

## CHAPTER III

### AUDIT OF TRANSACTIONS

#### 3.1 Unauthorized possessions on Nagar Nigam's land valued at Rs. 408.01 crores.

(A) As per the laws of the Nagar Nigam, the land given by the Government or acquired through gift or purchase or by any other means will remain under the direction, control and management of the Nagar Nigam. Land given to the farmers on lease has to be physically verified after ensuring the renewals from time to time and reconciling the same with the Revenue records.

Scrutiny of the records of the Estate department of Nagar Nigam Allahabad (July 2005) revealed that on the agricultural land measuring 432 Bigha 10 Biswa situated at mauza Kareli, the name of Municipal Board (Nigam) was recorded as owner and the names of farmers were recorded as leasee in the Revenue records till the year 1359 FASLI (year 1952) but there after the name of Nigam was removed from revenue records. This happened due to improper maintenance of land register, non reconciliation with revenue records and absence of physical annual verification by the Nigam. On being pointed out by audit the name of Nagar Nigam was restored as owner in revenue records (March 2007) but the possession has not been obtained so far. The unauthorized possession of Nigam's land was as under:-

Sl. No.	Occupier's name in present Khatauni	Rakba (area)		Value* (Rs. in crores)
		Bigha	Biswa	
1.	Uttar Pradesh Awas Vikas Parishad	207	15	125.23
2.	Uttar Pradesh Government	17	17	12.80
3.	Other farmers	206	18	125.17
	<b>Total</b>	432	10	263.20

The unauthorised possession of Nigam's land valued at Rs. 263.20 crores as per the circle rate was allowed due to negligence of Nagar Nigam, Allahabad.

In reply it was stated (July 2007) that the matter for departmental action was under consideration.

(B) Scrutiny (August 2004) of records of Nagar Nigam (NN), Meerut revealed that 636738 square mt. of the NN's land valuing Rs. 144.81 crore was unauthorisedly occupied by Meerut Development Authority and Uttar

\* @ Rs. 60.50 lakh per Bigha (Rs. 2000/- per sqr yard).

Pradesh Avas Vikas Parishad since 1987 (Appendix-VI). The unauthorized encroachments on NN land continued to remain undetected for more than fifteen years as neither the records relating to the assets owned by the NN were maintained nor verification were carried out from the revenue records periodically.

In reply to an audit query, the NN stated that the unauthorized possession of NN land came to notice only during September 2002 through Meerut Development Authority which intimated that the land in question was used for construction of housing colonies. It was established from the reply that there was no mechanism in the NN to take the care of its properties and save them from the encroachments and unauthorized occupation.

The matter was referred to the Government (July 2006), reply is awaited.

### 3.2 Unfruitful expenditure of Rs. 50.00 lakh on incomplete work.

State Government sanctioned interest free loan of Rs. 50.00 lakh from Revolving fund to Nagar Palika Parishad, Basti for water drainage from inundated area of Basti city (December 2001). The construction work was entrusted to the Irrigation Drainage Division, Basti (IDDB). The District Magistrate and Executive Officer was directed to ensure the quality and timely completion of work. The IDDB prepared the estimate (September 2002) of Rs. 36.70 lakh for Dakshin Darwaza to Bus Stop Basti (1.40km and 1 culvert) and Rs. 29.42 lakh for Shiva colony to District Hospital Basti (0.95km and one culvert). Both the drains were to be connected with the main drainage existing system. The IDDB was provided Rs. 50.00 lakh by the Parishad (September 2002) to execute the work.

Scrutiny of records revealed that the construction work was incomplete (May 2005) after incurring an expenditure of Rs. 31.57 lakh on construction of drainage from Dakshin Darwaza to Bus Stop, Basti (1.30km. drainage with one culvert) and Rs. 18.43 lakh on the construction of drainage from Shiva colony to Hospital Basti (0.81km with 2 culvert). The incomplete drainages could not be used for water extraction and the expenditure of Rs.50.00 lakh proved unfruitful.

The department stated in reply that the work could not be completed for want of fund and now it would be completed by the Parishad itself from its

own resources. The reply was not tenable as the Nagar Palika Parishad was well aware of the paucity of fund at the time of the commencement of works and thus responsible to arrange the extra funds to meet out the requirement during the construction period.

Thus failure of N.P.P. Basti in arranging the funds well in time had rendered the expenditure of Rs.50.00 lakh as unfruitful.

The matter was referred to the Government (May 2006), reply was awaited.

**3.3 Outstanding liabilities of Rs. 22.47 crore due to non credit of Provident Fund, Pension Contribution and Gratuity.**

Amount of subscription/recovery of provident fund and pension contribution of non-centralized employees made from the pay of the employees were to be credited into the concerned employees accounts and pension account every month and deposited in the scheduled bank.

Scrutiny of records revealed that Rs. 22.32 crore towards contribution of provident fund and pension contribution relating to the period from 1994 to 2005 were not credited to the concerned accounts. A sum of Rs. 0.15 crore as gratuity was also not paid to the retired/deceased employees. The details are as under:-

**(Rs. in crore)**

Name of Unit	Item	Amount	Period for which recovery of PF and pension contribution not credited in accounts	Interest upto March 2006
Nagar Nigam Kanpur	Provident Fund	16.42	Upto Mar 2004	2.73
Nagar Nigam Allahabad	Provident Fund	04.06	Upto Dec 2002	1.17
Nagar Palika Parishad Sitapur	Provident Fund	00.57	Upto Feb 2005	0.05
Nagar Panchayat Jasarana, Firozabad	Provident Fund	00.16	Upto Jan 1997	0.21
Nagar Panchayat Khaga, Fatehpur	Provident Fund	00.13	Upto Oct 2002	0.04
Nagar Palika Parishad Sitapur	Pension Contribution	00.98	November 1994 to January 1998	--
Nagar Palika Parishad Mau	Gratuity to retired/deceased employees	00.15	March 1984 to December 2003	--
<b>Total</b>		<b>22.47</b>		<b>4.20</b>

The concerned NN,NPP and NP stated that the amount could not be deposited in the account of the concerned employee due to paucity of funds. The reply was indicative of the fact that the recoveries made from salaries of the employees unauthorizedly diverted and spent elsewhere.

The matter was referred to the Government (May 2006), reply was awaited.

#### **3.4. Loss of revenue Rs. 12.24 lakh due to non/short levy of stamp duty**

As per the Indian Stamp Act 1899 (as amended), stamp duty should be levied @ 80/- per thousand on agreement of contracts.

In 6 Nagar Palika Parishad and 7 Nagar Panchayat test checked, though several contracts were awarded during 2001-05 for various purposes, agreement were not made on stamp paper of required amount resulting in the loss of revenue amounting to Rs. 12.24 lakh due to non/short levy of stamp duty (Appendix VII).

#### **3.5. Non adjustment/recovery of advance amounting to Rs. 8.54 crore.**

Temporary advances made to individuals were required to be adjusted by the end of each financial year in which they were made. The recovery of unadjusted advances with interest from the employees concerned should be made.

Work advance amounting to Rs. 8.54 crorer in 3 Nagar Nigam's and 4 Nagar Palika Parishad's remained unadjusted till date. The interest amount on these outstanding advances works out to Rs. 3.84 crore as under:-

**(Rs. in lakh)**

Name of Unit	1 to 5 (Years)	5 to 10 (Years)	10 to 15 (Years)	15 to 20 (Years)	More than 25 (Years)	Total	Interest @ 10% p.a.
N.N., Gorakhpur	285.19	52.16	56.64	91.78	7.20	492.97	301.67
N.N., Ghaziabad	285.97	4.66	0	0	0	290.63	58.53
N.N., Allahabad	33.76	10.88	2.50	0	0	47.14	10.83
N.P.P. Sitapur	3.26	2.00	0.49	0	0	5.75	3.22
N.P.P.Charkhari (Mahoba)	1.80	0.59	0.08	0	0.78	3.25	1.39
N.P.P. Sultanpur	6.61	0.15	0.18	1.87	0	8.81	5.96
N.P.P. Basti	4.84	0.96	0	0	0	5.80	2.42
Total	621.43	71.40	59.89	93.65	7.98	854.35	384.02

This indicates that the internal control in these ULBs were inadequate. The possibility of recovery of older advances is very remote as some officials might have retired/expired/transferred to other offices. Action to adjust/recover/write off the advances needs to be initiated and monitoring mechanism strengthened to ensure speedy adjustment/recovery. Irrecoverable amounts, if any, need to be written off by the State Government.

Matter was referred to the Government (June, 2006). Reply is awaited.

### 3.6. Unfruitful expenditure of Rs. 26.64 lakh.

On the basis of assessment report (January 1997 Projects worth Rs.1.09<sup>♥</sup> crore for three schemes\* were approved (1999-2000) under centrally sponsored scheme of Integrated Development of Small and Medium Towns for development of Nagar Panchayat, Kemari District Rampur by Government of India. As per the assessment report, implementation of the proposed scheme was to meet the immediate requirement of the town in terms of commercial, transportation and civil problems besides being economically viable.

Scrutiny of records (Oct 2005) revealed that the estimate of Rs.65.38 lakhs was prepared under commercial schemes for construction of 83 shops and 2 Godowns without making an assessment of the viability of these projects and also detailed survey of the site. The first installment of Rs.26.66 lakh (Rs.16.00 lakh from Central Government and Rs.10.66 lakh State contribution) was released in April 2001. The second installment of Rs.53.33 lakh (Rs.32.00 lakh of Central Government and Rs.21.33 lakh of State Government) was released in March 2004. The Nagar Panchayat constructed (February 2003) 39 ground floor shops at a total cost of Rs 26.64 lakh on Milak Bilaspur road opposite Panchayat office. No work was taken up under the two other schemes. It was also noticed that against the 39 constructed shops, offers for only 10 shops were received. However these 10 shops could also not be allotted as these were constructed within the PWDs road width of Milak Bilaspur road. No shops could therefore be allotted and all were lying vacant resulting in a loss of rent Rs.3.60 lakh up to September 2005.

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<sup>♥</sup> Financing Pattern was from Government of India Rs. 48.00 lakh, State Government Rs. 32.00 Lakh and Financial Institution Rs. 28.76 lakh.

\* Commercial schemes, Traffic and Transportation schemes, Miscellaneous scheme.

Thus lack of proper planning, without assessing the economic viability of the scheme had resulted in the expenditure of Rs.26.64 lakh remaining as unfruitful, besides a rent loss of Rs.3.60 lakh.

The matter was referred to the Government (August 2006), reply was awaited.

Allahabad  
The

**(Tara Chand Chauhan)**  
**Deputy Accountant General**  
**Local Bodies**

Countersigned by

Allahabad  
The

**(Narendra Singh)**  
**Principal Accountant General (Civil Audit)**  
**Uttar Pradesh**