh remained unutilized even after expiry of terms/period of the respective Finance Commissions. This includes Rs 59.05 lakh and Rs 25.82 lakhs received as 10<sup>th</sup> and 11<sup>th</sup> Finance Commission grants respectively. Non-utilization of grant of 10<sup>th</sup> and 11<sup>th</sup> Finance Commission indicates lack of proper planning in utilization of grant as the terms of 10<sup>th</sup> Finance Commission and the 11<sup>th</sup> Finance Commission expired on 31<sup>st</sup> March 2000 and 31<sup>st</sup> March 2005 respectively.

#### **4.9 Outstanding advances.**

**Advances amounting to Rs.7.38 crore were outstanding in 4 Nagar Palikas from 1962-63 onwards**

As per Rule 151 of Municipal Account Code 1948, clearance of advances granted to the Contractor, Suppliers and Employees can be made after receipt of the detailed accounts. Audit scrutiny of four test checked Nagar Palikas (Petlad, Bardoli, Patan and Palanpur) revealed that as of March 2007, an amount of Rs 7.38 crore was outstanding adjustment from 1962-63 onwards as detailed in **Appendix –XIII**.

The advance Register was not properly maintained with the result that the authenticity of adjustment could not be ensured as required under 301(2) of the Gujarat Financial Rule. The huge amount of outstanding advances indicates weak internal control mechanisms in the Nagarpalikas.

On being pointed out, the Chief Officers stated (May-2008) that no fresh advances were being paid. It was also stated that the outstanding advances would be recovered in future. Further reply is awaited (July2009).

**Sd/-**

**(R. M. BHATIA)**

**Deputy Accountant General (LBAA)**

**Dated: 13.01.2010**

**Countersigned**

**Sd/-**

**(DHIREN MATHUR)**

**Accountant General (Civil Audit)**

**Dated: 13.01.2010**