

PREFACE

1. As per Article 243Z of the Constitution “The Legislature of a State may by law, make provisions with respect to the maintenance of accounts by the Municipalities and the auditing of such accounts”. Government of Jharkhand has adopted the Bihar & Orissa Local Fund Audit Act, 1925 under which the Examiner of Local Accounts, Jharkhand, who heads the Local Audit Department in the office of the Principal Accountant General (Audit), Jharkhand, has been appointed for conducting audit of all the Local Bodies in Jharkhand.
2. This Report is prepared under the direction of the Comptroller & Auditor General of India for submission to the Government of Jharkhand. The cases mentioned in the Report are among those, which came to notice in course of test audit of accounts of 17 ULBs during 2009-10 as well as those which had come to notice in earlier years.
3. The purpose of this report is to give an overview of the functioning of ULBs in the State of Jharkhand and to draw the attention of the State Government and ULBs for remedial action for improvement, wherever necessary.
4. This is the fourth Annual Audit Report of the Examiner of Local Accounts, Jharkhand on the ULBs. The first such report was prepared for the year ending March 2006.

OVERVIEW

The Report contains eight chapters containing observation of audit on accounts and financial management, revenue receipts, establishment, transaction audit, implementation of schemes, other important observations and conclusions.

A synopsis of the audit findings contained in the Report is presented in this overview.

1. Introduction

State Government dissolved all ULBs during the period 1986 to 1995 and since then elections had not taken place till March 2008. In 28 out of the 39 ULBs, elections were held in March 2008. Due to non-holding of elections, the ULBs did not receive Rs 90.85 crore and Rs 1707.77 crore upto 2008-09 under the 11th & 12th Finance Commissions and the Jawaharlal Nehru National Urban Renewal Mission respectively. Devolution of functions, funds and functionaries to ULBs as envisaged in the 74th Constitutional Amendment Act, 1992 had not taken place as yet.

ULBs were financially dependent on Grants and Loans from the Government as their own resources were meager. The available manpower in ULBs was not sufficient. Shortage of staff ranged from 11.64 *per cent* to 77.77 *per cent*.

[Paragraph 1.1 to 1.10]

2. Accounts and Financial Management

In contravention to the provisions of the Act, 17 ULBs irregularly maintained 106 additional Bank accounts and deposited Rs17.47 crore in 93 accounts.

[Paragraph 2.1]

Eleven out of 17 test-checked ULBs had not prepared Budget Estimates during 2002-08. Remaining six ULBs prepared unrealistic budgets and utilized only 3.13 *per cent* to 31.13 *per cent* of the Budget provision.

[Paragraph 2.2]

Eleven ULBs incurred unauthorized expenditure of Rs 41.03 crore during 2002-08 without preparing Budget Estimates.

[Paragraph 2.3]

The expenditure of Rs 97.51 crore incurred by 17 ULBs could not be scrutinized due to non-preparation of Annual Accounts for the period 2002-09.

[Paragraph 2.4]

Only 39.82 per cent of specific Grants & Loans was utilized during 2002-09.

[Paragraph 2.5.1]

Internal control was very weak. The prescribed supervisory checks were not carried out. Basic records viz. Advance Ledger, Loan Register, Loan Appropriation Register, Grant Register, Demand and Collection Register, Work Register, Unpaid Bill Register, Annual Report, Deposit Ledger, Register of Lands, Register of Revenue Resources, Asset Register etc were not maintained by most of the ULBs.

[Paragraph 2.6.1 & 2.6.2]

In 10 ULBs, a difference of Rs. 1.49 crore between balances as per Cash book and Bank /Treasury Account was not reconciled.

[Paragraph 2.6.3]

Seven ULBs did not produce vouchers worth Rs 3.03 crore for the period 2002-09 before Audit.

[Paragraph 2.6.7]

Advances aggregating Rs 17.93 crore were outstanding against employees, suppliers, contractors and engineers of 14 ULBs.

[Paragraph 2.6.8]

3. Revenue Receipts

Nine ULBs did not impose prescribed Municipal taxes.

[Paragraph 3.1]

Fourteen ULBs did not take prescribed steps for recovery of outstanding Holding tax, although a huge sum of Rs 29.56 crore was outstanding.

[Paragraph 3.2]

Rates of taxes were not revised for the last 8 to 47 years despite provision for revision after every five years. This resulted in loss of revenue to the ULBs.

[Paragraph 3.5]

Due to non-serving the notices of demand and warrant to tax payers for collection of arrears of taxes, Ranchi Municipal Corporation was deprived of Rs 0.39 crore as fee which could have been levied on the delayed payments.

[Paragraph 3.6]

The collecting staff of 13 ULBs misappropriated Rs 13.51 lakh collected during 2004-2009. Out of this, Rs 1.48 lakh was recovered from the staff of ULBs at the instance of audit and Rs 12.03 lakh was still lying with the collecting staff.

[Paragraph 3.7]

Eighty-four Money Receipt Books were not produced before audit by eight ULBs.

[Paragraph 3.8]

The settlement amount of Rs 28.34 lakh was outstanding from 2004-05 to 2008-09 in nine ULBs.

[Paragraph 3.9]

Proceeds of the collection of Rs 2.44 crore on account of Health/Education cess during 2001-09 were not remitted into the Government account.

[Paragraph 3.10]

Due to non-collection of Health/Education cess by six ULBs, the State Government and the ULBs suffered a loss of Rs 57.75 lakh and Rs 6.42 lakh respectively during 2006-08.

[Paragraph 3.11]

Seven ULBs realized Education cess at less than the prescribed rate of 50 *per cent*, which resulted in loss of Rs 23.30 lakh to the State revenue and Rs 2.59 lakh to the ULBs during 2001-09.

[Paragraph 3.12]

Rupees 18.65 crore was outstanding on account of rent and taxes of Government buildings.

[Paragraph 3.15 & 3.16]

4. Establishment

Eleven ULBs irregularly spent Rs 3.05 crore during 2004-09 on engaging casual staff despite Government prohibition.

[Paragraph 4.1]

Three ULBs paid Rs 2.18 crore to NGOs for cleaning roads etc. without the approval of State Government.

[Paragraph 4.2]

Four ULBs appointed lawyers without approval of the State Government and incurred Rs 1.58 lakh during 2004-08.

[Paragraph 4.3]

The employees of four ULBs sustained loss of interest due to non-remittance of Provident Fund subscription of Rs. 10.81 lakh in the concerned bank accounts.

[Paragraph 4.4]

5. Transaction Audit

Taxes deducted at source of Rs 35.11 lakh on account of Income Tax, Sales Tax and Royalty were not credited to the Government Accounts.

[Paragraph 5.1]

Eight ULBs irregularly paid Rs 24.21 lakh as contractor's profit to Sulabh International Social Service Organization against the provision of State Public Works Account Code.

[Paragraph 5.2]

Ten ULBs neither made any recovery of Sulabh Shauchalaya Loan of Rs 1.03 crore and interest thereon nor maintained any account for the same.

[Paragraph 5.3]

Hazaribagh Nagar Parishad made payment of Rs 27.23 lakh to the Executing Agents on Hand Receipts instead of proper vouchers.

[Paragraph 5.4]

Ten ULBs made excess payment of Rs 10.98 lakh due to non-deduction of Income Tax, Sales Tax, Royalty etc. from contractors' bills.

[Paragraph 5.5]

Excess payment of Rs. 35.70 lakh due to non-deduction of penalty from contractors' bills was noticed in 12 ULBs.

[Paragraph 5.6]

Rupees 5.75 lakh incurred on creation of Boating infrastructure at Chas was proved infructuous.

[Paragraph 5.7]

6. Implementation of Schemes

Failure in completing the works within the timeframe resulted in blockade of Rs 7.21 crore in 15 ULBs.

[Paragraph 6.1]

Three ULBs diverted Rs 0.81 crore sanctioned for specific purposes towards payment of salary to staff.

[Paragraph 6.2]

Government Grant/Loan of Rs 7.04 crore received for specific purposes/schemes was blocked for the period ranging from one to seven years in eight ULBs, depriving the people of the benefits of these schemes.

[Paragraphs 6.3.1, 6.3.2 & 6.3.3]

The purpose of *Jawaharlal Nehru National Urban Renewal Mission* was defeated as the Central/ State Grant of Rs 148.80 crore remained unutilized at RMC.

[Paragraph 6.3.4]

Undue favour to a consultant for preparation of Detailed Project Report for construction of Bye Pass/Ring Road at Hazaribagh resulted in irregular expenditure of Rs 52.00 lakh.

[Paragraph 6.4]

The construction/ beautification of Park at Simdega remained incomplete even after lapse of three years leading to infructuous expenditure of Rs 24.77 lakh.

[Paragraph 6.5]

Due to non release of fund in subsequent years, Dhanbad Municipality could not complete 22 roads resulting into unfruitful expenditure of Rs 22.27 lakh.

[Paragraph 6.6]

Splitting of work of construction of Town Hall in two parts to avoid technical sanction of higher authority led to its abandonment which ultimately resulted into unfruitful expenditure of Rs 16.84 lakh at Godda.

[Paragraph 6.7]

Ditch Cleaning equipment and Road sweeper purchased at a cost of Rs 10.15 lakh at Dhanbad remained idle.

[Paragraph 6.8]

The construction of Indira Park at Giridih was not completed even after lapse of more than three years resulting into infructuous expenditure of Rs 6.54 lakh.

[Paragraph 6.9]

Objectives of Valmiki Ambedkar Malin Basti Awas Yojana were yet to be achieved in four test checked ULBs.

[Paragraph 6.10]

Two ULBs sustained a loss of Rs 13.65 lakh on account of Contractors' Profit as the schemes, required to be executed departmentally, were executed through contractors.

[Paragraph 6.11]

In nine ULBs, excess amount of Rs 7.78 lakh was paid to the executing agents over and above the agreed rates/estimates.

[Paragraph 6.12]

7. Other important observations

There was poor response to outstanding audit observations. 5590 audit paras pertaining to the period 1979-80 to 2009-10 involving Rs 189.95 crore were outstanding as of February 2010.

[Paragraph 7.1]

Concerned Deputy Commissioners were not taking action on the Surcharge Notices issued by the Examiner of Local Accounts, Jharkhand. As a result, 126 notices involving Rs 1.43 crore issued during 2000-2010 were pending.

[Paragraph 7.2]

As a result of audit of 17 ULBs, a sum of Rs 2.97 crore was suggested for recovery, of which Rs 1.96 lakh was recovered during audit, whereas Rs 10.98 crore was held under objection.

[Paragraph 7.3]

Replies/Action Taken Notes on the paras appeared in the previous Reports of the Examiner of Local Accounts, Jharkhand were not furnished by the State Government.

[Paragraph 7.4]

CHAPTER-1

INTRODUCTION

1.1 Background

Under Section 4 of the Jharkhand Municipal Act, 2000, the State Government may declare a town as a Municipal Corporation, a Municipality/Municipal Council or a Notified Area Committee/Nagar Panchayat on the basis of a population of more than two lakh, not less than forty thousand and twelve thousand respectively and if the town has (i) an average number of not less than four hundred inhabitants per square Kilometer and (ii) three-fourth of the adult population are engaged on pursuits other than agriculture.

The total population of Jharkhand State as per 2001 census was 26.95 million and the total population covered by the Urban Local Bodies (ULBs) was 5.93 million. Two Municipal Corporations, five Municipalities and 11 Municipal Councils, 16 Nagar Panchayats and five Notified Area Committees (NACs), declared by the State Government, were in existence in the State as on 31 March 2009. The Municipal Corporations are governed by Ranchi Municipal Corporation (RMC) Act, 2001, whereas Municipalities and NACs are governed by Jharkhand Municipal Act (JMA), 2000. The term of elected bodies of Municipal Corporation and Municipalities is five years. The State Government (then, Bihar) in exercise of powers conferred upon it under Section 530 of Patna Municipal Corporation Act 1951 and Section 385 of Bihar Municipal Act, 1922, dissolved all local bodies during the period 1986 to 1995. Hence, no elected bodies in ULBs were in existence at the time of creation of State of Jharkhand (November 2000) and since then fresh elections were held only in March 2008 in 28 out of 39 ULBs. The other 11 ULBs were functioning without having elected bodies as on 31 March 2009. Elections in three ULBs¹ were not held due to pending court cases. Reasons for non-holding of election in the remaining eight ULBs were not stated by the State Government. In the absence of elections, ULBs, as envisaged by the 74th Constitutional Amendment Act, had not come into existence in these towns.

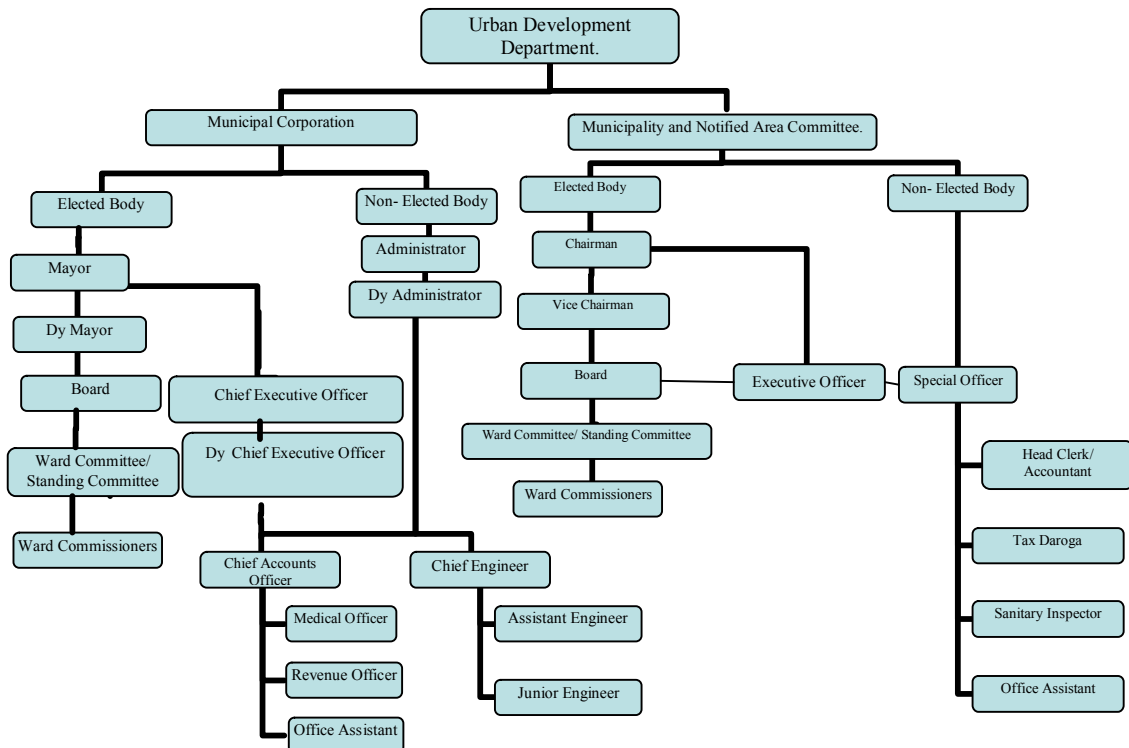
¹ Jamshedpur, Jugsalai and Mango.

1.2 Organizational Setup

The Urban Local Bodies are under Administrative control of Urban Development Department, Government of Jharkhand. The Chairman/Mayor elected by the public is the executive head of a ULB and presides over the meetings of the Board. Thus, the executive power of a ULB is exercised by the Board. To assist the Board, various committees and ward committees are constituted. The Chief Executive Officer/Executive officer appointed by the State Government is a whole time officer of the Corporation/Nagar Parishad/Nagar Panchayat and the executive power for the purposes of carrying on the administration of the Municipality, subject to the provisions of this Act and of any rules and bye-laws made thereunder and the general control of the Municipal Board, vests in him. He also carries into effect every resolution of the Board passed in conformity with the provisions of law. In absence of elected bodies, Municipal Corporations, Municipalities and NACs are administered by an Administrator, a Special Officer and a SDO (Civil)-cum-ex-officio Chairman of the NACs respectively. Other officers are also appointed to discharge specific functions.

Organograph

The following Organograph will show the Organisational structure of a ULB.



1.3 Powers and Functions

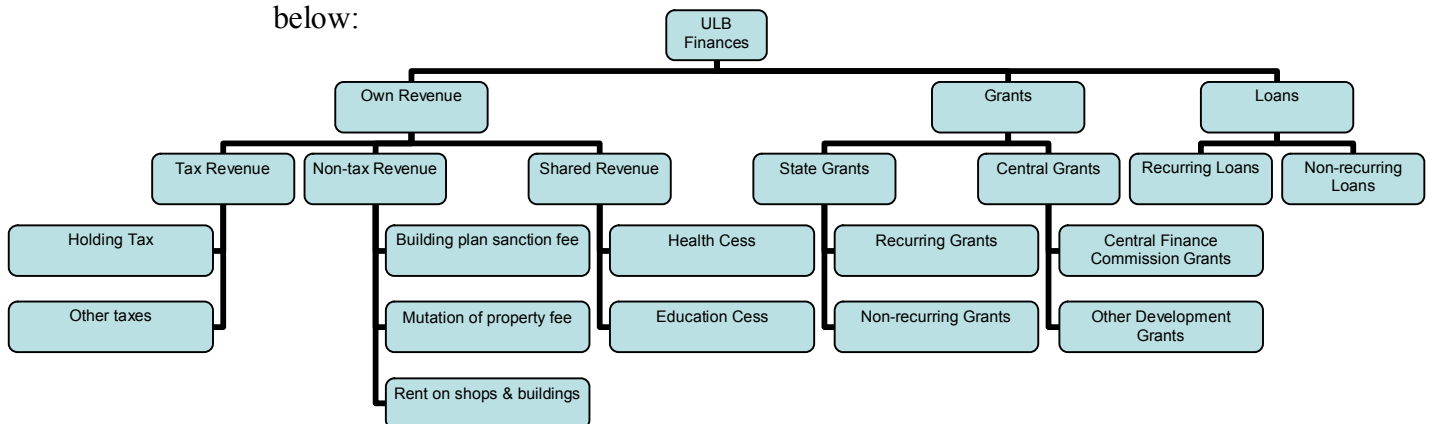
The ULBs shall perform, *inter alia*, 18 functions enumerated in the Twelfth Schedule to the Constitution inserted by the 74th Constitutional Amendment Act, 1992 (**APPENDIX-I**). These Powers and functions of the ULBs are described in Section 11A of JMA, 2000 and Section 63A of RMC Act, 2001. Some of the important functions performed by the ULBs are as follows:

- Urban planning including town planning;
- Regulation of land use and construction of buildings;
- Construction of roads and bridges;
- Water supply for domestic, industrial and commercial purposes and
- Maintenance of public health, sanitation, conservancy and solid waste management.

In addition to the above, some other functions are also partly performed by the ULBs out of 18 functions given in **APPENDIX-I**.

1.4 Financial Profile

The Urban Local Body Fund comprises of receipts from own resources and grants and loans from State Government. A flow chart of finances of the ULBs is given below:



Under the provisions of the Acts in force, all collections such as tax on holding, water tax, latrine tax, collection charges of health cess & education cess, tax on vehicles, tax on trades, professions, callings and employments, fee on registration

of vehicles etc. are sources of tax revenue and building plan sanction fees, mutation fees of property, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The State Government releases grant-in-aid and loans to the ULBs to compensate their establishment expenses. Grant and assistance are also received from the State Government and the Central Government for implementation of specific schemes and projects.

Financial profile of the 17 test checked ULBs was as summarized in the table below:

Table-1

(Rs in lakh)

Sl. No	Name of ULBs	Period	Opening Balance	Receipts			Grand Total	Expenditure		Total	Closing Balance
				Grant	Loan	Own/Other Sources		Establishment	Scheme		
1.	Ranchi	2008-09	2477.53	1632.30	809.75	546.75	5466.33	1414.19	1155.55	2569.74	2896.59
2.	Dhanbad	2004-06	1011.55	641.79	298.56	230.54	2182.44	293.22	554.44	847.66	1334.78
3.	Hazaribagh	2007-08	771.43	234.77	283.51	132.16	1421.87	177.26	326.31	503.57	918.30
4.	Giridih	2007-08	1133.66	241.95	464.66	73.89	1914.16	205.11	1377.17	1582.28	331.88
5.	Chatra	2006-08	499.25	432.06	95.33	15.94	1042.58	31.09	448.08	479.17	563.41
6.	Chakradharpur	2007-08	266.62	55.32	45.76	18.62	386.32	47.49	64.08	111.57	274.75
7.	Chas	2006-08	461.34	643.30	167.93	75.61	1348.18	90.52	932.04	1022.56	325.62
8.	Simdega	2006-08	404.91	202.76	92.25	19.98	719.90	33.91	197.10	231.01	488.89
9.	Godda	2007-08	137.48	65.93	50.84	11.23	265.48	31.02	53.84	84.86	180.62
10.	Mango	2006-08	520.40	659.47	410.89	70.70	1661.46	44.73	691.48	736.21	925.25
11.	Jamtara	2006-08	290.58	100.54	79.20	36.40	506.72	27.62	251.52	279.14	227.58
12.	Saraikela	2006-08	284.38	54.48	21.25	18.04	378.15	16.38	211.20	227.59	150.57
13.	Basukinath	2006-08	241.66	505.09	197.10	61.24	1005.09	2.97	373.87	376.84	628.25
14.	Jasidih	2006-08	233.02	105.39	67.34	12.41	418.16	24.16	156.22	180.38	237.78
15.	Kharsanwan	2006-08	335.78	28.08	17.33	1.60	382.79	13.61	220.32	233.93	148.86
16.	Chakuliya	2007-08	1.45	76.40	35.32	0.22	113.39	1.76	20.11	21.87	91.52
17.	Chirkunda	2002-08	63.52	150.66	108.03	-	322.21	Nil	262.29	262.29	59.92

From the above table it was clear that the ULBs were financially dependent on grants/loans from the Government and their own revenues were meager.

1.5 Audit Arrangement

Audit of the ULBs is conducted by the Examiner of Local Accounts, Jharkhand under Jharkhand & Orissa Local Fund Audit Act, 1925.

Under Section 120 (1) of RMC Act, 2001, the Annual Accounts of the Municipal Corporation are subject to audit under the Jharkhand and Orissa Local Fund Audit Act, 1925. For this purpose, the Corporation is deemed to be a local authority whose accounts have been declared by the State Government to be subject to audit under Section 3 of the Jharkhand and Orissa Local Fund Audit Act, 1925 and the municipal fund is deemed to be a local fund.

1.6 Audit Coverage

Out of 39 ULBs, accounts of 17 ULBs covering the financial year 2002-03 to 2008-09 (*APPENDIX-II*) were test checked and findings of audit are discussed in the succeeding paragraphs.

1.7 Loss of Rs.90.85 crore due to non-receipt of Grants as per the recommendations of EFC and TFC

Due to non-holding of elections for municipal bodies, the State Government could not receive Rs 90.85 crore up to 2008-09 as grants from Central Government on the recommendations of the Eleventh and Twelfth Finance Commission as shown below: -

Table-2

(Rs in crore)

Particulars	Period	Requirement up to 2008-09	Actual receipt	Balance
EFC	2000-05	26.89	Nil	26.89
TFC	2005-10	78.40	14.44	63.96
Total		105.29	14.44	90.85

During 2008-09, GOI sanctioned Rs 14.44 crore to the State Govt under TFC which was released to 12 ULBs (March 2009) for the purpose of providing basic infrastructure and common facilities (Solid Waste Management, Construction of Roads, Drains, Street lighting etc) to the civilians. However, only Rs 1.64 crore (11 *per cent*) of the above grant could be utilized by the ULBs till February 2010. Due to non-utilisation of the fund, the intended benefits of the scheme could not be achieved.

1.7.1 Non-receipt of Grants of Rs.1707.77 crore under Jawaharlal Nehru National Urban Renewal Mission

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by Government of India (December 2005) to ensure sustainable development of selected cities. The scheme was to be implemented during 2005-2012. The State

Government and ULBs seeking assistance under the JNNURM were required to enter into Memorandum of Agreement with Government of India and undertake reforms at municipal level with thrust areas like potable water supply, sewerage and sanitation, solid waste management, road network, transportation, integrated development of slums, street lighting etc. Under the scheme, three cities (Ranchi, Dhanbad and Jamshedpur) of Jharkhand were selected, along with 63 cities in the country. For Mission coverage, the pre-condition was that the cities should have elected bodies in position. As per the Mission overview, the investment requirement based on City Development Programme (CDP) for the selected ULBs was as under:

Table-3

(Rs in crore)

Sl. No	Name of City/ULBs	Category	Annual Funds Requirements	Grant		Loan from Financial Institutions (Per cent)	Share of Central & State grant required per year	Total grant required during 2005-09	Grant received up to 2008-09	Non-receipt of Grants
				Central (Per cent)	State (Per cent)					
1.	Ranchi	Less than One Million population as per 2001 census	31.89	80	10	10	28.70	114.80	101.63	13.17
2.	Dhanbad	One Million plus but less than 4 Million populations as per 2001 census.	307.62	50	20	30	215.33	861.32	26.67	834.65
3.	Jamshedpur		307.62	50	20	30	215.33	861.32	1.37	859.95
Total							459.36	1837.44	129.67	1707.77

The Municipal Board of Ranchi came into existence in March 2008 but had not undertaken the reforms required under the Mission. Against total requirement of funds of Rs 114.80 crore during 2005-09, RMC got Rs 101.63 crore only for implementation of schemes under JNNURM, whereas Dhanbad and Jamshedpur neither had elected bodies nor had undertaken any reforms required under the Mission. Dhanbad Municipal Corporation received Rs 26.67 crore against total requirement of Rs 861.32 crore for 2005-09. Non-fulfillment of conditions of JNNURM by Jamshedpur resulted in non-receipt of Rs 859.95 crore during 2005-09 with consequential impact on civic facilities/ development in the cities.

Comments on utilization of grants received under JNNURM have been incorporated later in the Report.

1.8 Accounting Reforms

1.8.1 Finalization of “State Municipal Accounts Manual”

Based on C&AG’s Task Force Report on accrual accounting in ULBs, the National Municipal Accounts Manual (NMAM) was developed and circulated to all States and they were requested to prepare the State specific Accounts Manual (March 2004).

The Govt. had informed (March 2007) that the draft of ‘State Municipal Accounts Manual’ had been prepared on the basis of National Municipal Accounts Manual and was under review at the Govt. level. Despite reminders (January 2008, July 2008 and January 2010), the Govt. did not intimate further progress in this regard (March 2010).

1.8.2 Non-constitution of Steering Committee

As per the decisions taken in the National Seminar organized (September 2003) by the Ministry of Urban Development, a Steering Committee was to be formed in all the States to oversee the implementation of budget and accounting formats in ULBs. A representative of Accountant General (AG) of the concerned State was also to be made as member of Steering Committee as an observer. Urban Development Department, Govt. of Jharkhand formed a Steering Committee (February 2004) without any representative of AG. The Government was requested (April 2004) to include the Examiner of Local Accounts, Jharkhand as Member-Observer of the Steering Committee and several correspondences were made for formation of the said Committee (last reminder in January 2010), but nothing had been heard from the Government (February 2010).

1.8.3 Adoption / Acceptance of database formats on finances of ULBs

Formats of database on finances of ULBs prescribed by the C&AG as per Eleventh Finance Commission, were sent to the State Govt. (October 2003) and Hindi version of the same, as desired were also sent (August 2005) for adoption and implementation by ULBs.

In spite of several reminders, formal adoption / acceptance of the formats was not communicated by the Government (March 2010).

1.9 Devolution of functions, funds, and functionaries

Functions:

Visualizing ULBs as institutions of self-governance, the 74th Constitutional Amendment Act, 1992 left the extent of devolution to the wisdom of the State Legislatures. Major elements of devolution are transfer of functions, functionaries and funds to ULBs, accompanied by administrative control over staff and freedom to take administrative and financial decisions at local level. Though the functions listed in the 12th Schedule to the Constitution were inserted under Section 11-A of JMA, 2000, neither the extent to which the functions had been actually devolved on the ULBs nor any Action Plan for achieving devolution of all functions was communicated by the State Government though called for (August, September & November 2009; February 2010).

During audit, it was noticed that out of 18 functions mentioned in the Schedule, five functions (Sl.No.7, 8, 9, 13 & 15 of Appendix-I) were not being performed by the ULBs, whereas some functions were being partly performed by some ULBs. Two functions i.e. Urban Planning including Town Planning and Regulation of Land use and Construction of buildings were not being performed by two Corporations i.e. Ranchi and Dhanbad. These functions were performed by Ranchi Regional Development Authority and Mineral Area Development Authority, Dhanbad respectively at present.

Funds:

Devolution of funds to ULBs should be a natural corollary to implement the transferred functions. It was, however, noticed that no mapping of funds and functions was made by the State Government and financial assistance was being provided to ULBs by sanctioning recurring/non-recurring grants/loans. The quantum of assistance provided to ULBs by the Govt. during 2004-09 was as under:

Table-4

(Rs in crore)						
Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Revenue receipt of the State Government	6661	8464	10010	12027	13213
2	Revenue expenditure of the State Government	6976	8491	9064	10832	12877
3	Financial assistance to ULBs	48.83	77.28	109.58	146.07	50.90
4	Assistance as percentage of revenue receipt of State Government.	0.74	0.91	1.10	1.27	0.39
5	Percentage of assistance to revenue expenditure of State Government.	0.70	0.91	1.21	1.38	0.40

Though the financial assistance to ULBs had increased from 0.74 *per cent* to 1.27 *per cent* of revenue receipts of the State Government during 2004-08, it came down to 0.39 *per cent* during 2008-09 which was not enough keeping in view the insufficient resources of the ULBs and the fact that 22 *per cent* of the total population of the State resided in urban areas.

Functionaries:

Devolution of powers and functions to the ULBs required availability of qualified and trained personnel at all levels for efficient discharge of these functions. The ULBs should have administrative control over the staff to command loyalty and directions of purpose in the new scenario. A review of the system of transfer of functionaries to ULBs revealed that the available manpower in ULBs was not sufficient and required attention of the State Government.

The position of sanctioned post and men- in- position in respect of the 17 ULBs was as under:

Table-5

Sl.No.	Name of the ULBs	Sanctioned Strength	Men in Position	Shortage	Percentage of shortage	Position as of 31 st March
1.	Ranchi	1330	774	556	41.81	2009
2.	Dhanbad	432	202	230	53.24	2006
3.	Hazaribagh	292	258	34	11.64	2008
4.	Giridih	310	141	169	54.51	2008
5.	Chatra	90	34	56	62.22	2008
6.	Chakradharpur	115	44	71	61.73	2008
7.	Chas	09	04	05	55.56	2008
8.	Simdega	Nil	Nil	Nil	Nil	2008
9.	Godda	39	22	17	43.59	2008
10.	Mango	23	18	05	21.73	2008
11.	Jamtara	09	03	06	33.34	2008
12.	Saraikela	22	08	14	63.64	2008
13.	Basukinath	09	07	02	22.23	2007
14.	Jasidih	26	19	07	26.92	2008
15.	Kharsawan	09	02	07	77.77	2008
16.	Chakuliya	Nil	Nil	Nil	Nil	2008
17.	Chirkunda	Nil	Nil	Nil	Nil	2008
Total		2715	1536	1179	76.76	

The above table shows that in three ULBs (Simdega, Chakulia and Chirkunda), there was no permanent staff, whereas in other ULBs the shortage of staff ranged from 11.64 *per cent* to 77.77 *per cent*. Due to shortage of manpower, the ULBs were facing difficulties in running offices and in performing their primary duties of sanitation as well as other civic facilities to their inhabitants.

1.10 *Non-receipt of Grants from the State Finance Commission*

The State Finance Commission (SFC) was constituted by the State Government in January 2004 under Section 80-B of JMA, 2000. The major function of the SFC was to frame the principle that would govern the distribution of the net proceeds of taxes, duties etc. between the State and ULBs and also the grants-in-aid to ULBs with the main aim of improving their financial position. No recommendation had, however, been made by the SFC till March 2009.

1.11 *Recommendations*

- The Finances of ULBs should be improved by taking action to enhance own revenues and to curtail avoidable expenditure by the ULBs.
- The State Municipal Accounts Manual based on NMAM, incorporating inter-alia, standard policies, documentation, and reporting requirement under accrual based double entry accounting system, should be prepared and implemented to remove the present drawbacks in the accounting and financial management system of the ULBs
- The formats of Database on finances of ULBs should be adopted by the Govt. and preparation of Database by ULBs be ensured.
- Govt. should prepare a time-bound action plan for achieving devolution of functions, funds and functionaries as envisaged by the 74th Constitutional Amendment Act.

CHAPTER-II

ACCOUNTS AND FINANCIAL MANAGEMENT

An efficient and disciplined Financial Management System is required for smooth functioning of ULBs. As such, the State Government enacted various Acts and made Rules for this purpose. Sections 66 and 71 of the JMA, 2000, Sections 87 and 92 of RMC Act, 2001, Rules 2, 20, 64, 66, 83 and 105 of Bihar Municipal Accounts Rules, 1928; and Rule 30, 31 and 39 of Municipal Accounts (Recovery of Taxes) Rules, 1951 provide effective tools for Financial Management of ULBs. According to the provisions of these Sections/Rules, the ULBs, at least two months before the close of the year, should prepare budget estimates of probable receipts and expenditure which should be approved by the State Government. No expenditure should be incurred without making provisions in the budget. Every local body should prepare an Annual Account of actual receipt and expenditure at the end of each year. The cash and account branches of each municipal office should be kept distinct from each other. All sums received on account of the municipal fund should be credited intact to a treasury and should not be appropriated towards expenditure. The Cash book should be balanced at the close of every month and should be signed by the Executives. All corrections and alterations in accounts should be neatly made in red ink and attested by the Executives. Physical verification of Stock & Stores should be conducted each half yearly. The Advance Ledger should be balanced quarterly and signed by the Vice-chairman or Secretary. He should satisfy himself that steps are being taken to recover or adjust advances outstanding for more than three months. Further, ULBs are also required to maintain 86 types of Forms and Accounts as per Acts and Rules. Audit scrutiny revealed that these provisions of Acts/Rules were not followed by the Officers/Executives of the ULBs. Non-carrying out of the prescribed supervisory checks and non-adherence to the provisions resulted in a number of deficiencies, which were reported to the Government/ULBs through previous Reports also. These deficiencies continued to exist in the ULBs as discussed in succeeding paragraphs.

2.1 Irregular lodgment of Municipal Fund

Rs 17.47 crore was irregularly lodged in 93 additional Bank accounts of ULBs.

According to Section 66 of the JMA, 2000 and Section 87 of RMC Act, 2001, all sums received on account of Municipal Fund should be paid into a Government Treasury or into any Bank used as Government Treasury. But in contravention to the said provision, 17 ULBs maintained 106 additional Bank accounts during 2002-09 without approval of the Government and Rs 17.47 crore, as detailed below, was lying in 93 additional Bank accounts of 17 ULBs. The balances of 13 Bank accounts of three ULBs were not available.

Table-6

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 March	No. of additional Bank Accounts maintained	No of Bank Accounts whose balances were not available	Balance
1.	Ranchi	2009	11	-	1113.67
2.	Dhanbad	2006	09	01	150.35
3.	Hazaribagh	2008	14	01	23.28
4.	Giridih	2008	04	-	60.93
5.	Chatra	2008	02	-	1.56
6.	Chakradharpur	2008	11	-	26.39
7.	Chas	2008	02	-	4.50
8.	Simdega	2008	01	-	7.38
9.	Godda	2008	13	-	65.71
10.	Mango	2008	19	11	30.41
11.	Jamtara	2008	01	-	12.00
12.	Saraikela	2008	01	-	0.03
13.	Basukinath	2008	01	-	8.48
14.	Jasidih	2008	03	-	196.39
15.	Kharsawan	2008	09	-	13.13
16.	Chakuliya	2008	01	-	1.00
17.	Chirkunda	2008	04	-	32.23
TOTAL			106	13	1747.44

Maintenance of more than one account was not only in contravention of the Act but also implied lack of proper control over finances of the ULBs.

2.2 Budget Estimates

As provided under Section 71 of JMA, 2000 and Section 94 of RMC Act, 2001, the Budget estimates showing details of probable receipts and expenditure should be prepared and placed before the Municipal Boards/Standing Committees in their meetings to be held at least two months before close of the year. Further, the budget estimates should be approved by the Municipal Body and copies thereof submitted to the Government. As the Municipal Bodies remained superseded

during the period under test check, responsibility for preparation of budget estimates was on Administrator/ Special Officer appointed by the State Government.

11 ULBs didn't prepare budget estimates and other six ULBs utilized only 3.13 to 31.13 per cent of the provision.

As the budget proposals for these Local Bodies were to be the reflection of the aspirations of the people of those areas, utmost care in preparing budget proposals was needed to be taken. It was, however, noticed in audit that there was total absence of control over the budget formulation. There was no provision for citizens' involvement and/or bottom-up budgeting. Test check of records of 17 ULBs revealed that 11 ULBs had not prepared budget estimates at all, whereas, remaining six ULBs had utilized only 3.13 per cent to 31.13 per cent (except Kharsawan 100% during 2006-07) of the budget provisions during 2006-09, rendering them unrealistic as detailed below:

Table-7

Sl. No.	Name of ULBs			Percentage of Actual Expenditure	(Rs in lakh)
		Budget Estimate	Actual Expenditure		Saving (+)
2006-07					
1.	Chatra	1486.50	294.34	19.80	1192.16
2.	Jamtara	1173.11	194.58	16.59	978.53
3.	Kharsawan	108.74	181.80	100	-
2007-08					
1.	Hazaribagh	10591.07	1421.87	13.43	9169.20
2.	Giridih	47.61	14.82	31.13	32.79
3.	Chatra	5910.53	184.83	3.13	5725.70
4.	Jamtara	931.49	84.57	9.08	846.92
5.	Kharsawan	640.18	52.14	8.15	588.04
2008-09					
1.	Ranchi	20329.07	2569.74	12.64	17759.33

From above, it was clear that Budgets were either not prepared or prepared in an unrealistic manner without assessing the actual requirements which was indicative of weak and ineffective budgetary control. Moreover, people were deprived of the benefits of the development schemes through the budgetary provisions.

2.3. Unauthorized/Irregular expenditure without Budget provision

Rs 41.03 crore was incurred without preparation of budget estimates by 11 ULBs.

Section 76 of JMA, 2000 stipulates that no expenditure should be incurred without making provisions in the budget. Audit scrutiny revealed that out of 17 ULBs test checked, 11 ULBs incurred expenditure of Rs 41.03 crore during 2002-08 without preparing budget estimates in contravention of the provisions of JMA, 2000 as detailed below:

Table-8

(Rs in crore)

Sl. No.	Name of ULBs	Period for which Budget was not prepared	Expenditure
1.	Dhanbad	2004-06	8.48
2.	Chakradharpur	2007-08	1.11
3.	Chas	2006-08	10.23
4.	Simdega	2006-08	2.31
5.	Godda	2007-08	0.85
6.	Mango	2006-08	7.36
7.	Saraikela	2006-08	2.28
8.	Basukinath	2006-08	3.77
9.	Jasidih	2006-08	1.80
10.	Chakuliya	2007-08	0.22
11.	Chirkunda	2002-08	2.62
Total			41.03

Thus, 11 ULBs incurred unauthorized/irregular expenditure of Rs 41.03 crore during 2002-08. Non-preparation of Budget led to complete failure of budgetary control system in the said ULBs. Reasons for non-preparation of budget estimates were not on record.

2.4 Annual Accounts not prepared

The benchmark of a good accounting system is the production of timely accurate accounts. Good accounting should appropriately reflect the transactions and balances of the entity, should adequately disclose all items that have a material impact on the financial status of the entity. Good accounting comprises provision of appropriate information with three broad purposes:-

- (a) Effectively record all transactions and balances of the urban local body;
- (b) Facilitate budgeting and planning of revenues, expenditures, and debt management; and
- (c) Help the local government be accountable to the public.

The three purposes reflect the progressive stages in the accounting spectrum, moving from routine recording of transactions to management decision making to accountability. To ensure progress in the three purposes, it is required that financial information should be complete, accurate, timely, and meaningful. The systems should generate information in a user-friendly way, and is integrated with the budgeting process. It should be prepared in accordance with accepted policies of accrual accounting and follow good practices on municipal accounting.

Rs.97.51 crore was incurred without preparation of Annual Accounts by 17 ULBs.

As per Section 83 of Bihar Municipal Accounts Rules, 1928, every Municipal body should prepare an Annual Account at the end of each year but not later than 15 April and a copy of the same should be sent not later than 30 April to the concerned District Magistrate. But scrutiny of records revealed that none of the 17 ULBs had prepared Annual Accounts for the different periods as detailed below:

Table-9

(Rs in crore)			
Sl. No.	Name of Municipal Fund	Period for which Annual Accounts not prepared	Expenditure incurred during the said period
1.	Dhanbad	2004-06	8.48
2.	Hazaribagh	2007-08	5.04
3.	Giridih	2007-08	15.82
4.	Chatra	2006-08	4.79
5.	Chakradharpur	2007-08	1.11
6.	Chas	2006-08	10.23
7.	Simdega	2006-08	2.31
8.	Godda	2007-08	0.85
9.	Mango	2006-08	7.36
10.	Jamtara	2006-08	2.79
11.	Saraikeela	2006-08	2.28
12.	Basukinath	2006-08	3.77
13.	Jasidih	2006-08	1.80
14.	Kharsawan	2006-08	2.34
15.	Chakuliya	2007-08	0.22
16.	Chirkunda	2002-08	2.62
17.	Ranchi	2008-09	25.70
Total			97.51

For want of the Annual Accounts, head wise receipt/expenditure, variation, if any and the financial performance of ULBs could not be ascertained.

2.5 Government Grants and Loans

Grant/Loan Appropriation Register and Loan Register were not maintained

The State Government releases Recurring Grants and Loans at the rate of 30 per cent and 40 per cent respectively of total Pay and Allowances admissible/payable to the regular employees (appointed within sanctioned strength) on the basis of annual demand furnished by the ULBs. Further, Non-Recurring Grants and Loans for specific purposes were suo-moto sanctioned by State Government or were sanctioned based on individual requests by the ULBs.

Despite repeated comments in successive audit reports, the ULBs failed to maintain grant/loan appropriation register showing the position of grants/loans received and spent during the year and balance of unutilized grants/loans at the end of the financial year. In absence of grant/loan appropriation register, audit checks were confined to grant/loan files, scheme registers and scheme files, to the extent produced before audit.

Further, none of the 17 test checked ULBs maintained Loan Register. As such, up to date position in respect of loans received, payable instalments along with interest accrued and amount repaid during the years could not be ascertained.

2.5.1 Poor utilization of Government specific Grants and Loans

Only 39.82 per cent of Government specific Grants and Loans was utilised.

Non-recurring Grants and Loans released by the State Government to the ULBs for execution of specific schemes were required to be utilized during the respective years. In absence of Grant/Loan appropriation register, it was not feasible to ascertain the exact utilization. However, the utilization was computed on the basis of the audit scrutiny of the Cash Books, Scheme Registers etc., and/or on the basis of information furnished by the ULBs. Accordingly, the utilization of Grants and Loans received for development purposes in respect of 17 test checked ULBs during the period 2002-09 was as under:

Table-10

(Rs in crore)						
Opening balance	Grant received	Loan received	Total	Grant and loan spent	Closing balance	Percentage of utilization
91.30	52.84	29.69	173.83	69.21	104.62	39.82

ULB wise and year wise details are given in *APPENDIX-III*

Non-recurring Grants and Loans amounting to Rs 104.62 crore were lying unutilized in 17 ULBs. Poor utilization of funds by the ULBs was mainly due to non-execution of schemes. Thus, delay in utilization of funds deprived the targeted beneficiaries of the desired benefits. This happened partially due to release of non-recurring Grants and Loans at the fag end of the year by the State Government and due to lack of monitoring by the executives of the ULBs in execution of development schemes.

2.6 Internal Control Mechanism

Provisions of internal controls were not followed by the Officers of the ULBs

Internal control system is an integral part of the functioning of an organization to govern its activities effectively to achieve its objectives. It is intended to provide

reasonable assurance of proper enforcement of Act, Rules & bye-laws. Various internal control measures in financial and operational activities are built into the departmental rules and manuals and their strict adherence will minimize the risk of errors and irregularities. Audit scrutiny revealed that the provisions of internal controls such as Supervision, Documentation, Segregation of duties, Reconciliation, Physical Verification, Adjustment of advances etc were not effectively implemented by the officers of the ULBs, as discussed in the succeeding paragraphs.

2.6.1 Supervisory Checks

The supervisory checks prescribed in the Acts/Rules of the ULBs are important tools of internal control mechanism. Audit scrutiny, however, revealed that the following checks were not exercised by the concerned officers in any of the 17 test checked ULBs:

Supervisory checks, an important control tool, were not exercised as required under Acts and Rules.

- Rule 20 of Bihar Municipal Accounts Rules, 1928 provides that the Administrator/Special Officer/Chairman should, at least once, in every week, examine the Cashier's Cash Book together with the pass book so as to satisfy himself that all moneys received have really been remitted into the treasury without delay. He should further, at least once, in every fortnight, examine the Cashier's or the Accountant's Cash Book with all the subsidiary forms and registers in which deposits are given or collections recorded, to check whether all sums received are actually brought to account;
- Under Rule 64 *ibid*, the Accountant should compare and verify the entries in pass book with the Cashier's Cash Book to ensure that all remittances have been duly brought to account;
- Rule 66 *ibid*, stipulates that the Cash Book should be balanced and signed by the Administrator/Special Officer/Chairman. Further, the balance of the Cash book should agree with that of the Bank/Treasury pass book;
- Under Rule 105 *ibid*, the 'Register of Rents' should be checked and signed by the authorities;
- Rule 126 *ibid*, provides for the checking of 'Register of Works' by the Accountant;

- Under Rule 30 of Municipal Accounts (Recovery of Taxes) Rules, 1951, the Tax-Daroga should check the Daily Collection Registers of collecting Sarkars by comparing the credits with duplicate receipts;
- Rule 31 *ibid*, stipulates that the Administrator/ Special Officer/Chairman would be responsible for ensuring that the postings of collection in Demand and Collection Register do not fall into arrears; and
- Under Rule 39 *ibid*, the Administrator/Special Officer/ Chairman should periodically and always at the end of every half-year, cause a list of outstanding on account of taxes of current and previous years to be prepared from the Demand and Collection Register. The purpose of the list is to check the entries with Sarkars' Ledger and Progress Statement and to reconcile the differences by tracing the error or recovering from the Tax Daroga or Sarkar and to detect any embezzlement in the collection.

Due to not carrying out of the prescribed supervisory checks, cases of misappropriation and embezzlement made by the collecting staff/cashier could not be detected by the authorities. Besides, delay in execution of schemes and heavy outstanding revenues could not be minimized as discussed elsewhere in the report.

2.6.2 Non-maintenance of Records/ Registers

The ULBs maintained 10 to 25 Forms and Accounts only against provision of 86.

Maintenance of records, registers and accounts is also one of the important tools of internal control mechanism. As per Rule 4-A of Bihar Municipal Accounts Rules, 1928 and Rule 9 of Municipal Accounts (Recovery of Taxes) Rules, 1951, the ULBs were required to keep and maintain 86 types of Forms and Accounts against which ULBs maintained very few, ranging from 10 to 25 only.

Even the prescribed basic records having serious financial implications were not maintained by most of the ULBs as detailed below:

Table-11

Sl. No.	Records/Registers not maintained	Implication
1.	Advance Ledger	The purpose, age and amount of advance to be realized /adjusted as of 31 March each year could not be ascertained. Due to this there is always probability of loss to the ULBs.
2.	Grant / Loan Appropriation Register	Grant/loan received, purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant/loan as on 31 March 2007 could not be ascertained.

3.	Loan Register	The date of receipt, amount, condition attached and overdue instalment of loan with interest could not be ascertained.
4.	Demand & Collection Register	Demand, collection and balance for a particular year could not be ascertained. In absence of posting of the collection money in the register, the detection of fraud and embezzlement becomes difficult.
5.	Work Register	In absence of work Register, schemes taken up, estimated cost, agency, the progress of work and its details viz. value of work done, payment made, materials issued, date of completion, works not completed/ suspended, outstanding amount to be paid against the work executed could not be ascertained. Any excess payment, in terms of cash/ material, is difficult to be detected.
6.	Unpaid bill Register	In absence of Unpaid Bill register, the amount of claims along with the reasons for withholding the payment and the actual liability of the ULBs could not be ascertained.
7.	Annual Report	The workings as well as functions of the ULBs with regard to the proper utilization of grants were not ascertainable.
8.	Deposit Ledger	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation and embezzlement of money could not be ruled out.
9.	Register of lands/ Register of Revenue Resources/Asset Register	Identification and valuation of assets, proper record of all lands, sites of buildings, tanks, ponds, ferries etc. could not be ascertained.

Some specific cases as noticed during audit are discussed later in this Report. Provision for preparation of Balance Sheet (Assets & Liabilities) has not been made in the Municipal Act and Account Rules. As such, position of Assets and Liabilities were not depicted in the accounts of ULBs. The National Municipal Accounts Manual provides for preparation of Balance Sheet by the ULBs. But, the Government has not adopted it as yet. Thus, complete financial picture of the ULBs and their Assets and Liabilities could not be ascertained.

2.6.3 Bank Reconciliation statement not prepared

Difference of Rs 1.49 crore between Cash book and Bank balances was noticed

Cash Book and Bank /Treasury Pass Book balances at the end of the year were not reconciled by 10 ULBs though there was a difference of Rs 1.49 crore as detailed below:

Table-12

(Rs in lakh)					
Sl. No.	Name of ULBs	As on 31 st March	Balance as per Cash Book	Balance as per Pass Book	Difference
1.	Giridih	2008	331.88	325.93	5.95
2.	Chatra	2008	563.40	564.24	0.84
3.	Chas	2008	3.72	4.50	0.78
4.	Simdega	2008	488.89	490.49	1.60
5.	Godda	2008	186.55	233.94	47.39
6.	Jamtara	2008	237.85	214.43	23.42
7.	Jasidih	2008	237.78	196.38	41.40
8.	Kharsawan	2008	5.08	5.22	0.14
9.	Chakuliya	2008	91.51	91.65	0.14
10	Chirkunda	2008	59.92	32.23	27.69
Total					149.35

Due to non-reconciliation, possibility of financial irregularities could not be ruled out. The authenticity of balances appearing in Cash Books also remained doubtful in the absence of reconciliation with Bank/Treasury balances. In case of four ULBs (Ranchi, Dhanbad, Saraikela and Basukinath), difference between two sets of balances could not be worked out due to non-maintenance/ non-production of Treasury Pass Books.

2.6.4 Deficiencies in maintenance of Cash Books

Due to lack of internal controls, Cash Books had several deficiencies in all the test-checked ULBs as below:

A number of deficiencies was noticed in maintenance of Cash books

- Particulars of payment, voucher nos., cheque no., classification etc. were not indicated in the payment side of the Cash Book.
- Cash Book was not closed at the end of every month and signed by the Officer authorized.
- Deletion and overwriting were frequently made.
- Heads of receipts and expenditure were not allocated.
- List of uncashed cheques was not recorded in the Cash Book.
- Cash Book balances were not reconciled with the balances of Treasury/Bank in most of the ULBs.

2.6.5 Cash and Accounts branches not kept distinct from each other

Cash & Accounts branches were not kept distinct from each other in six ULBs

As per Rule 2C of Bihar Municipal Accounts Rules, 1928, the cash and accounts branches of each Municipal office should be kept distinct from each other and under distinct officer, who, for the purpose of this rule, would be termed Tax Daroga/Cashier and Accountant. In no case, the same person should compile the municipal accounts and superintend the collection of the rates and other municipal income.

However, in violation of the above provisions, the cash and accounts branches were not kept distinct and the same person compiled the municipal account and made/ superintended the collection of the rates and other municipal income in six

ULBs (Jasidih, Godda, Chas, Chakuliya, Simdega and Chirkunda). This rendered the system vulnerable to financial irregularity.

2.6.6 Non-verification of Stock & Stores

Physical verification of Stock & Stores were not conducted

Rule 127 of the Bihar Municipal Accounts Rules, 1928 prescribes that the closing balance of the Stock & Stores Register should be physically verified half yearly but, in contravention of the said provision, physical verification of Stock & Store was not conducted by any of the 17 test checked ULBs. Stock and Store account was also not maintained properly by most of the ULBs. Reason for non-verification of Stock & Store was not furnished to audit.

Due to improper maintenance of Stock Registers and non-conducting of physical verification of Stock & Stores, irregularities/loss of Store items could not be ruled out.

2.6.7 Payment vouchers not produced before Audit

Vouchers worth Rs 3.03 crore for the period 2002-09 were not produced by seven ULBs

In case of seven ULBs, 217 payment vouchers (Establishment as well as Schemes) worth Rs 3.03 crore pertaining to the period 2002-09 were not made available to audit for scrutiny as detailed below:

Table-13

(Rs in lakh)

Sl. No.	Name of ULBs	Period of audit	No. of Vouchers not produced	Amount involved
1.	Ranchi	2008-09	21	6.18
2.	Dhanbad	2004-06	64	143.06
3.	Chakradharpur	2007-08	35	22.21
4.	Simdega	2006-08	19	27.39
5.	Mango	2006-08	38	68.78
6.	Jasidih	2006-08	20	0.57
7.	Chirkunda	2002-08	20	34.88
Total			217	303.07

Due to non-production of the vouchers to audit, the genuineness of payment could not be ascertained in audit and the expenditure could not be vouchsafed. Thus, non-production of payment vouchers rendered the system vulnerable to fraud and corruption.

2.6.8 Non-adjustment of Advances

Advances aggregating Rs 17.93 crore were outstanding against Staff/Contractors/Engineers of 14 ULBs

Advance Ledger for the period under audit (2002-09) was either not maintained or maintained improperly by the ULBs. Deficiencies noticed during audit are listed below:

- i) Entries in the Ledger were not certified by any authority.
- ii) Break-up of opening balance brought forward from the previous year was not recorded.
- iii) Category wise and year-wise analysis of outstanding advances at the end of the year was not prepared by any ULB.
- iv) Quarterly list of outstanding advances as required under Rule 78 (Form XVA) of BMA Rules, 1928, was not prepared.
- v) Second and subsequent advances for the same purpose were made without adjustment of previous ones.
- vi) Advances were made for meeting immediate and urgent nature of work but the same were not adjusted promptly.

Thus, Rules 74 to 78 of the BMA Rules, 1928 were not followed strictly.

During Audit scrutiny, it was observed that the advances aggregating to Rs 17.93 crore (*APPENDIX-IV*) granted to employees, suppliers, contractors and engineers for various purposes up to 2002-09 by 14 ULBs were yet to be adjusted (February 2010).

Laxity in adjustment of advances over the years had encouraged undesirable practice of blocking of institutional funds for indefinite period and was fraught with the risk of defalcation/misappropriation of Government money. It was also indicative of weak internal control mechanism.

2.7 Internal Audit

Internal audit is a vital component of all controls to enable an organization to assure itself that the prescribed systems are functioning reasonably well. But, there is no specific provision either in the JMA, 2000, RMC Act, 2001 or in the Municipal Accounts Rules made thereunder for internal audit of accounts of ULBs. As such, no ULB has internal audit wing.

2.8 Recommendations

An improved Public Financial Management and Accountability (PFMA) environment is crucial to better urban governance and performance. All urban local bodies stand to gain from better PFMA in the form of improved governance and accountability, realistic and participatory planning of expenditures, and consequently stronger revenue flows and provision of better services. It is, therefore, recommended that:-

- The number of additional bank accounts should be minimized by the ULBs. Every deposit and withdrawal should be made after authorization of Competent Authority. Entry in the Cash Book may also depict Bank name, Account no. etc.
- Budget Estimates and Annual Accounts should be prepared every year on time. Budget planning should be used as an exercise for efficient resource allocation, supported by appropriate policy direction, participation by people, and realistic estimates. Focus of budgets should be on results achieved and not merely money spent by the Urban Local Body.
- The share from State taxes, Grants and Loans from Central and State Government should not be released without preparation and approval of the Budget of the ULB.
- Supervisory checks as prescribed in the Acts/Rules should be exercised invariably.
- Accounts/Records prepared/maintained by the ULBs should be as per the provision of the Acts/Rules.
- Reconciliation of Cash Book with the Treasury/Bank Pass Book should be carried out on a monthly basis.
- Cash book should be maintained as per codal provisions.
- Cash and accounts branches should be kept distinct from each other to avoid loss, misappropriation.
- Physical verification of Stocks and Stores should be conducted regularly.
- Laxity on the part of ULBs in respect of timely monitoring and adjustment of advances should be viewed seriously and proper maintenance of records/adjustment of advances be ensured.
- The provision for Internal Audit should be made to ensure compliance to the Internal Controls in all ULBs. For this, Internal Audit Wing should also be established through State enactment for audit of ULBs
- Vigilance mechanism should also be established in the Department.

CHAPTER-III

REVENUE RECEIPTS

The revenue receipts of an Urban Local Body comprise of receipts from its own sources of tax and non-tax revenues. Tax on Holding, water tax, latrine tax, collection charges of health cess & education cess, tax on vehicles, tax on trades, professions, callings and employments, fee on registration of vehicles etc. are the major sources of tax revenue and building plan sanction fees, mutation fees of property, rent on shops & buildings, tolls and other fees and charges etc. constitute the main source of non-tax revenue. The municipal bodies, with the sanction of the State Government are empowered to impose different taxes/fees within their municipal limits. The rates of taxes should be revised once in every five years. Net receipts on account of Water and Latrine taxes should be spent for the execution of work for water supply and cleansing of private or public latrines. Health/Education cess collected by the ULBs should be remitted to Government account after retaining 10% as collection charges. Share of cess should be spent on providing better health & education service to the tax payer. Recovery of the arrear dues should be made by issuing Demand Notice, Distress Warrant to taxpayers, Public Demand and Civil suits. Rule 20 of Bihar Municipal Accounts Rules, 1928 provides that the Administrator/Special Officer/Chairman should, at least once, in every week, examine the Cashier's Cash Book together with the pass book to satisfy himself that all moneys received have been remitted intact into the treasury without delay. He should further, at least once, in every fortnight, examine the Cashier's or the Accountant's Cash Book to check whether all sums received are actually brought to account. The Executives of ULBs are also responsible for ensuring that the postings of collection in Demand and Collection Register do not fall into arrears and to cause a list of outstanding on account of taxes of current and previous years to be prepared from the Demand and Collection Register.

Audit scrutiny revealed that these provisions relating to imposition, collection and accounting of taxes/receipts etc. were not followed by the Executives/Officers of the ULBs resulting in a number of irregularities like deficiencies in management of resources, loss due to non-levy of tax, short/non-realization of the dues and charges etc. which were reported to Government through earlier reports. These deficiencies, however, continued to exist as discussed in succeeding paragraphs.

3.1 Non-imposition of Municipal taxes/cess/fees.

Nine ULBs didn't impose Municipal taxes.

Under Section 82 of the JMA, 2000, the Municipalities/NACs with the sanction of the State Government, are empowered to impose different taxes within their limits. But, Basukinath, Chirkuda and Chakuliya Nagar Panchayats did not impose Municipal taxes/cess/fees till March 2008 whereas Jasidih, Saraikela, Mango, Chatra, Jamtara and Chas imposed the same partly. Due to non-imposition of taxes, the above ULBs were deprived of Municipal revenue that could have been used to provide better civic amenities/development in those cities.

3.2 Outstanding Holding tax

The position of Demand, Collection and Outstanding Holding tax in respect of 14 ULBs was as under:

Table-14

(Rs in crore)			
Demand	Collection	Outstanding	Percentage of demand outstanding
35.03	5.47	29.56	85.00

(Unit-wise details are given in *APPENDIX- V*)

Half yearly list of outstanding taxes as required under Rule 39 of Municipal Accounts (Recovery of Taxes) Rules, 1951 was not prepared by the ULBs. Thus, year-wise break up of arrear demand could not be vouched.

Further, ULBs did not take any of the following steps, prescribed in the Act, for recovery of outstanding dues:

Proper steps were not taken for realization of outstanding Holding tax of Rs 29.56 crore.

- If the tax was not paid within fifteen days from the first day of the quarter in which it was payable, the local body should issue demand notice under Section 205 and 123 of RMC Act and JMA respectively.
- If the tax was not paid within twenty one/ fifteen days after receipt of the notice, *ibid*, the local body should issue warrant under Sections 206 and 124 respectively, of the Acts, *ibid*;
- ULBs should take action under Jharkhand and Orissa Public Demand Recovery Act, 1914 for recovery of the arrear as public demand under Section 218 and 129 A respectively, of the Act; and

- ULBs should bring suit in any civil court of competent jurisdiction for recovery of the arrears under Sections 219 and 130 respectively, of the Acts.

Due to the failure of ULBs in taking prescribed/legal action for collecting arrear taxes, a huge sum of Rs 29.56 crore remained unrealized in 14 ULBs.

3.3 *Non-imposition of Lighting tax*

Lighting tax was not imposed in the 16 test checked ULBs

Under Section 82 (d) read with Section 85 (c) of the JM Act, 2000, the Municipal Bodies are empowered to impose lighting tax at the rate of minimum three percent of the annual value of holding. But despite maintaining the street lighting within the municipal area, lighting tax was not imposed by any of the 17 ULBs except Chakradharpur. Due to non-imposition of the lighting tax, the ULBs suffered a huge recurring loss of revenue every year that could have been utilized for providing better street lighting facilities in those cities.

3.4 *Separate accounts of Latrine tax and Water tax not maintained*

Separate accounts of Latrine and Water tax not maintained

Rule 14 of Bihar Municipal Accounts Rules, 1928 and Section 69 (1) of JMA, 2000, stipulate that the net receipts on account of water and latrine taxes should be spent only for the execution of works for water supply and cleansing of private and public latrines, urinals and cesspools. Further, under Section 69 (2) of JMA, 2000, money which has been received for specific objects, should not be expended on any other objects.

As the ULBs did not maintain separate accounts of Latrine tax and Water tax, collections on these accounts and their proper utilization could not be ascertained in audit.

3.5 *Non-revision of Holding tax*

Non-revision of tax since long resulted into loss of revenue.

Section 138 of RMC Act, 2001 and Section 106 of JMA, 2000 provide for revision of rate of tax once in every five years. Test check of assessment register revealed the following position:

Table-15

Sl. No.	Name of ULBs	Year of Last Assessment	Year from when assessment due	Year from when initiated	Position of revision as of 31 March 2009
1.	Ranchi	1992-93	1997-98	Nil	Not initiated as yet
2.	Dhanbad	1994-95	1999-00	Nil	Not initiated as yet
3.	Hazaribagh	1994-95	1999-00	Nil	Not initiated as yet
4.	Giridih	1957-58	1962-63	1997-98	Not completed
5.	Chatra	1981-82	1986-87	Nil	Not initiated as yet
6.	Chakradharpur	1997-98	2002-03	Nil	Not initiated as yet
7.	Chas	1977-78	1982-83	1995-96	Not completed
8.	Simdega	1996-97	2001-02	Nil	Not initiated as yet
9.	Godda	1979-80	1984-85	Nil	Not initiated as yet
10.	Mango	1978-79	1983-84	Nil	Not initiated as yet
11.	Jamtara	1975-76	1980-81	Nil	Not initiated as yet
12.	Saraikela	1996-97	2001-02	Nil	Not initiated as yet
13	Jasidih	1988-89	1993-94	Nil	Not initiated as yet
14	Kharsawan	1985-86	1990-91	-	Not initiated as yet

From the table it could be seen that:

1. 12 ULBs had not initiated the revision of assessment process though it was due for the last 8 to 30 years;
2. In other two ULBs, the revision had been pending for the last 27 and 47 years. The process of revision, though initiated after a lapse of 13 and 35 years, was still incomplete.

Non-revision of assessment in time resulted in loss of revenue to the ULBs. As provisions for the rate of increase or decrease per year were not laid down in the Municipal Act or Rules, the loss due to non- revision of tax could not be quantified.

3.6 Loss of Rs 0.39 crore due to non-realization of fee for delayed payment of taxes

Fee of Rs 0.39 crore could not be levied due to non-service of notice of demand & warrant to tax payers.

Section 205 of RMC Act provides that if bills of taxes (Holding tax, Water tax and Latrine tax) are not paid within 15 days from their presentation under Section 204, *ibid*, a notice of demand should be served upon the tax-payer and a fee of 25 paise per rupee of the demand should be paid by him (tax payer) as per Rule 3 of RMC Accounts (Recovery of Taxes) Rules, 2001.

Further, if the taxpayer to whom notice of demand is served does not, within 21 days of the service of such notice, pay the sum demanded, a warrant may be issued under Section 206 for which a fee of 12 paise per rupee of the demand should be charged. Ranchi Municipal Corporation neither maintained any register showing issue of notice of demand/warrants and fee claimed/realized nor was any amount shown to had been realized in the shape of above fee.

Thus, due to non service of notice of demand and warrant to tax payers for collection of arrear of holding tax etc., as required, RMC was deprived of revenue of Rs 0.39 crore as detailed below:

Table-16

(Rs in crore)

Sl. No.	Name of Corporation	Period	Arrear Taxes collected	Amount of fee not levied @ Re 0.25 per rupee of tax (Demand Notice)	Amount of fee not levied @ Re 0.12 per rupee of tax (Warrant)	Total amount of fee not levied
1.	Ranchi	2008-09	1.03	0.26	0.13	0.39

3.7. Misappropriation of revenue collected

Rs 13.51 lakh misappropriated by the staff of 13 ULBs; Rs 12.03 lakh still lying in their personal custody.

As per instructions of the Government under Rule 22 of Bihar Municipal Accounts Rules, 1928, all money received on account of Municipal Fund should be remitted into the treasury as often as can be conveniently managed. During the audit it was found that in contravention of the above rule, staff of 13 ULBs did not remit Rs 13.51 lakh of collected money during 2004-09. Out of this, Rs 1.48 lakh was recovered from the staff of the ULBs at the instance of audit as detailed below:

Table-17

(Rs in lakh)

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
1.	Ranchi	2008-09	0.61	0.35	0.26
2.	Dhanbad	2004-06	4.89	0.03	4.86
3.	Hazaribagh	2007-08	5.18	0.44	4.74
4.	Giridih	2007-08	1.10	Nil	1.10
5.	Chatra	2006-08	0.31	0.16	0.15
6.	Simdega	2006-08	0.01	0.01	Nil

Sl. No.	Name of ULBs.	Period of Audit	Amount of Non/Short Credit	Recovery at the instance of Audit	Balance
7.	Chakradharpur	2007-08	0.01	Nil	0.01
8.	Godda	2007-08	0.29	0.14	0.15
9.	Mango	2006-08	0.04	Nil	0.04
10.	Jamtara	2006-08	0.01	Nil	0.01
11.	Saraikeela	2006-08	0.42	0.35	0.07
12.	Jasidih	2006-08	0.56	Nil	0.56
13.	Kharsawan	2006-08	0.08	Nil	0.08
Total			13.51	1.48	12.03

A sum of Rs 12.03 lakh was still lying with the officials concerned. Any action taken for recovery of this misappropriated money was not intimated to Audit.

3.8 Receipt Books not produced before audit.

Eighty-four Money Receipt Books of different types, as detailed in *APPENDIX-VI*, were not produced before audit by eight ULBs:

84 Receipt Books not made available to audit by eight ULBs

Table-18

Sl. No.	Name of ULBs	Period	No. of Books not produced
1.	Ranchi	2008-09	18
2.	Dhanbad	2004-06	46
3.	Hazaribagh	2007-08	03
4.	Giridih	2007-08	09
5.	Chatra	2006-08	02
6.	Chas	2006-08	02
7.	Godda	2007-08	03
8.	Jasidih	2006-08	01
Total			84

Non production of Receipt Books was fraught with risk and it could lead to serious financial irregularities in future. Thus, possibility of leakage of revenue in this regard could not be ruled out.

3.9 Short realization of Settlement amount

Short realization of bid money of Rs 28.34 lakh in nine ULBs

The ULBs derive their non-tax revenues by settlement of Bus Stand, Sairats¹, Hats etc. every year. As per terms and conditions of settlements, 50 *per cent* of the bid money was to be realized at the time of agreement and balance 50 *per cent* in three equal instalments after the expiry of the month of the agreement, failing which the agreement was to be cancelled. These conditions were not followed by nine ULBs, which resulted in short realization of bid money of Rs 28.34 lakh as detailed below:

Table-19

(Rs in lakh)

Sl. No.	Name of the ULBs	Period	Settlement Amount	Amount realized	Unrealised Amount
1.	Ranchi	2005-09	73.31	52.01	21.30
2.	Dhanbad	2004-06	1.60	0.80	0.80
3.	Hazaribagh	2007-08	2.02	2.00	0.02
4.	Giridih	2007-08	3.90	3.19	0.71
5.	Chakradharpur	2004-08	1.64	0.54	1.10
6.	Godda	2007-08	4.41	4.35	0.06
7.	Jamtara	2006-08	3.82	1.93	1.89
8.	Saraikela	2006-08	2.91	2.18	0.73
9.	Basukinath	2006-08	16.54	14.81	1.73
	Total		110.15	81.81	28.34

Due to short realization of amount, the availability of fund to be spent on providing essential services to the inhabitants was reduced with ULBs. Action taken to realize the dues was not on record.

3.10 Health and Education cess not credited into Government Account.

Rs 2.44 crore on account of Health & Education cess not remitted into Government account.

Health cess and Education cess at the prescribed percentage is to be levied & collected by the ULBs under the Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972 in the Municipal areas from 1 April 1959 and 4 May 1972 respectively. The State Government revised the *per cent* of cess from time to time and 50 *per cent* of Holding tax was fixed with effect from April 01, 1982. The cess is collected for providing better health and education services to the inhabitants. The proceeds of the cess are to be credited into the State revenue after deducting 10 *per cent* as collection charge.

Audit scrutiny revealed that Rs 2.71 crore was collected on account of Health cess and Education cess by nine ULBs during 2001-09. Hence, Rs 2.44 crore was to be

¹ Properties to be settled annually or to be leased out.

credited to State revenue after retaining 10 *per cent* as collection charges, but the same was not done and the ULBs spent the total collection money of Health and Education cess on administrative expenditure. This was in violation of the codal provisions and resulted into loss of Government revenue of Rs 2.44 crore impacting the social services provided by the Government.

Table-20

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount of Cess collected			Less 10 percent as collection charges	Amount to be remitted to Government Treasury
			Health cess	Education cess	Total		
1.	Ranchi	2008-09	49.40	39.47	88.87	8.89	79.98
2.	Dhanbad	2001-06	62.23	49.78	112.01	11.20	100.81
3.	Hazaribagh	2007-08	9.92	8.18	18.10	1.81	16.29
4.	Giridih	2007-08	22.51	22.51	45.02	4.50	40.52
5.	Chakradharpur	2007-08	1.03	1.01	2.04	0.20	1.84
6.	Godda	2007-08	0.76	0.76	1.52	0.15	1.37
7.	Saraikela	2006-08	0	1.71	1.71	0.17	1.54
8.	Jasidih	2006-08	1.09	0.86	1.95	0.20	1.75
9.	Kharsawan	2006-08	0.11	0.08	0.19	0.02	0.17
Total			147.05	124.36	271.41	27.14	244.27
Less amount remitted to Government Treasury by Hazaribagh Municipal Council							0.52
Net Balance							243.75

3.11 Non- collection of Health and Education cess

Loss of Rs 64.17 lakh due to non-collection of Health & Education cess by six ULBS.

The Government of Bihar, under Bihar Primary Education (Amendment) Act, 1959 and Bihar Health Cess Ordinance, 1972, as amended from time to time, issued orders to the ULBs in the State for collection of Health / Education cess. However, it was observed that six ULBs did not collect the above cess. Consequently, not only did the State Government suffer loss of Rs 57.75 lakh, but the ULBs themselves suffered a loss of Rs 6.42 lakh during 2006-08 in the shape of 10 *per cent* collection charges, which form part of Municipal revenue as detailed below:-

Table-21

(Rs in lakh)

Sl. No	Name of ULBs.	Period	Holding Tax realized	Loss of Health Cess	Loss of Education Cess	Total	Loss to Govt.	Loss of ULBs as 10% collection charges
1.	Chatra	2006-08	4.00	2.00	2.00	4.00	3.60	0.40
2.	Chas	2006-08	36.70	18.35	18.35	36.70	33.03	3.67
3.	Simdega	2006-08	6.60	3.30	3.30	6.60	5.94	0.66
4.	Mango	2006-08	13.20	6.60	6.60	13.20	11.88	1.32
5.	Jamtara	2006-08	1.95	0.98	0.98	1.96	1.76	0.20
6.	Saraikela	2006-08	3.42	1.71	0	1.71	1.54	0.17
Total			65.87	32.94	31.23	64.17	57.75	6.42

No reason was found on the record for non-collection of Health and Education cess. When pointed out in audit, no reply/reason for non-collection of cess was furnished by the ULBs. Thus, it was evident that non-collection was nothing but the failure on the part of Revenue Officers/collecting staff which was compounded by non-carrying out of supervisory checks by the Executives of the ULBs as per codal provisions.

3.12 Short realization of Education cess.

Seven ULBs realized Education cess at lesser rate resulting into loss of revenue of Rs 25.89 lakh.

Under the Bihar Primary Education (Amendment) Act, 1959, Education cess was levied by the State Government from the year 1959-60 @6.25% of Holding tax, which was revised from time to time to 50% of Holding tax w.e.f. April 1982. But in contravention of the said provision, seven ULBs realized Education cess at the rate of 40 per cent of Holding tax or lesser rate during 2001-09 resulting in loss of Rs 23.30 lakh to State revenue and Rs 2.59 lakh to ULBs as 10 per cent collection charges, as detailed below:

Table-22

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Holding Tax Realised	Education cess to be realized @50% of Holding Tax	Amount of Education cess actually realized	Short Realisation of cess.
1.	Ranchi	2008-09	98.80	49.40	39.47	9.93
2.	Dhanbad	2001-06	124.46	62.23	49.78	12.45
3.	Hazaribagh	2007-08	19.84	9.92	8.18	1.74
4.	Chakradharpur	2007-08	2.06	1.03	1.01	0.02
5.	Saraikela	2006-08	3.42	1.71	0.21	1.50
6.	Jasidih	2006-08	2.17	1.08	0.86	0.22
7.	Kharsawan	2006-08	0.21	0.11	0.08	0.03
Total			250.96	125.48	99.59	25.89
Less 10% as collection charges (loss to ULBs)						2.59
Loss to State Revenue						23.30

Reason for collection of cess at the rates lower than the prescribed rate was not furnished to Audit.

3.13 Outstanding water meter rates to the tune of Rs 0.53 crore at Dhanbad

Rs 0.53 crore was outstanding as water charges at Dhanbad

New water connections along with water meters were provided to the users by Dhanbad Municipality and water tax/rate collected accordingly. Demand and collection Register of the water rates was either not maintained or not produced to audit. But as per arrear list of water rates as on 31.3.09, furnished by the Municipality, water rates were being collected from 137 users (Government buildings, Quarters, Hotels, Hospitals, individuals etc.) on average basis without taking care of meter readings and Rs 0.53 crore was outstanding against 129 users for the period 1988-89 to 2008-09. Action taken to recover the said dues was not on record.

3.14 Outstanding water charges to the tune of Rs 22.83 lakh and creation of huge liability of Rs 44.00 lakh at Chas

Rs 22.83 lakh was realizable as water charges against the liability of Rs 44.00 lakh

Drinking water is being supplied by Bokaro Steel Plant (BSL) to Chas. Previously, it was managed by PHED up to October, 2000. From November, 2000, it was handed over to Chas Municipality. As such, the responsibility of water supply to the people of Chas and the right to realize the water charges from the holdings of Chas lies with the Chas Municipality. BSL demanded the outstanding water charges from time to time against which the Municipality paid Rs 9.00 lakh (Rs 3.00 lakh during 2006-07 and Rs 6.00 lakh during 2007-08). Scrutiny of records revealed that a sum of Rs 43.75 lakh was outstanding as water charges to be paid to BSL as on 31 March 2008. On the other hand, it was noticed that Rs 22.83 lakh was outstanding as water charges to be realized from those who had been given water connections by the Municipality as of 31 March 2008. The percentage of collections was also very low ranging from 7.60 *per cent* to 21.30 *per cent* during 2006-07 and 2007-08 respectively.

Any action taken to enhance the percentage of collection of water charges and to clear the outstanding liability of Rs 44.00 lakh was not on record. (February 2010)

3.15 Outstanding rent of Municipal Properties

In 10 ULBs, Rs 2.65 crore was outstanding on account of rent of Municipal shops etc. to be realized from the allottees as detailed below:

Table-23

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding Shop Rent
1.	Ranchi	2009	131.98
2.	Dhanbad	2007	21.33
3.	Hazaribagh	2008	7.60
4.	Giridih	2008	12.40
5.	Chatra	2008	0.51
6.	Chakradharpur	2008	3.15
7.	Chas	2008	12.13
8.	Godda	2008	66.64
9.	Jamtara	2008	7.31
10.	Saraikela	2009	1.77
Total			264.82

Non-realization of rent from tenants deprived the ULBs of their own revenue in time. Action taken such as issue of demand notices, warrants, filing of certificate cases, if any to realize outstanding rent was not on record.

3.16 Outstanding taxes on Government Buildings

Rs 16.00 crore was outstanding as Municipal taxes against Government buildings in 13 ULBs

Taxes outstanding against Government Buildings are payable by the concerned departments of State Government. In 13 ULBs, taxes of Rs 16.00 crore were outstanding against Government Buildings as detailed below:

Table-24

(Rs in lakh)

Sl. No.	Name of ULBs	As on 31 st March	Outstanding tax on Government Buildings
1.	Ranchi	2009	1247.49
2.	Dhanbad	2007	187.96
3.	Hazaribagh	2008	18.93
4.	Giridih	2009	34.75
5.	Chatra	2009	5.40
6.	Chakradharpur	2008	15.62
7.	Chas	2008	7.98
8.	Simdega	2008	8.45
9.	Godda	2008	33.83
10.	Jamtara	2008	11.63
11.	Saraikela	2008	4.04
12.	Jasidih	2008	22.49
13.	Kharsawan	2008	1.47
Total			1600.04

The ULBs made no effort to recover these dues from concerned department/authorities of the State Government. Moreover, neither age wise analysis of outstanding dues was made by the ULBs nor was list of arrear taxes prepared. No reason for non-realization was furnished to audit by the ULBs.

3.17 Recommendations

- Overall financial management needs to be strengthened by improving collection of revenues including through legal recourse in case of arrears and preventing leakage of revenue due to delay in assessment/revision of rates of taxes.
- Misappropriation cases should be investigated on priority and recovery made from the persons concerned.
- Collection of taxes, fees and cess on behalf of Government should be remitted timely into the Government Account/Treasury.

CHAPTER-IV

ESTABLISHMENT

4.1 Irregular engagement of casual staff

Rs 3.05 crore was spent irregularly on wages of casual staff

The State Government is empowered for sanctioning the post of Officers and Servants of the ULBs. However, Municipal Officers and Servants (Appointments, Duties, Discipline and Appeal) Rules made under Section 42 (1) (a) of JMA, 2000, provide power to the Chairman/Board for appointment of officers & servants in the ULBs. A person should neither be appointed as a whole time officer or servant of the Board nor undertake any work on remuneration without the previous sanction of the Board. All vacancies whether permanent or temporary, not filled by promotion from among the officers or servants of the Board should be advertised in at least two consecutive issues of a newspaper with the highest circulation in the area. The person who possesses the best qualification and is otherwise most suitable should be appointed as an officer or servant by the Chairman/Board. There was no provision for engagement of casual/daily wages staff in the ULBs. Further, under the orders of the State Government of June 1986, engagement of casual staff in ULBs was prohibited. Audit scrutiny revealed that although, there was acute shortage of manpower in the ULBs ranging from 11.64 per cent to 77.77 per cent, the ULBs did not appoint staff on regular basis. Rather, the ULBs violated the Government directions/rules and engaged casual staff for performing their routine works which was reported to the Government through earlier reports also. The deficiency continued to exist in the ULBs and despite such prohibition, 11 ULBs engaged large number of casual staff during 2004-09 and a sum of Rs 3.05 crore was spent on payment of their wages as detailed below:

Table-25

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount incurred
1.	Ranchi	2008-09	244.78
2.	Dhanbad	2004-06	1.73
3.	Hazaribag	2007-08	21.12
4.	Giridih	2007-08	9.27
5.	Chakradharpur	2007-08	0.62
6.	Chas	2006-08	5.96
7.	Simdega	2006-08	6.97
8.	Godda	2007-08	0.63
9.	Jamtara	2006-08	5.48
10.	Saraikela	2006-08	3.85
11.	Basukinath	2006-08	4.31
	Total		304.72

ULBs stated that casual staff were engaged to combat the shortage. This was, however, irregular in view of codal provisions/Government instructions.

4.2 Irregular expenditure of Rs 2.18 crore on payment to NGOs.

Three ULBs engaged NGOs for the purpose of cleaning of roads etc. without obtaining the sanction of the State Government as required under Section 63 (aaa) of RMC Act and Section 68 (xxvi) of JM Act. Hence, the expenditure of Rs 2.18 crore incurred during 2006-09, as detailed below, towards payment to these NGOs was irregular and unauthorized.

Table-26

(Rs in lakh)			
Sl. No.	Name of ULBs	Period	Amount paid
1.	Ranchi	2008-09	183.87
2.	Chas	2006-08	17.05
3.	Simdega	2006-08	17.03
Total			217.95

Without sanction of the Government Rs 2.18 crore was paid irregularly to NGOs.

Registration Certificate under the Societies Registration Act, 1860, bye-laws and labour certificate by Labour Department, Government of Jharkhand and the Audit Report of these NGOs were not made available to audit.

In the absence of relevant documents, the genuineness of the NGOs could not be ascertained.

4.3 Irregular appointment of lawyers

Four ULBs appointed lawyers without Government's approval and irregularly incurred expenditure of Rs 1.58 lakh

As per the orders of State Government (August 1994), all civil suits cases relating to Boards, Corporations, and Government /Semi-Government organizations under the control of the State Government were to be dealt with by a panel of advocates constituted by the Law Department of the State Government. In violation of the above instruction, four ULBs directly engaged lawyers without Government's approval to deal with their cases during 2004-08 and a sum of Rs 1.58 lakh, as detailed below, was spent on them, which was irregular:-

Table-27

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount paid to lawyers
1.	Dhanbad	2004-06	1.08
2.	Mango	2006-08	0.16
3.	Basukinath	2006-08	0.20
4.	Jasidih	2006-08	0.14
Total			1.58

Reasons for appointment of lawyers from other than Panel of advocates of Law Department was not furnished by the ULBs. This vitiated the internal control mechanism of the Department.

4.4 Loss of interest due to non-deposit of Provident Fund subscription

Four ULBs did not remit Rs 10.81 lakh as Provident Fund resulting into loss of interest to the employees

In exercise of the powers conferred by the Section 8 of the Provident Fund Act 1925, State Government issued (December, 1933) Model Rules for the management of Provident Fund, 1933. As per Rule 12A *ibid*, the Vice Chairman is responsible /custodian of the Provident Fund accounts. He should satisfy himself that the transactions in the Provident Fund accounts have actually taken place and as to the correctness of Provident Fund ledger before entering his initials. He is also responsible for the calculation of interest due in each account and issue of copy of the annual ledger account of Provident Fund to each depositor. As per Rule 6 of Model Rules for the Management of Provident Fund, 1933, Provident Fund Subscription collected by ULBs by deduction from salary of the employees was required to be credited to their Savings bank accounts between the first and fourth of the next month to avoid loss of interest payable to the subscribers. Audit scrutiny revealed that PF subscription of employees amounting to Rs 10.81 lakh, as detailed below, deducted from salary of employees during July 2001 to March 2008 in four ULBs, was not remitted to the concerned individual bank accounts till March 2009. This not only resulted in avoidable liability of the ULBs but also deprived the employees of accrued interest on their PF subscriptions.

Table-28

(Rs in lakh)

Sl. No.	Name of ULBs	Period of deduction	Amount deducted but not deposited
1.	Hazaribagh	7/01 to 2/08	8.20
2.	Chatra	11/06 to 1/07	0.31
3.	Chakradharpur	2/07 to 2/08	1.36
4.	Jasidih	4/06 to 3/08	0.94
Total			10.81

4.5 Recommendations

- The ULBs should consider appointment of regular staff against vacancy/Sanctioned Strength instead of engaging staff on casual basis for smooth functioning of ULBs.
- Provident Fund subscription deducted from salary of employees should be credited to their accounts timely to avoid loss of interest to the subscribers.

CHAPTER-V

TRANSACTION AUDIT

5.1 Taxes deducted at source not deposited into Government accounts

Taxes deducted at source of Rs. 35.11 lakh on account of Income Tax, Sales Tax and Royalty during 2004-09 were not credited to the Government Accounts.

Income Tax, Sales Tax and Royalty deducted from bills of contractors/suppliers were required to be credited to the respective heads of Government accounts within the same financial year.

Test check of records revealed that a sum of Rs 35.11 lakh, as detailed below, deducted as Income Tax, Sales Tax and Royalty by six ULBs during 2004-09 was not credited in the respective heads of Government accounts but was retained in the funds of these ULBs. The concerned Drawing and Disbursing Officers of the ULBs were responsible for non-remittance of the taxes into Government account. This was indicative of weak Internal Control.

Table-29

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Amount of Sales Tax deducted	Amount of Income Tax deducted	Amount of Royalty deducted	Total
1	Ranchi	2008-09	4.93	5.45	13.93	24.31
2	Dhanbad	2004-06	2.00	1.05	1.40	4.45
3	Chakradharpur	2007-08	0.08	-	0.82	0.90
4	Mango	2006-08	2.03	-	0	2.03
5	Saraikela	2006-08	0.81	-	1.06	1.87
6	Chirkunda	2006-08	Nil	-	1.55	1.55
Total			9.85	6.50	18.76	35.11

As the Income Tax/Sales tax deducted at source was not remitted to the Income tax/Sales tax department, this not only created a liability of Rs 35.11 lakh but also paved the way for imposition of penalty and levy of interest amounting to Rs 26.98 lakh under Income Tax Act, 1961/Jharkhand VAT Act, 2005.

5.2 Improper grant of contractor's profit of Rs 24.21 lakh to Sulabh International

Eight ULBs irregularly paid Rs. 24.21 lakh as contractor's profit to Sulabh International Social Service Organization against the provisions of State Public Works Account Code.

The Government of Jharkhand sanctioned Grants and Loans (50 per cent each) during 2002-07 for construction of Sulabh Shauchalayas and conversion of dry latrines into septic ones within Municipal areas. The Government directed (February 2002) that (i) the estimates for construction of Shauchalayas would be prepared on the basis of schedule of rates and technical approval would be taken from Public Health and Engineering Department; (ii) the work would be executed by the Sulabh International Social Service Organization (SISSO) and 10 per cent contractor's profit would be paid to SISSO on the estimated cost in addition to 15 per cent supervision charges. The State Public Works Account Code, which is applicable to municipal works, however, does not provide for payment of both supervision charges to a Contractor/Agency and contractor's profit involved in the estimated cost.

Further, SISSO is a voluntary organization working on no profit-no loss basis. As such, payment of contractor's profit in addition to supervision charge was not justified. Due to injudicious decision of the Government, Rs 24.21 lakh was improperly paid as contractor's profits to the Organization on account of construction of Sulabh Shauchalayas and for conversion of dry latrines into septic ones by eight ULBs as detailed below:

Table-30

(Rs in lakh)				
Sl. No.	Name of ULBs	Period	Total amount paid	Amount paid to SISSO as 10% contractor's profits
1.	Giridih	2007-08	53.64	4.66
2.	Chakradharpur	2007-08	5.61	0.49
3.	Godda	2007-08	29.11	2.33
4.	Mango	2006-08	35.81	3.25
5.	Jamtara	2006-08	21.49	1.70
6.	Basukinath	2006-08	79.93	6.18
7.	Jasidih	2006-08	19.04	1.90
8.	Chirkunda	2002-08	37.06	3.70
Total			281.69	24.21

5.3 Non-recovery of Sulabh Shauchalaya Loan

Recovery of Sulabh Shauchalaya Loan of Rs. 1.03 crore and interest thereon was neither made nor any account maintained for the same.

The Government released 50 *per cent* grant and 50 *per cent* loan to ULBs for construction / conversion of dry latrines into septic ones during 2001-02 to 2007-08. As per terms and conditions of the scheme, 50 *per cent* of the construction cost was to be borne by the Government as subsidy and balance 50 *per cent* i.e. loan portion along with interest was to be borne by the beneficiaries, whose dry latrines were converted into septic ones.

During audit, it was noticed that an expenditure of Rs 2.07 crore was incurred on account of construction/conversion of 1219 dry latrines into septic ones by 10 ULBs, but recovery of such loan of Rs 1.03 crore (50 *per cent* of Rs 2.07 crore), as detailed below, was neither effected nor any account for the same was maintained by the concerned ULBs:

Table-31

(Rs in lakh)					
Sl. No.	Name of ULBs	Period	No. of conversions	Total amount paid	Amount of Loan recoverable
1	Dhanbad	2004-06	68	11.42	5.71
2	Giridih	2003-08	328	53.54	26.77
3	Chatra	2002-06	255	41.40	20.70
4	Chakradharpur	2001-05	160	25.96	12.98
5	Chas	2003-04	123	19.95	9.98
6	Godda	2007-08	43	7.22	3.61
7	Mango	2006-08	44	7.20	3.60
8	Basukinath	2006-08	42	14.28	7.14
9	Jasidih	2006-08	11	1.84	0.92
10	Chirkunda	2002-05	145	23.80	11.90
Total			1219	206.61	103.31

For want of maintenance of loan accounts, dues against each beneficiary, whose dry latrine was converted into septic latrine, were not ascertainable. Further, the liability of the ULBs on account of repayment of loan with interest thereon was increasing with the lapse of time and chances of recovery were also becoming remote.

5.4 Irregular payment of cost of materials of Rs 27.23 lakh on Hand Receipts

Hazaribagh Nagar Parishad made payment of Rs 27.23 lakh to the Executing Agents on Hand Receipts instead of proper purchase vouchers/cash memos.

As per PWD Account Code, only departmental supply should be made on Hand Receipts, but in contravention of the said provision, the Executing Agents of Hazaribagh Nagar Parishad were paid Rs 27.23 lakh as cost of materials through Hand Receipts during 2007-08. During the course of execution of departmental work, the Executing Agents purchased the materials (Chips, Sand, Bricks, Cement, M.S. Rod etc.) for schemes and payments were made on Hand Receipts instead of proper purchase vouchers/cash memos etc. which was irregular. Details of payment made to the Agents and the works are given in *APPENDIX-VII*.

5.5 Excess payment of Rs 10.98 lakh due to non-deduction of taxes

Ten ULBs made excess payment of Rs 10.98 lakh due to non-deduction of Income tax, Sales tax, Royalty etc. from contractors' bills.

A sum of Rs 10.98 lakh was not deducted from running bills of civil works as Income Tax (Rs 2.56 lakh), Sales Tax (Rs 1.28 lakh), Royalty (Rs 0.24 lakh) and cost of empty cement bags (Rs 6.90 lakh), resulting in excess payment of Rs 10.98 lakh to the concerned Executing Agents/Contractors/Suppliers as detailed below:-

Table-32

							(Rs in lakh)
Sl. No.	Name of ULBs	Period	Income Tax	Sales Tax /VAT	Royalty	Cost of empty cement bags	Total
1.	Dhanbad	2004-06	1.40	-	-	5.61	7.01
2.	Hazaribagh	2007-08	0.40	0.75	-	-	1.15
3.	Giridih	2007-08	-	-	-	0.19	0.19
4.	Chatra	2006-08	-	-	0.04	-	0.04
5.	Chakradharpur	2007-08	0.76	-	-	0.17	0.93
6.	Simdega	2006-08	-	-	0.20	-	0.20
7.	Mango	2006-08	-	0.28	-	0.28	0.56
8.	Saraikela	2006-08	-	-	-	0.31	0.31
9.	Kharsawan	2006-08	-	0.07	-	0.06	0.13
10.	Chirkunda	2002-08	-	0.18	-	0.28	0.46
TOTAL			2.56	1.28	0.24	6.90	10.98

This not only resulted in undue favour to contractors, etc, but failure of the ULBs to deduct TDS on income would also attract penalty/interest amounting to Rs 4.15

lakh as per Income Tax Act, 1961/Jharkhand VAT Act, 2005 which would also increase the liabilities of the local bodies.

5.6 Excess payment of Rs 35.70 lakh due to non-deduction of penalty from contractors' bills.

Excess payment of Rs 35.70 lakh due to non-deduction of penalty from contractors' bills was noticed in 12 ULBs.

The ULBs executed many civil works (construction of P.C.C.Road, Drains, Culverts etc.) either departmentally or by tender. The civil works, whose estimated cost was more than five lakh, were to be executed through tender for which the Local Bodies executed agreement with the contractors. As per the terms and conditions of the agreement, the work should be completed within stipulated time otherwise penalty should be charged at the rate of 0.5 *per cent* per day of the work for the period of delay or maximum 10 *per cent* of value of work done, provided that no extension of time was granted by the ULBs. But in contravention of the said provision, 12 ULBs did not deduct such penalty from the contractors' bills though no extension was granted. This resulted in excess payment of Rs 35.70 lakh to the contractors as detailed in table below:-

Table-33

(Rs in lakh)

Sl. No.	Name of the ULBs	Period	No. of schemes/ works	Amount of Penalty not deducted.
1.	Hazaribagh	2007-08	05	2.75
2.	Giridih	2007-08	06	7.34
3.	Chatra	2006-08	01	1.40
4.	Chakradharpur	2007-08	01	0.62
5.	Chas	2006-08	03	5.50
6.	Simdega	2006-08	08	6.49
7.	Godda	2007-08	04	1.80
8.	Mango	2006-08	09	5.15
9.	Jamtara	2006-08	04	1.24
10.	Saraikela	2006-08	01	0.35
11.	Jasidih	2006-08	01	2.19
12.	Chakuliya	2007-08	02	0.87
Total			45	35.70

5.7 Infructuous expenditure of Rs 5.75 lakh on creation of Boating infrastructure at Chas

Boats with equipment were purchased at Chas but could not be utilized resulting into infructuous expenditure of Rs 5.75 lakh

As per the proposal approved by the Dy. Commissioner, Bokaro for setting up boating infrastructure, Chas Municipality awarded the work to M/s Khandoli Paryatan and Adventure Tourism (Pvt) Ltd and paid a sum of Rs 5.75 lakh on account of supply of Boats with other equipment in Salgadih water pond at Yodhadih More, Chas during June-July 2007.

Subsequently, Shri Sunil Sharma, the highest bidder, was allotted the work of operation and maintenance of Boats at Rs 35000/- for the period 27.7.07 to 31.3.08. The contractor deposited Rs 17500/- and the balance was to be deposited within two months. Boating charges were prescribed and an agreement was executed with him. But it was reported by the local people to the Special Officer that the Contractor had left the operation and all boats as well as Jetty had been damaged by antisocial persons. There was nothing on record to show that any action was taken against the service contractor for damage and for realizing the balance amount of contract. Further, there was no indication that the contract for operation of boats was awarded to any contractor after March 2008. The said boats and their equipment could not be utilized and were lying idle in the open premises of the Municipality and converting into scrap. Thus, the purpose of creating the boating infrastructure at Chas was totally defeated and the expenditure of Rs 5.75 lakh proved infructuous.

5.8 Recommendations

- Taxes such as Income Tax, Sales Tax etc.. should be deducted from contractor's bill and remitted to the concerned Government account on time to avoid penalty and interest under Tax laws.
- The Government should reconsider the decision of payment of both the supervision charge and contractor's profit to Sulabh International.
- As the beneficiaries whose dry latrines were converted into septic ones are economically too weak to bear 50 *per cent* of the conversion cost (i.e, loan) *plus* interest thereon, this provision may be considered for removal.

CHAPTER-VI

IMPLEMENTATION OF SCHEMES

ULBs were assigned the implementation of various Central/State sponsored development schemes during the period under audit. Various irregularities including blockade of Government funds, infructuous expenditure, irregular engagement of contractors, diversion of Government specific grants and other shortcomings in the implementation of the schemes were noticed during audit which are described in the subsequent paragraphs. These were indicative of poor planning and lack of monitoring by the respective ULBs.

6.1 Incomplete Civil Works

186 civil works taken up by 15 ULBs during 2002-09 were not completed within the time frame resulting in blockade of Rs 7.21 crore.

State Government released non-recurring Grants & Loans for various schemes of construction/renovation of roads, drains, drilling of tube wells, water supply schemes etc. during 2002-09. During audit, it was noticed that 186 schemes taken up by 15 ULBs during 2002-09 remained incomplete till December 2009, although a sum of Rs 7.21 crore, as detailed below, was spent on these schemes:

Table-34

(Rs in lakh)					
Sl. No.	Name of ULBs	Position as of 31 March	No. of pending works	Estimated expenditure on incomplete works	Expenditure incurred on incomplete works
1.	Ranchi	2009	32	10880.35	32.50
2.	Dhanbad	2009	44	148.57	43.97
3.	Giridih	2008	17	145.20	111.95
4.	Chatra	2008	17	117.66	92.58
5.	Chas	2009	03	245.06	191.68
6.	Chakradharpur	2009	07	29.97	19.67
7.	Simdega	2009	05	71.09	41.08
8.	Godda	2008	04	66.92	20.99
9.	Mango	2008	03	18.11	10.20
10.	Jamtara	2009	04	27.01	7.27
11.	Saraikeela	2008	22	52.07	27.07
12.	Basukinath	2008	07	111.13	51.45
13.	Jasidih	2008	03	12.13	8.30
14.	Kharsawan	2008	04	12.50	6.78
15.	Chirkunda	2008	14	65.44	55.10
Total			186	12003.21	720.59

The said works remained incomplete even after lapse of considerable period beyond the scheduled date of completion. The execution of the works was delayed due to improper planning, constraints of funds and lack of monitoring by the ULBs.

Failure in completing the works within the stipulated dates not only deprived the local people of the intended benefits but also caused blockade of funds of Rs.7.21 crore. Reasons for non-completion of these pending works were not stated.

A few major works of higher money value were examined in detail and findings are discussed in the succeeding paragraphs.

6.2 Diversion of specific Grants and Loans

Three ULBs diverted Rs 0.81 crore sanctioned for specific purposes towards payment of salary to staff.

Under Rule 14 A of Bihar Municipal Accounts Rules, 1928, any grant made by the Government for specific purpose should not be spent for any other purpose. Further, under Section 89 of the JMA, 2000, unspent balance of Government loan for specific purpose should not be appropriated even temporarily for any other purpose. However, in contravention of the above instructions of the Government, three ULBs, as detailed below, diverted Rs 1.23 crore towards payment of salary to staff during 2007-08:

Table-35

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Purpose of Fund	Amount diverted	Amount refunded	Amount remained diverted
1.	Hazaribagh	2007-08	(i) VAMBAY *	54.70	27.92	26.78
			(ii) MLA Fund	21.32	9.68	11.64
			(iii) Construction of Distt Science Centre	6.39	Nil	6.39
			(iv) Self financed scheme	9.49	4.76	4.73
			Sub Total	91.90	42.36	49.54
2.	Giridih	2007-08	(i) MP/MLA/ Zila Yojna Fund	6.64	Nil	6.64
			(ii) VAMBAY *	19.02	Nil	19.02
			Sub Total	25.66	Nil	25.66
3.	Godda	2007-08	Construction of Roads	5.35	Nil	5.35
Grand Total				122.91	42.36	80.55

*Valmiki Ambedkar Malin Basti Awaz Yojna

Of Rs 1.23 crore, Rs 0.42 crore was refunded to the concerned Head. Thus, a sum of Rs 0.81 crore remained diverted (March 2009). Due to the diversion of above funds, physical targets of the schemes concerned could not be achieved.

6.3 BLOCKING OF GOVERNMENT FUND

6.3.1 Blockade of Government Fund of Rs 3.03 crore received for specific purposes.

Government Fund of Rs 3.03 crore received for specific purposes was blocked for two to seven years in six ULBs.

A sum of Rs 3.03 crore as detailed below, received for specific purposes viz. Modern Bus Stand, Sabji Hat, Market etc. during the period 2001-07 by six ULBs remained unutilized as on 31 March 2009:

Table-36

(Rs in lakh)									
Sl. No.	Name of ULBs	Purpose	Year of receipt	Grant received	Loan received	Total	Actual expenditure	Balance	Remarks
1	Godda	Construction of Slaughter house	2001-02	9.34	-	9.34	1.52	7.82	Work was not completed although started and Rs 1.52 lakh incurred on it (September 2009)
2.	Simdega	(i) VAMBAY	2004-05	60.00	-	60.00	Nil	60.00	Nothing has been initiated as yet
		(ii) Construction of Market	2006-07	97.88	-	97.88	Nil	97.88	Nothing has been initiated as yet
				Sub Total		157.88		157.88	
3.	Mango	(i) Construction of Sabji Hat	2005-06	-	41.78	41.78	Nil	41.78	Tender was invited for temporary Sabji Hat on the bank of Swarnrekha river, (Estimate Rs 56.97 lakh) instead of Permanent Sabji Hat (Estimate 98.76 lakh) and the work entrusted to M/s Suresh Kumar Constructions and expenditure of Rs 5.75 lakh only was incurred whereas (Rs 98.76 lakh - Rs 56.97 lakh) Rs 41.78 lakh was blocked for more than three years.
4.	Basukinath	(i) Construction of Sabji Market	2006-07	5.60	-	5.60	Nil	5.60	Work was allotted to contractor during 6/07 but could not be commenced due to encroachment of site.
		(ii) Construction of Rest house for pilgrimage	2006-07	11.88	-	11.88	Nil	11.88	Work was not commenced due to non-selection of site
				Sub Total		17.48	Nil	17.48	
5.	Jasidih	Construction of Bus Stand	2001-02	33.59	33.59	67.18	Nil	67.18	Work could not start due to non-allotment of land by Circle Officer and Deputy Commissioner, Deoghar, although Consultants and Developers, India Patna was appointed as consultants by the NAC (February 2003) for preparation of Map and Project Report which was submitted by the consultant and was paid 0.15 lakh against 0.92 lakh. After that nothing has been initiated as yet (June 2009)
6	Chirkunda	Construction of drains	2002-03	10.58	-	10.58	Nil	10.58	Work was cancelled during 2002-03 and since then nothing was initiated as yet
Grand Total						304.24	1.52	302.72	

The aforesaid funds were released by the Government without ensuring proper planning and ascertaining the requirement of the cities. Even after lapse of two to seven years of the sanction/ release of the funds, no fruitful action/initiation had been taken by the ULBs for implementation of the schemes. Thus, the Government fund was blocked for years and public were deprived of the benefits of the schemes.

6.3.2 Blockade of Government Grant of Rs 53.65 lakh at Hazaribagh

Government Grant of Rs 53.65 lakh received for construction of Marriage Hall and Dharmshala at Hazaribagh was blocked for more than two years.

The State Government sanctioned and released Rs 53.65 lakh to Hazaribagh Municipal Council as grant for construction of Marriage Hall & Dharmshala at old bus stand, Hazaribagh. Tender was invited in March'07 (26.03.07) which was to be opened on 17.04.2007 but the same was postponed on 13.04.2007 due to non-approval of BOQ by Chief Engineer, Technical Cell, UDD. Tender was opened on 14.08.2007 before the District Level committee but the same could not be disposed off and was sent to UDD for disposal. On 05.09.2007, UDD informed Hazaribagh Municipal Council that tender would be disposed by a District Level tender committee but the same was not disposed at the district level and again on 08.12.07, Dy. Commissioner requested UDD for disposal of tender. UDD was again requested for disposal of tender by Hazaribagh Municipal Council on 17.04.2008 and 23.06.2008 but the same was not disposed off by UDD and nothing could be done for construction of Marriage Hall & Dharmshala (May'09). Thus, the amount of Rs. 53.65 lakh remained blocked for more than two years defeating the intended objective of the grant. The situation was clearly the result of poor planning and lack of accountability both at the local as well as Government level.

6.3.3 Government fund of Rs 3.48 crore of water supply scheme lying unspent since long at Mango

Of Rs 3.70 crore transferred to the Drinking Water and Sanitation Department for water supply scheme, only Rs 22.11 lakh was utilized.

Against the estimate of Rs. 44.02 crore for Mango Urban Water Supply, Government of Jharkhand sanctioned (March 2007) Rs. 3.70 crore (Grant -Rs 0.92

crore and Loan -Rs 2.78 crore) for preliminary work and transferred (May 2007) the fund to Executive Engineer (EE), Drinking Water & Sanitation Department, Jamshedpur through Mango NAC.

Scrutiny of records revealed that out of Rs 3.70 crore, only Rs 22.11 lakh (6 per cent) was utilized (July 2009) by the EE, leaving a balance of Rs 3.48 crore. Thus, the huge amount was lying unspent since more than two years, depriving the beneficiaries of the intended benefits. Clearly, the concerned ULB did not pursue/monitor the scheme properly.

6.3.4 Non-execution of schemes under Jawaharlal Nehru National Urban Renewal Mission at Ranchi

The purpose of JNNURM was defeated as the Grant of Rs 148.80 crore remained unutilized.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by GOI on 3rd December 2005 with the objectives of:

- Focused attention to integrated development of basic services to the urban poor;
- Security of tenure at affordable price, improved housing, water supply, sanitation;
- Convergence of services in fields of education, health and social security;
- As far as possible providing housing near the place of occupation of the urban poor;
- Effective linkage between asset creation and asset management to ensure efficiency;
- Scaling up delivery of civic amenities and provision of utilities with emphasis on universal access to urban poor;
- Ensuring adequate investment of funds to fulfill deficiencies in the Basic Services to the Urban Poor

The other features for implementation of the mission are as under:-

- The duration of the mission would be seven years from 2005-06.
- The State Government and the ULBs will be required to execute a MOA with Government of India indicating their commitment to implement the identified reforms.
- There would be a central sanctioning and monitoring committee in the Ministry of Housing and Urban Poverty Alleviation for sanctioning of the projects.

- The Scheme would be implemented through a State Level Nodal Agency designated by the State Government.

JNNURM comprises two sub-missions:

1) Urban Infrastructure and Governance

Main Components of Urban Infrastructure and Governance (UIG) are:

- Renewal of sewerage/drainage/solid waste disposal system.
- Water supply and solid waste management.
- Urban Transport.

The status of UIG, being implemented by Ranchi Municipal Corporation for Ranchi, was as below:-

Solid Waste Management

The following are the objectives of Solid Waste Management (SWM) under JNNURM:

- (i) To restructure and modernize the existing solid waste management system of the city.
- (ii) To mount a process of awareness generation among the community of basic waste management and environment improvement issues.
- (iii) To strengthen the institutional capacity.
- (iv) To establish socially acceptable, technically feasible, operationally sustainable and financial viable SWM.

The Urban Development Department, Government of Jharkhand released a sum of Rs 10.28 crore in March 2009 to Ranchi Municipal Corporation. Prior to this, M/s MSV International Inc. USA was selected to provide consultancy service for preparation of DPR on SWM at a cost of Rs 9.79 lakh with the stipulation to submit DPR by December 2006. Final DPR was, however, submitted in September 2007 and a sum of Rs 8.34 lakh was paid as consultancy fee (February 2009). After February 2009, Rs 10.28 crore was received from Government through the Nodal agency. It was, however, noticed that even after preparation of DPR, neither the tendering process was initiated nor the scheme commenced. As a result, the entire grant of Rs 10.31 crore (including interest of Rs 3.00 lakh) remained unutilized and kept in bank.

Rs 10.31 crore
received for
Solid Waste
Management
remained
unutilized at
RMC

Urban Transport System

With a view to strengthening and modernizing the public transport system, the Government sanctioned and released 1st instalment of grant for purchase of 100 buses for Ranchi city as detailed below:

Table-37

(Rs in crore)				
Sl. No.	Month/Year	State share	Urban body share	Central share
1	March '09	1.75	1.75	7.00
Total		1.75	1.75	7.00
Grand Total		Rs 10.50 crore		

The Central Sponsored Monitoring Committee approved 100 buses for the city in first phase at cost of Rs 17.50 crore with Central share (80%) and State and Urban Body share (20%) as detailed below:

Table-38

(Rs in crore)				
Sl. No.	Particulars	No. of buses	Cost in Rs lakh/Bus	Total cost
1	Semi low floor	20	22	4.40
2	Low floor, non-AC	10	54	5.40
3	Mini bus	70	11	7.70
				17.50

Rs 10.50 crore received for Urban Transport System at Ranchi remained blocked

Swaraj Mazda was selected for supply of mini buses with 24 and 32 seats at a cost of Rs 8.85 lakh and Rs 9.32 lakh per bus respectively whereas M/s Tata Motors Ltd was selected for supply of Non AC semi low floor buses at a cost of Rs 18.79 lakh per bus. For all transactions, Urban Mass Transit Company Ltd. was selected as consultant by the Government Accordingly, letter of acceptance cum purchase order was issued (June 2009) to M/s Tata Motors Ltd and M/s Swaraj Mazda for supply within 90 days. As per schedule, buses were to be supplied by September 2009 for plying in the city after necessary infrastructural arrangements. But till date (March 2010) neither infrastructural needs i.e. creation of public transport system, special purpose vehicle routes, nominating the agency/contractor for plying the buses, etc. had been completed nor buses plied in the city as per the agreement. Consequently, the entire grant of Rs 10.50 crore remained unutilized and kept in bank.

Water Supply Scheme

The objectives of Water Supply Scheme under JNNURM are:-

- (iii) To fulfill domestic needs.
- (iii) To fulfill Institutional needs.
- (iii) To fulfill Public purposes such as street washing or street watering.

UDD entrusted the work of preparation of perspective plan and DPR to M/s Nano System Consultants Pvt. Ltd. (April 2006), selected as consultant for making DPR for Water Supply Scheme, at a cost of Rs 1.30 crore. An agreement was executed with the firm with the condition to submit DPR within 5 months from date of agreement (09.04.07). The consultant submitted final DPR in January 2008 which was approved by CSMC in March 2008. Against total demand of Rs 1.30 crore, RMC paid Rs 1.20 crore up to September 2009. Although initial work for tender was done by RMC, the scheme which was already delayed would now be executed by Drinking Water and Sanitation Department as per the orders of State Government.

Thus, the purpose of the scheme was defeated due to inordinate delay and poor planning. A total sum of Rs 72.10 crore was received from Government of India towards 1st installment for orientation of Water Supply Scheme under JNNURM (February 2009).

Rs 72.52
crore received
for Water
Supply
Scheme
remained
unutilized

The entire amount was kept in bank with accrued interest of Rs 42.05 lakh (October 2009). Thus, due to injudicious decision of RMC/Government, the entire grant remained blocked and people were deprived of the intended benefits.

2) Basic Services to the Urban Poor

The following are the objectives of Basic Services to the Urban Poor (BSUP) under JNNURM:-

- (i) Integrated Development of slums through projects for providing shelter, basic services and other related civic amenities with a view to provide utilities to the urban poor.
- (ii) To secure effective linkages between asset creation and asset management

- (iii) To ensure adequate investment of funds to fulfill deficiencies in the Basic Services to the Urban Poor

The scheme is being implemented by RMC through Greater Ranchi Development Agency Limited (GRDA), the State level Nodal agency designated by the State Government.

Ranchi Municipal Corporation entered (June 2007) into an agreement with M/s Infrastructure professional Enterprises Pvt. Ltd for providing consultancy services for preparation of Detailed Project Reports for all identified projects covered under the BSUP at a cost of Rs 1.96 crore *plus* Service Tax @ 12.24%. The duration of the assignment was about 6 months.

A total of 101 slums with 15,369 households were identified by RMC for this scheme. Out of this, 60 slums with 8924 households at the project cost of Rs 248.38 crore were approved by the Government of India in 6 phases. The consultant submitted DPR of 60 slums and a sum of Rs 1.61 crore was paid (March 2009) to them, although the duration of the agreement was six months only i.e., up to December 2007.

Rs 55.47 crore received for providing Basic Services to the Urban Poor of Ranchi remained blocked

It was further noticed that the State Government, through Nodal Agency released Rs 55.14 crore (Rs 31.70 crore in April 2008 & Rs 23.44 crore in June 2009) as Central and State Grant for orientation of BSUP scheme at Ranchi for four phases. Though the tender for constructing dwelling units and development of infrastructure under BSUP was invited by RMC in May 2008, no further progress was made. Thus the scheme could not take off despite lapse of about three years and even after the expenditure of Rs 1.61 crore on consultancy. As a result, entire Government Grant of Rs 55.47 crore (including interest) remained blocked in the accredited Bank accounts (December 2009).

6.4 Undue favour to consultant and Irregular payment of Rs 52.00 lakh as consultancy fee at Hazaribagh

Irregular appointment of consultant for preparation of Detailed Project Report for construction of Bye Pass/Ring Road at Hazaribagh resulted in irregular expenditure of Rs 52.00 lakh.

Urban Development Department, Government of Jharkhand agreed in principle for construction of Bye Pass/Ring Road in Hazaribagh town area and directed the DC, Hazaribagh for preparation of Detailed Project Report (DPR) (3.12.05). The

District level committee headed by the DC chose (20.12.05) M/s Smeatons Project Private Limited Ranchi, (SPPL) as consultant for preparation of DPR and the Letter of appointment was issued on 31.12.05 by the Special Officer, Hazaribagh Municipal Council. It was seen that the Memorandum of Agreement was executed with the Agency on 15.3.08 (after 26 months of appointment) and a sum of Rs 52.00 lakh was paid to the consultant during March and June 2008 as consultancy fee for preparation of the said DPR. Scrutiny of records revealed the following deficiencies in the award/execution of the work:-

- The appointment of M/s SPPL as consultant for preparation of DPR was made without floating tender in violation of the provisions contained under Rules 235 and 245 of Jharkhand Financial Rules as well as Rules 116 and 117 of BMA Rules, 1928. The Urban Development Department had directed (May 2005) that the consultancy work could only be awarded to a consultant after approval of existing State level 'Chayan Samiti' headed by the Secretary, UDD. The State Government further directed (March 2006) that selection of consultant would be done only after floating tenders. But these directions were also not followed by the Council while awarding consultancy work to M/s SPPL. Thus, by not floating the tenders, Hazaribagh Municipal Council not only violated the legal provisions but also extended undue favour to the Consultant.
- The Special Officer, Hazaribagh Municipal Council requested the State Government for approval of Consultant in February 2007 i. e., 14 months after the appointment of Consultant, but the State Government did not approve the appointment.
- As per the conditions of sanction letter of Grant for consultancy fee (March 2007), the payment of consultancy fee was to be made only after approval of Technical Committee of UDD. It was seen that the State Government released grant of Rs 54.00 lakh to the Council in the consultancy fee head (March 2007) and Hazaribagh Municipal Council made payment of Rs 52.00 lakh to the consultant after the Chief Engineer gave the concurrence (March 2008) for payment of 1% consultancy fee of Rs 52.00 lakh at technically approved estimate of Rs 52.07 crore.

Cross checking of records at UDD, however, revealed that the required meeting of the Technical Committee was not called by the Chief Engineer and the concurrence for payment of consultancy fee was given by the Chief Engineer himself in serious violation of Government directions. Moreover,

the DPR was also found to be faulty and as such, not approved when the payment was released to the consultant.

On this being pointed out by Audit, UDD confirmed (July 2009) the violation of the condition regarding approval of the Technical Committee before making payment to the consultant. Thus, Rs 52.00 lakh was irregularly paid to the consultant, whose appointment itself was irregular. The matter needs to be investigated from a vigilance angle.

6.5 Non completion of construction/beautification of Park at Simdega

The construction/beautification of Park at Simdega remained incomplete even after lapse of three years leading to infructuous expenditure of Rs 24.77 lakh.

The State Government released (September 2004) grant of Rs 20.72 lakh to Simdega Nagar Panchayat against estimated cost for construction of Park at Simdega. The work was awarded (December 2005) to the contractor at Rs 17.61 lakh, scheduled to be completed by 31 July 2006. But, the work could not be completed even after payment of Rs 12.27 lakh to contractor up to December 2007 (3rd Running account bill).

The State Government further released (March 2007) Rs 25.63 lakh for beautification of Park. The Committee headed by the DC, Simdega decided (February 2008) to implement the work departmentally in view of immediate utilization of fund. Accordingly, as per direction of the DC, Simdega, Rs 12.50 lakh was advanced to Rural Development Special Division, Simdega with the instruction to complete the work within the financial year 2007-08. It was observed in audit that neither the beautification work was completed till date (February 2010) nor details of utilization of advance of Rs 12.50 lakh made available.

Though, the State Government clearly instructed that schemes above Rs five lakh would not be executed departmentally, this scheme of Rs 25.63 lakh was decided to be executed departmentally in violation of Government instruction.

Thus, the release of the fund for beautification of Park by the State Government, even when the construction of park was not yet completed, was not only irregular but also indicative of weak internal control mechanism. As a result, on the one hand, advance of Rs 12.50 lakh was lying unadjusted and on the other, balance of the released fund of Rs 13.13 lakh remained unutilized. Moreover, on physical

verification, it was found that the construction/beautification work had since been damaged.



(Photos showing incomplete/damaged work of construction/beautification of Park at Simdega)



(Photos showing incomplete/damaged work of construction/beautification of Park at Simdega)

Thus, total expenditure of Rs 24.77 lakh on incomplete/damaged work was proved infructuous.

6.6 Unfruitful expenditure of Rs 22.27 lakh on construction of Roads at Dhanbad

Due to non release of fund in subsequent years to Dhanbad Municipality, 22 roads could not be completed resulting into unfruitful expenditure of Rs 22.27 lakh

Construction of 26 PCC roads was approved by the State Government at estimated cost of Rs 57.18 lakh in 2004-05. As first installment, Rs 28.59 lakh (Grant Rs 9.53 lakh and Loan Rs 19.06 lakh) was sanctioned and released by the Government (November 2004). Dhanbad Municipality started work of 22 roads at an estimated cost of Rs 49.23 lakh. Second installment of Rs 28.59 lakh (Grant Rs 9.53 lakh and Loan Rs 19.06 lakh) was sanctioned (March 2005) by the State Government at the fag end of the financial year and the amount could not be drawn by the Municipality from the Treasury. State Government did not release any fund in subsequent years for these schemes. As a result of this, all the 22 works of construction of PCC roads remained incomplete, and the expenditure of Rs 22.27 lakh became unfruitful.

6.7 Unfruitful expenditure of Rs 16.84 lakh due to abandonment of construction of Town Hall at Godda

Splitting of work of construction of Town Hall in two parts to avoid technical sanction of higher authority led to its abandonment which ultimately resulted into unfruitful expenditure of Rs 16.84 lakh at Godda

The State Government sanctioned Rs. 25.00 lakh (October 2004) for construction of Town Hall at Godda against the estimate of Rs 31.44 lakh (Part-I) and Rs. 30.15 lakh (Part-II). Though, the estimated cost of both parts was Rs 61.55 lakh, technical sanction was accorded by Superintending Engineer, Rural Development, Special Division, Dumka (May 2005) who was empowered to give technical approval up to Rs 50.00 lakh only. Part-I of Town Hall consisted of Big Hall and Part-II consisted of front side of the Town Hall and electrification, Generator/AC and furniture of whole building. Due date of completion of Part –I was July 2006 and that of Part II was August 2007.

Audit scrutiny revealed that the work was executed through tender and Rs 5.00 lakh was spent up to March 2006 on Part-I and Rs 11.84 lakh till September 2009 on Part-II. Work of Part-I was executed up to ceiling and stopped (November 2006) as structure was not capable of taking load of roof and weight of beam. Executive Officer, Godda requested (June 2008) the Chief Engineer, Technical cell, Urban Development Department for sanction of change in structure i.e.

provision of two RCC Columns (Pillar) which would not effect the estimated cost. Chief Engineer, Technical Cell directed (September 2008) to prepare the design consisting of Primary beam & Secondary beam. It was stated by the Nagar Panchayat authority that there was no competent architect at Godda to design the same. No work was executed after April 2006 despite the expiry of a period of more than three years. Thus, the whole work was abandoned due to technical problem which arose due to split of work in two parts to avoid technical sanction of higher authority. Had technical sanction been accorded by the Chief Engineer who was empowered to grant technical sanction of the said work, the possibility of technical problem could have been avoided. Thus, the total expenditure of Rs 16.84 incurred on the work was proved unfruitful.

6.8 Infructuous expenditure of Rs 10.15 lakh on purchase of Ditch Cleaning equipment and Road Sweeper at Dhanbad

Ditch Cleaning equipment and Road Sweeper purchased at a cost of Rs 10.15 lakh at Dhanbad remained idle

The State Government sanctioned (January 2004) Plan Grant of Rs 33.25 lakh for purchase of seven items of cleaning equipments to Dhanbad Municipality. Those items included Ditch Cleaning Equipment (Rs 6.98 lakh) and Road Sweeper (Rs 3.17 lakh).

Ditch Cleaning Equipment and Road Sweeper were purchased as detailed below:

Table-39

(Rs in lakh)

Sl. No.	Name of equipment	Name of firm	Voucher No. & date	Amount
1.	Ditch Cleaning Equipment	M/s APEE Automobiles Ltd., Ranchi	485/26.10.04	6.98
2.	Road Sweeper		488/26.10.04	3.17
TOTAL				10.15

It was noticed in Audit that the Ditch Cleaning Equipment was not used at all and was lying idle in the open premises of the Municipality and converting into scrap. It was stated by the Executives that this machine had no utility in Dhanbad Municipal area, as there were no such big drains in the area where this machine

could be utilized. Reason for purchase of machine which had no utility in the Municipal area was not stated to audit as the Government itself released the said funds without ascertaining the actual requirement of the city.

Further Road sweeper could not be used properly as (i) it created huge dust on roads resulting in public protest (ii) there were only a few plain roads in the municipal area. As such this road sweeper was also lying idle.

Thus, the total expenditure of Rs 10.15 lakh incurred on purchase of these machines proved infructuous and wasteful. Responsibility needs to be fixed for the purchase of Ditch Cleaning Equipment and Road Sweeper which was not usable.



(Photo of Road Sweeper lying idle in the Municipality premises)



(Photo of Ditch Cleaning Machine lying idle in the Municipality premises)

6.9 Unfruitful expenditure of Rs 6.54 lakh on construction of Indira Park at Giridih

The construction of Indira Park at Giridih was not completed even after lapse of more than three years resulting into infructuous expenditure of Rs 6.54 lakh

The work of construction of Indira Park near Whitti Bazar at Giridih was assigned to M/s Maa Durga Construction at an estimated cost of Rs 14.69 lakh under the supervision of Sri K.K.Yadav, JE. As per agreement, the work was to be commenced from 10.11.05 and completed within six months i.e by 10.5.06. The work was started (May 2006) and a sum of Rs 2.75 lakh was paid as advance to the contractor against the value of work done (May 2006). In November 2007, the JE inspected the site and revised the estimate for which technical sanction was also accorded for Rs 14.65 lakh. Accordingly, fresh agreement was executed and the contractor was given extension of time for completion of the work by 31.1.08. After then, the JE reported that the work was progressing at a very slow rate, although, the Special Officer directed the contractor to complete the work by 29.2.08. Last measurement up to 3rd on account bill was recorded on 20.2.08 and after lapse of eight months, the Special Officer directed the contractor to measure the total value of work done by 11.11.08. However, the contractor neither took any action nor reported the office for his failure in taking measurement.

Although, the date of completion of the work was extended from 10.5.06 to 29.2.08, still the work was not completed. Against the estimated cost of Rs 14.65 lakh, the value of work done was Rs 6.54 lakh only. Reasons for non-completion of the work even after issuing several reminders and extension of time up to February 2008, was not furnished to audit. It was also noted that originally only 6 months time was allotted for completion of work but extension was given for 20 months (more than 300 *per cent*) in one go which was irregular. Reasons for giving such undue benefit to contractor were neither on record nor furnished to audit.

Thus, even after lapse of more than three years, the construction work was not completed and no action including penal measures was taken against the contractor by the Municipal Council. As such, the very purpose of the scheme was defeated and the expenditure of Rs 6.54 lakh proved infructuous.

6.10 Non-fulfillment of objectives of Valmiki Ambedkar Malin Basti Awas Yojna

Objectives of Valmiki Ambedkar Malin Basti Awas Yojna (VAMBAY) were yet to be achieved although the scheme was launched in December 2001.

Valmiki Ambedkar Malin Basti Awas Yojna, a centrally sponsored scheme was launched on (December 2001) to ameliorate the conditions of the urban slum

dwellers below poverty line. The objective of the scheme was primarily to provide shelter to people living below the poverty line in urban slums. The financial limit for construction of a dwelling unit under this scheme was Rs 40000/-. The cost of providing shelter was to be shared on 50:50 basis between Central and State Governments. The funds of the scheme were released by the Government during 2004-06. Scrutiny of records of four ULBs revealed the following deficiencies in execution of the scheme:-

6.10.1 Construction of dwelling units outside Municipal area at Hazaribagh

942 units were constructed out of municipal area at Hazaribagh

Hazaribagh Municipal Council constructed 942 houses at Jebra village which did not fall under municipal area. A sum of Rs 3.77 crore was spent on construction of houses outside the municipal area in violation of the scheme guidelines; reason for the same was not assigned to audit.

6.10.2 BPL people of Godda were deprived of benefits due to non-allotment of Central share

57 urban people living BPL were deprived of the benefits due to non-allotment of Central share of Rs 21.80 lakh

Scrutiny of file revealed that State Government sanctioned (October 2004) State share of Rs 30.00 lakh for construction of 150 dwellings units but Central share of Rs 8.20 lakh only was sanctioned (February 2006) for construction of 41 dwelling units.

Nagar Panchayat Godda decided to construct 93 units due to short allotment of Central share of Rs 21.80 lakh. As such, 57 Urban families living Below Poverty Line were deprived of the intended benefits. Further, it was noticed that out of 93 units, only 70 units were completed despite the availability of fund which was not justified.

6.10.3 Dwelling units were not handed over to the beneficiaries at Mango

25 dwelling units were not handed over to the beneficiaries despite an expenditure of Rs 9.25 lakh

A total sum of Rs 10.00 lakh was sanctioned by State Government and Central Government for construction of 25 dwelling units (July 2005) at Mango.

The dwelling units were to be constructed by Forestation & Urban-Rural Integrated Development Association, a self working institution. Work order was issued to the firm (May 2006) and a sum of Rs 9.25 lakh was paid to the firm for the construction of dwelling units. Final payment was also made to the Agency, but, the dwelling units were not handed over to the beneficiaries up to August 2009.

6.10.4 Upper limit of construction – Diversion of Rs 8.10 lakh at Jamtara

Rs 8.10 lakh meant for providing infrastructure and common facilities was diverted towards construction of houses

Para 8 of VAMBAY Guidelines envisages that the upper financial limit for construction of VAMBAY units would be Rs 40,000/- including provision for sanitary latrine for an area of not less than 15 Square meters. The ceiling on construction assistance under VAMBAY would be as below:-

Construction of house including sanitary latrine	-35,000/-
Cost of providing infrastructure and common facilities	-5,000/-

Scrutiny of technical estimate on which VAMBAY units were constructed by the Nagar Panchayat, Jamtara showed that the cost of construction of house including sanitary latrine was Rs 40,000/- instead of Rs 35,000/- as provided in the VAMBAY Guidelines. Thus, Rs 5,000/- for providing cost of infrastructure and common facilities were utilized in the unit construction of VAMBAY resulting into diversion of Rs 8.10 lakh (162 completed house @ Rs 5,000/-) from infrastructure and common facilities component to house including sanitary latrine component.

Basis of selection of beneficiaries was not shown

Further, the basis on which beneficiaries were selected was not made available to audit. Nagar Panchayat had not evolved any monitoring mechanism to avoid unintended duplicity of beneficiaries under other housing schemes like Indira Awas Yojna, Din Dayal Awas Yojna, Machuwa Awas Yojna etc. being implemented through other departments.

6.11 Loss of Rs 13.65 lakh due to execution of schemes by contractors in lieu of departmental work

A number of schemes required to be executed departmentally were executed through contractors, resulting into loss of Rs 13.65 lakh on account of Contractors' Profit

As per instruction of the Urban Development Department (June 2005), schemes with estimated cost below Rs five lakh were to be executed departmentally; but, in contravention of the said instruction, two ULBs executed 76 schemes at a cost of Rs 1.50 crore through contractors, though the ULBs had their own technical staff for execution of the schemes . Due to this, two ULBs sustained a loss of Rs 13.65 lakh on account of Contractors' Profit (9.1 per cent) as under:-

Table-40

(Rs in lakh)

Sl No	Name of ULBs	Period	No. of Schemes	Total value of work done	Total loss as Contractor Profit
1.	Ranchi	2008-09	75	146.44	13.33
2.	Saraikeela	2006-08	01	3.45	0.32
Total			76	149.89	13.65

6.12 Excess Payments of Rs 7.78 lakh to the contractors

In nine ULBs, excess amount of Rs 7.78 lakh was paid to the Executing Agents beyond the agreed rates/estimates

A sum of Rs 7.78 lakh, as detailed below, was paid in excess to the concerned Executing Agents of nine ULBs, due to various reasons such as excess carriage charge, non-recovery of excess cost of cement, deviation in works etc as shown in the table below:

Table-41

(Rs in lakh)

Sl. No.	Name of ULBs	Period	Excess payment	Reasons
1.	Dhanbad	2004-06	2.54	Excess carriage charges and non-recovery of difference in cost of cement
2	Hazaribagh	2007-08	0.28	Excess rate charged and totalling mistake
3.	Giridih	2007-08	0.70	Excess payment of advance
4.	Chatra	2006-08	0.33	Payment of Contractors Profit without provision in the

				estimate
5.	Godda	2007-08	0.69	Deviation in work
6.	Mango	2006-08	1.22	Payment of more than tendered value i.e. in excess of estimate.
7.	Saraikeela	2006-08	1.61	Excess work and non-recovery of extra cost of cement
8.	Kharsawan	2006-08	0.03	Excess cement consumed
9.	Chirkunda	2002-08	0.38	Excess work done and excess cost of Sign Board charged
TOTAL			7.78	

6.13 Recommendations

- Close monitoring of the utilization of assistance and periodical evaluation of achievement of schemes is needed.
- Cases of gross financial irregularities should be investigated and action taken against the erring official(s).

CHAPTER-VII

OTHER IMPORTANT OBSERVATIONS

7.1 Response to Audit Observations

There was poor response to outstanding audit observations. 5590 audit paras pertaining to the period 1979-80 to 2009-10 involving Rs. 189.95 crore were outstanding as of February 2010.

The Executives of the ULBs (CEO/ Executive Officer/Administrator/Special Officer, etc) are required to comply with observations contained in the Audit Reports and rectify the defects and omissions and report their compliance through proper channel to the Examiner of Local Accounts, Jharkhand within three months from the date of issue of Audit Report. As per Section 121 of RMC Act, 2001, the Municipal Authority shall take effective steps for remedy of defects or irregularities within a period considered by the auditor to be reasonable while forwarding Audit Report with a copy to the State Government. As on 28 February 2010, 287 Audit Reports containing 5590 paragraphs involving total amount of Rs 189.95 crore were still outstanding even after settlement of 670 paragraphs during 2009-10.

Table-42

(Rs in crore)

Sl. No.	Year	No. of Audit Reports	Outstanding Paras	Amount
1.	Upto 2000	126	2179	23.00
2.	2000-01	15	306	13.57
3.	2001-02	04	114	1.01
4.	2002-03	22	331	11.33
5.	2003-04	14	291	11.21
6.	2004-05	17	462	23.82
7.	2005-06	14	421	16.16
8.	2006-07	26	528	47.41
9.	2007-08	16	398	17.50
10.	2008-09	18	401	16.29
11.	2009-10	15	159	8.65
Total		287	5590	189.95

A review of the Audit Reports revealed that the Executives, whose records were inspected by the Examiner of Local Accounts, did not send any reply in respect of most of the outstanding audit reports /paragraphs. The Secretary of the Urban Development Department, who was informed of the position, failed to ensure that

concerned officers of the ULBs would take prompt and timely action. The Secretaries of the Urban Development Department and the Finance Department were requested severally through letters (December 2008, February 2009, May 2009 and February 2010) and in the meeting (October 2008) to take proper action for the disposal of outstanding paragraphs. The replies, wherever received, were mostly inconclusive and interim in nature. The Chief Secretary was also apprised of the fact (February 2009, May 2009 and February 2010).

7.2 Surcharge under Local Fund Audit Act, 1925 made ineffective

Concerned Deputy Commissioners were not taking action on the Surcharge Notices issued by the Examiner of Local Accounts, Jharkhand. As a result, 126 notices involving Rs. 1.43 crore issued during 2000-2010 were pending.

Section 9 (2) (b) of the Jharkhand and Orissa Local Fund Audit Act, 1925 required the notices to be served upon the surchargees, responsible for irregular payments, loss of amount etc. ascertained in course of audit. The Examiner of Local Accounts sends the notices to the Deputy Commissioner of the District where the ULBs are situated for serving the notices to the surchargees.

Audit found that 126 notices covering Rs 1.43 crore issued during 2000 to 2010 (upto February 2010) in respect of 21 ULBs (*APPENDIX-VIII*) were pending due to non-receipt of service reports of the notices from the concerned Deputy Commissioners. As a result, further action viz. issue of surcharge order and requisition of certificate for recovery of the amounts from the surchargees could not be taken.

The matter was taken up with the Chief Secretary from time to time (April 2009 and February 2010) but no concrete action was taken.

7.3 Result of Audit

As a result of audit of 17 ULBs, a sum of Rs 2.97 crore was suggested for recovery, of which Rs 1.96 lakh was recovered during audit, whereas Rs 10.98 crore was held under objection.

Besides proposal for recovery by surcharge, as dealt in previous paragraph, excess and irregular payment amounting to Rs 2.97 crore, which was detected in audit in

17 ULBs, was suggested for recovery from person(s) responsible. At the instance of audit, Rs 1.96 lakh was recovered from the persons concerned.

In addition, payment of Rs 10.98 crore was held under objection (**APPENDIX-IX**) owing to non-production of records/vouchers/supporting documents/sanction of competent authority, non-furnishing of desired informations/explanations, etc.

7.4 Follow up action on previous Reports of the Examiner of Local Accounts, Jharkhand

Replies/Action Taken Notes on the paras appeared in the previous Reports of the Examiner of Local Accounts, Jharkhand were not furnished by the UDD, Government of Jharkhand
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The UDD, Government of Jharkhand did not send replies/Action Taken Notes (March 2010) on the paragraphs appeared in the Reports of the Examiner of Local Accounts, Jharkhand on ULBs for the year ended March 2006, March 2007 and March 2008, which were forwarded to the Government in September 2007, July 2008 and August 2009 respectively.

Government was also requested to incorporate suitable clause in the Acts for providing institutional arrangement for placement of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/discussion on the Reports. Though, the Finance Department accepted the proposal and requested the UDD (October 2008, November 2009) to take necessary action, final action in this regard was still awaited (March 2010).

7.5 Recommendations

- Government should ensure timely and proper response to the Audit Reports of the Examiner of Local Accounts and ensure accountability in case of failure on the part of the ULBs.
- Government should incorporate suitable clause in the Acts for providing institutional arrangement for placement/discussion of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/Committee etc.
- Prompt action on ARs and paragraphs is needed to avoid recurrence of financial irregularities and loss to Government

CHAPTER-VIII

CONCLUSIONS

8.1 Finance and Accounts

The focus of the State Legislative Act seems to be on compliance rather than encouraging autonomy and self-sustainability of the ULBs, but penalties for nonperformance are not provided. Thus, enforcement mechanisms are weak. Although time schedules are prescribed for preparation of budgets, finalization of accounts, and submission of annual reports, there is no penalty or deterrence in case of delays. It is, perhaps, for this reason that accounts of all ULBs were outstanding for up to 10 years. The ULBs in Jharkhand are characterized by weak cash management and treasury/banking systems. This is primarily due to poor budget preparation, poor grant utilization, lack of a single bank/treasury account, and delayed reporting of expenditure. Bank reconciliations are generally in arrears, and cash management is limited to making payment out of receipts of ULBs. Non-preparation of Budget Estimates and Annual Accounts in contravention of the provisions of the Jharkhand Municipal Act rendered the expenditure incurred by the ULBs irregular/ unauthorized.

8.2 Maintenance of Records

Out of 86 Forms and Accounts, prescribed under the Rules, ULBs maintained only 10 to 25. Maintenance of primary accounting records was in complete disarray. Cash Books were not reconciled with the bank statements. Due to non-maintenance of basic records viz. Asset Register, Grant/Loan Appropriation Register, Advance Ledger, Demand & Collection Register, Work register, Unpaid bill Register, true & fair view of accounts of ULBs could not be ascertained. Non/improper maintenance of records led to several administrative/financial deficiencies as discussed in various paragraphs of the report.

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Besides proposal for recovery by surcharge, as dealt in previous paragraph, excess and irregular payment amounting to Rs 2.97 crore, which was detected in audit in 17 ULBs, was suggested for recovery from person(s) responsible. At the instance of audit, Rs 1.96 lakh was recovered from the persons concerned.

In addition, payment of Rs 10.98 crore was held under objection (**APPENDIX-IX**) owing to non-production of records/vouchers/supporting documents/sanction of competent authority, non-furnishing of desired informations/explanations, etc.

7.4 Follow up action on previous Reports of the Examiner of Local Accounts, Jharkhand

Replies/Action Taken Notes on the paras appeared in the previous Reports of the Examiner of Local Accounts, Jharkhand were not furnished by the UDD, Government of Jharkhand
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The UDD, Government of Jharkhand did not send replies/Action Taken Notes (March 2010) on the paragraphs appeared in the Reports of the Examiner of Local Accounts, Jharkhand on ULBs for the year ended March 2006, March 2007 and March 2008, which were forwarded to the Government in September 2007, July 2008 and August 2009 respectively.

Government was also requested to incorporate suitable clause in the Acts for providing institutional arrangement for placement of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/discussion on the Reports. Though, the Finance Department accepted the proposal and requested the UDD (October 2008, November 2009) to take necessary action, final action in this regard was still awaited (March 2010).

7.5 Recommendations

- Government should ensure timely and proper response to the Audit Reports of the Examiner of Local Accounts and ensure accountability in case of failure on the part of the ULBs.
- Government should incorporate suitable clause in the Acts for providing institutional arrangement for placement/discussion of the Reports of the Examiner of Local Accounts, Jharkhand in the Legislative Assembly/Committee etc.
- Prompt action on ARs and paragraphs is needed to avoid recurrence of financial irregularities and loss to Government

APPENDIX-I

List of Powers and Functions of ULBs as per the 74th Constitutional Amendment Act (Schedule XII)

(Reference to: para 1.3; page 3)

1. Urban planning including town planning
2. Regulation of land-use and construction of buildings
3. Planning for economic and social development;
4. Roads and bridges
5. Water supply for domestic, industrial and commercial purposes.
6. Public health, sanitation, conservancy and solid waste management
7. Fire Services;
8. Urban forestry, protection of the environment and promotion of ecological aspects;
9. Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded;
10. Slum improvement and upgradation;
11. Urban poverty alleviation;
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds;
13. Promotion of cultural, educational and aesthetic aspects;
14. Burials and burial grounds; cremations, cremation grounds and electric crematoriums;
15. Cattle ponds, prevention of cruelty to animals;
16. Vital statistics including registration of births and deaths;
17. Public amenities including street lighting, parking lots, bus stops and public conveniences;
18. Regulation of slaughter houses and tanneries;

APPENDIX-II

Statement showing name and period of 17 Urban Local Bodies test checked
(Reference to: para 1.6, page 5)

Sl.No.	Name of ULBs	District	Period of Audit.
1.	Ranchi Municipal Corporation	Ranchi	2008-09
2.	Dhanbad Municipality	Dhanbad	2004-06
3.	Hazaribagh Municipal Council	Hazaribagh	2007-08
4.	Giridih Municipal Council	Giridih	2007-08
5.	Chatra Municipal Council	Chatra	2006-08
6.	Chas Municipality	Bokaro	2006-08
7.	Chakradharpur Nagar Panchayat	Chakradharpur	2007-08
8.	Simdega Nagar Panchayat	Simdega	2006-08
9.	Godda Nagar Panchayat	Godda	2007-08
10.	Mango NAC	East Singhbhoom	2006-08
11.	Jamtara Nagar Panchayat	Jamtara	2006-08
12.	Saraikela Nagar Panchayat	Saraikela	2006-08
13.	Basukinath Nagar Panchayat	Dumka	2006-08
14.	Jasidih NAC	Deoghar	2006-08
15.	Kharsawan NAC	Saraikela	2006-08
16.	Chakuliya Nagar Panchayat	East Singhbhoom	2007-08
17.	Chirkunda Nagar Panchayat	Dhanbad	2002-08

APPENDIX-III**Statement showing position of Non-Recurring Grants & Loans received for development purposes during 2002-09.**

(Reference to : para 2.5.1; page 16)

(Rs in crore)

Sl. No.	Name of ULBs	Period	Opening Balance	Grants	Loans	Total	Grant & Loan spent	Closing Balance as on 31March	Percentage of utilization
1.	Ranchi	2008-09	37.62	15.05	6.50	59.17	12.87	46.30	21.75
2.	Dhanbad	2004-06	5.78	5.80	2.55	14.13	5.54	8.59	39.21
3.	Hazaribagh	2007-08	7.39	2.09	2.55	12.03	3.00	9.03	24.94
4.	Giridih	2007-08	10.15	2.11	4.46	16.72	13.85	2.87	82.84
5.	Chatra	2006-08	4.97	4.26	0.86	10.09	4.48	5.61	44.40
6.	Chas	2006-08	3.22	3.75	1.67	8.64	5.68	2.96	65.74
7.	Chakradharppur	2007-08	2.67	0.55	0.46	3.68	0.64	3.04	17.40
8.	Simdega	2006-08	3.58	2.03	0.92	6.53	1.67	4.86	25.58
9.	Godda	2007-08	1.18	0.64	0.47	2.29	0.55	1.74	24.02
10.	Mango	2006-08	0.23	6.57	4.07	10.87	5.83	5.04	53.64
11.	Jamtara	2006-08	2.90	0.99	0.78	4.67	2.51	2.16	53.75
12.	Saraikeela	2006-08	2.85	0.44	0.19	3.48	2.11	1.37	60.64
13.	Basukinath	2006-08	2.42	5.05	1.95	9.42	3.74	5.68	39.71
14.	Jasidih	2006-08	2.33	1.03	0.63	3.99	1.56	2.43	39.10
15.	Kharsawan	2006-08	3.36	0.22	0.17	3.75	2.34	1.41	62.40
16.	Chakuliya	2007-08	0.01	0.78	0.35	1.14	0.21	0.93	18.43
17.	Chirkunda	2002-08	0.64	1.48	1.11	3.23	2.63	0.60	81.68
Total			91.30	52.84	29.69	173.83	69.21	104.62	39.82

APPENDIX-IV

Statement showing position of Outstanding Advances.
(Reference to: para 2.6.8 , page 22)

(Rs in lakh)

Sl.No.	Name of ULBs	Position as of 31st March	Amount of Advances outstanding
1.	Ranchi	2009	661.33
2.	Dhanbad	2006	247.93
3.	Hazaribagh	2008	635.39
4.	Giridih	2008	4.52
5.	Chatra	2008	0.30
6.	Chas	2008	0.70
7.	Chakradharpur	2008	33.08
8.	Simdega	2008	44.57
9.	Jamtara	2008	152.69
10.	Saraikela	2008	3.60
11.	Basukinath	2008	2.75
12.	Jasidih	2008	1.91
13.	Chakuliya	2008	2.15
14.	Chirkunda	2008	2.21
	Total		1793.13

APPENDIX-V**Statement showing arrears of Holding tax.**

(Reference to : para 3.2; page 26)

(Rs in lakh)

Sl.No.	Name of ULBs	Period	Arrear Demand	Current Demand	Total Demand	Collection	Arrear	Percentage of collection
1.	Ranchi	2008-09	2045.47	570.78	2616.25	326.43	2289.82	12.48
2.	Dhanbad	2005-06	195.89	96.83	292.72	74.66	218.06	34.24
3.	Hazaribagh	2007-08	108.70	66.90	175.60	69.26	106.34	39.44
4.	Giridih	2007-08	64.94	37.73	102.67	27.34	75.33	26.63
5.	Chatra	2007-08	25.57	16.80	42.37	6.94	35.43	16.38
6.	Chas	2007-08	92.03	20.02	112.05	17.35	94.07	15.48
7.	Chakradharpur	2007-08	NA	NA	37.09	6.73	30.36	18.15
8.	Simdega	2007-08	5.59	2.89	8.48	2.34	6.14	27.60
9.	Godda	2007-08	12.15	2.17	14.32	4.50	9.82	31.43
10.	Mango	2007-08	33.48	2.54	36.02	3.67	32.35	10.19
11.	Jamtara	2007-08	3.06	1.44	4.50	1.47	3.03	32.67
12.	Saraikela	2007-08	24.76	8.31	33.07	3.24	29.83	9.80
13.	Jasidih	2007-08	22.50	3.74	26.24	2.66	23.58	10.14
14.	Kharsawan	2007-08	1.36	0.16	1.52	0.08	1.44	5.27
Total					3502.90	546.67	2956.23	15.61

APPENDIX-VI

Statement showing list of Receipt Books not produced before audit.

(Reference to: para 3.8, page 30)

Sl.No.	Name of ULBs	Receipt Book	Date of issue of Books.	To whom issued (S/Sri)	No. of Books	Type of Receipt Books
1.	Ranchi	372101-372200	28.5.08	M. Alam	1	H-Receipts
		296301-296400	17.3.09	M. Alam	1	H-Receipts
		371001-371100	21.10.08	Charo Oraon	1	H-Receipts
		363801-363900	6.12.08	Illegible	1	H-Receipts
		21101-21200	10.4.08	Market Section	1	Miscellaneous
		25301-25400	21.6.08	Market Section	1	Miscellaneous
		32501-32600	21.10.08	Rickshaw license	1	Miscellaneous
		36601-36700	4.12.08	Market Section	1	Miscellaneous
		37601-37700	16.12.08	Rickshaw license	1	Miscellaneous
		39501-39600	6.2.09	Account section	1	Miscellaneous
		41101-41200	20.2.09	Market Section	1	Miscellaneous
		43801-43900	21.3.09	Market Section	1	Miscellaneous
		44801-44900	25.3.09	Market Section	1	Miscellaneous
		29501-29600	8.9.08	Market Section	1	Miscellaneous
		6701-6800	20.11.07	Doranda circle	1	Miscellaneous
		277901-278000	21.12.08	M. Alam	1	H-Receipts
		349101-349200	26.8.08	M. Alam	1	H-Receipts
		362901-363000	29.11.08	Sunil Sinha	1	H-Receipts
	Total				18	
2.	Dhanbad	<u>19301 to 19400</u>	<u>30.07.04</u>	<u>R. N. Singh</u>	<u>01</u>	<u>H-Receipts</u>
		17201 to 17300	31.03.04	R. K. Mathur		H-Receipts
		19201 to 19300	27.04.04	R. K. Mathur		H-Receipts
		20501 to 20600	22.09.04	R. K. Mathur		H-Receipts
		22401 to 22500	23.12.04	R. K. Mathur		H-Receipts
		23801 to 23900	28.02.05	R. K. Mathur		H-Receipts
		24901 to 25000	05.04.05	R. K. Mathur		H-Receipts
		<u>101 to 200</u>	<u>14.02.06</u>	<u>R. K. Mathur</u>	<u>07</u>	<u>H-Receipts</u>
		19601 to 19700	16.08.04	J. P. Singh		H-Receipts
		20801 to 20900	9.10.04	J. P. Singh		H-Receipts
		21301 to 21400	06.11.04	J. P. Singh		H-Receipts
		<u>22601 to 22700</u>	<u>31.12.04</u>	<u>J. P. Singh</u>	<u>04</u>	<u>H-Receipts</u>
		<u>801 to 900</u>	<u>22.03.06</u>	<u>Iftexhar Khan</u>	<u>01</u>	<u>H-Receipts</u>
		21601 to 21700	03.12.04	NK Singh		H-Receipts
		23601 to 23700	10.2.05	NK Singh		H-Receipts
		25001 to 25100	07.4.05	NK Singh		H-Receipts
		26601-26700	12.7.04	NK Singh		H-Receipts
		27301-27400	24.8.05	NK Singh		H-Receipts
		28701-28800	5.12.05	NK Singh		H-Receipts
		<u>401-500</u>	<u>8.3.06</u>	<u>NK Singh</u>	<u>07</u>	<u>H-Receipts</u>
		<u>23001-23100</u>	<u>-</u>	<u>-</u>	<u>01</u>	<u>H-Receipts</u>
<u>7101-7200</u>	<u>13.3.06</u>	<u>AI Khan</u>	<u>01</u>	<u>Miscellaneous</u>		
6701-6800	20.10.03	J. P. Singh		Mkt Receipt bk		
<u>7401-7500</u>	<u>10.8.04</u>	<u>J. P. Singh</u>	<u>02</u>	<u>Mkt Receipt bk</u>		

Sl.No.	Name of the ULBs	Receipt Book	Date of issue of Books.	To whom issued (S/Sri)	No.of Books	Type of Receipt Books
		<u>7601-7700</u>	<u>20.11.04</u>	<u>R. N. Singh</u>	<u>01</u>	<u>Mkt Receipt bk</u>
		<u>7801-7900</u>	<u>19.1.05</u>	<u>NK Singh</u>	<u>01</u>	<u>Mkt Receipt bk</u>
		7701-7800	18.1.05	Iftexhar Khan		Mkt Receipt bk
		8201-8300	20.8.05	Iftexhar Khan		Mkt Receipt bk
		<u>8601-8700</u>	<u>7.3.06</u>	<u>Iftexhar Khan</u>	<u>03</u>	<u>Mkt Receipt bk</u>
		<u>7201-7300</u>	<u>20.7.04</u>	<u>Rajdeo Raut</u>	<u>01</u>	<u>Mkt Receipt bk</u>
		4401-4450	28.4.04	J. P. Singh		Professional tax
		4451-4500	5.6.04	J. P. Singh		Professional tax
		<u>4501-4550</u>	<u>16.9.04</u>	<u>J. P. Singh</u>	<u>03</u>	<u>Professional tax</u>
		4551-4600	3.12.04	NK Singh		Professional tax
		4801-4850	10.2.05	NK Singh		Professional tax
		4901-4950	12.4.05	NK Singh		Professional tax
		<u>51-100</u>	<u>20.8.05</u>	<u>NK Singh</u>	<u>04</u>	<u>Professional tax</u>
		4601-4650	3.12.04	Iftexhar Khan		Professional tax
		4751-4800	7.2.05	Iftexhar Khan		Professional tax
		4851-4900	1.4.05	Iftexhar Khan		Professional tax
		4951-5000	21.4.05	Iftexhar Khan		Professional tax
		1-50	11.8.05	Iftexhar Khan		Professional tax
		101-150	15.10.05	Iftexhar Khan		Professional tax
		151-200	24.12.05	Iftexhar Khan		Professional tax
		<u>201-250</u>	<u>15.2.06</u>	<u>Iftexhar Khan</u>	<u>08</u>	<u>Professional tax</u>
		251-300	18.2.06	NK Singh	01	Professional tax
	Total				46	
3.	Hazaribagh	1401-1500	30.4.07	Vinod Kumar		H-Receipts
		4701-4800	13.8.07	Vinod Kumar	02	H-Receipts
		27001-27100	1.8.07	Mukesh Singh Munda	01	Miscellaneous
	Total				03	
4.	Giridih	801-900	4.3.03	Md Shahid, TC		H-Receipts
		1601-1700	19.4.03	Md Shahid, TC	02	H-Receipts
		1701-1800	21.4.03	Rajesh Kr	01	H-Receipts
		6001-6100	9.2.03	Parasnath Singh, TC	01	H-Receipts
		601-700	8.2.03	NA	01	Mini Market
		901-1000	12.6.03	Surendra Kr Singh	01	Mini Market
		1001-1100	19.6.03	NA	01	Mini Market
		1201-1300	11.9.03	NA	01	Mini Market
		1401-1500	21.10.03	NA	01	Mini Market
	Total				09	
5.	Chatra	901-1000	NA	Krit Kr Sinha, TC	02	H-Receipts
		2401-2500	NA	Krit Kr Sinha, TC		H-Receipts
	Total				02	
6.	Chas	2801-2900	18.2.07	NA	01	H-Receipts
		18301-18400	1.6.05	NA	01	Miscellaneous
	Total				02	
7.	Godda	10101—10200	20.3.07	Pramod Kr	03	-
		10201-10300	20.3.07	Pramod Kr		
		10701-10800	1.6.07	Jagdish Sharma		
	Total				03	
8	Jasidih	801-900	NA	Chandan Chakraborty, Asst	01	Miscellaneous
	Total				01	
	Grand Total				84	

APPENDIX-VII

Statement showing cost of materials paid on Hand Receipts
(Reference to: para 5.4, page 44)

(In Rupees)

Sl. No.	Name of Scheme	Executing Agent (S/Sri)	Chips		Sand		Bricks		MS Rod / Cement		Total Amount
			Qty. (in Cum)	Amount	Qty. (in Cum)	Amount	Qty. (Nos.)	Amount	Qty.	Amount	
1	Construction of P.C.C. drain from Durga Saran verma to Okni	Kedar Singh, Store Keeper	12.801	7937	27.062	6495	14750	33188	---	---	47620
2	C/o drain from Cola Road to R. Lal Jain House	N. Sharma Assitt.	21.992	14075	50.66	11735	28800	64800	---	---	90610
3	C/o drain New Area II Gali to Manjeet Singh House	O.M. Prakash Gupta, J.E.	11.08	5828	18.57	3832	7750	14094	497 kg	13228	36982
4	C/o Noora Mandai Road	Pradeep Kr., J.E.	219.53	160279	14.40	2948	---	---	---	---	163227
5	C/o. P.C.C. road from Ram N. Babu Path to Rabrindra Path	-do-	131.50	77504	168.20	34433	51655	93945	---	---	205882
6	C/o of Shiv Mandir Road Chouk to Dewangna Chouk	S.P. Singh Asstt. Eng.	53.24	25331	---	---	---	---	---	---	25331
7	C/o drain from Helminton School to Sardar chouk	C.B. Singh, J.E.	7.387	4728	3.693	886	---	---	0.521MT 54 Bag	13983 9450	29047
8	C/o Repair of Boundary wall near Jheel R.K. Singh	-do-	---	---	1.255	301	1100	2475	7 Bag	1293	4069
9	C/o of Boundary wall of Chhatanagpur Bank	-do-	---	---	3.715	892	4450	10013	18 Bag	3150	14055
10	C/o Annanda Chouk to Bhuwan Mahadeo Mandir.	-do-	12.988	7533	---	---	---	---	---	---	7533
11	C/o old Bus Stand to Barka Gaon Path	-do-	13.87	8045	---	---	---	---	---	---	8045
12	C/o Repair of Paras Wall of town Hall	-do-	---	---	1.851	491	2200	5500	9 Bag	1663	7654
13	C/o closed door & window Back side Town Hall	-do-	---	---	1.188	315	1450	3625	6 Bag	1108	5048
14	C/o drain from Pakhan Ram House to Puran Ravidas House	G. C. Choudhary, J.E.	4.32	2634	15.88	3710	9409	21218	3 Bag	525	28087
15	C/o Chamtoli Sri Ram House to Payal Ram House	-do-	1.61	981	2.930	687	758	1709	12 Bag	2100	5477
16	C/o Babulal Ravidas House to Babulal Gope House	-do-	3.35 3.357	2046	11.531	2694	6264	14126	22 Bag	3850	22716

Sl. No.	Name of Scheme	Executing Agent (S/Sri)	Chips		Sand		Bricks		MS Rod / Cement		Total Amount
			Qty. (in Cum)	Amount	Qty. (in Cum)	Amount	Qty. (Nos.)	Amount	Qty.	Amount	
17	C/o Chhotu Ram House to Dayali Ram House	G. C. Choudhary, J.E.	1.00	610	1.433	292	332	749	8 Bag	1400	3051
18	C/o Gobind Ram House to Karnbir Ravidas House	-do-	0.15	91	1.40	327	562	1267	5 Bag	875	2560
19	C/o drain Ram Ballan House to Sankar Pd. House	-do-	1.821	1096	0.91	242	---	---	13 Bag 143 kg.	2275 4447	8060
20	C/o Akhauri House to Sanjay Kashayab House	-do-	1.835	1104	0.917	247	---	---	13 Bag 144 kg.	2275 4478	8104
21	C/o drain of Mithlesh Pd. House to Pradeep Kr. House	-do-	1.849	1113	0.924	246	---	---	13 Bag 145 kg.	2275 4510	8144
22	C/o P.C.C. Road in Co-operative Colony side.	-do-	81.499	34161	55.624	10430	5300	8957	2.986MT 35 Bag	43298 4725	101571
23	C/o Wallnear lake.....	-do-	57.191	23971	38.437	7207	3600	6084	1.99 MT 383 Bag	2894 51705	91861
24	C/o P.C.C. road in Jabra Rd. from R. Singh House to Binod Paswan House	-do-	113.94	72922	132.897	30832	27000	60750	138 Bag	24150	188654
25	C/o drain in front of D.D.C. Residence	-do-	14.916	9162	1824.10	43778	8400	18900	121 Bag	22385	94225
26	C/o G.G.S. Road from Annand Chouk to Rukmani Bhawan left side	Shatrughan Nayak	60.00	23700	90.00	18000	35800	64619	---	---	106319
27	C/o drain of Barkagawn Road to Annand chouk Right side	-do-	67.00	26465	100	20000	40000	72200	---	---	118665
28	C/o drain in G.K. Mishra Road (left side)	-do-	62	24490	70	14000	25000	45125	200 Bag	27000	110615
29	C/o drain in Malvia Marg from Banshilal Chouk to Nala side	-do-	19	7505	10	2000	---	---	1387.80 Bag	35735	45240
30	C/o drain G.G.S. Road from Rukamani Bhawan to Main Road left side	-do-	20	7900	50	10000	24000	43320	1156.60 kg.	27180	88400
31	C/o P.C.C. Road from Malvia Marg to Subhash Marg	C. B. Singh, J.E.	2204	14106	23.11	5546	5400	12150	100 Bag	13500	45302
32	Repair of Chalath Roofs I & II	-do-	14.512	7764	---	---	---	---	---	---	7764
33	C/o approach Road Near Hemilton School Culvert	-do-	50.02	27324	---	---	---	---	---	---	27324
34	C/o Repair of vivah Bhawan Near St. Columbas College	-do-	0.578	410	1.704	452	---	---	13 Bag	2402	3264
35	C/o culvert & drain in front of DC. Residence	C.B. Singh, J.E.	2.027	1297	7.408	1278	4600	10350	43 Bag	7955	20880

Sl. No.	Name of Scheme	Executing Agent (S/Sri)	Chips		Sand		Bricks		MS Rod / Cement		Total Amount
			Qty. (in Cum)	Amount	Qty. (in Cum)	Amount	Qty. (Nos.)	Amount	Qty.	Amount	
36	C/o P.C.C. Road from Tribeni Paswan House to M Paswan House	-do-	49.669	31788	57.886	13893	11700	26325	65 Bag	11375	83381
37	C/o P.C.C. Road from Jain Petrol Pump to L.I.C. Office	-do-	85.02	52713	5441	10109	---	---	119 Bag	20825	83647
38	C/o drain in W.M.I. Tulsi Jee House to Karan House	Sunil Kr. Jha, J.E.	7.07	4875	17.69	4350	8200	18018	124 kg.	3298	30541
39	C/o culvert in Okni Talab Gali No.-4	C.B. Singh, J.E.	1.108	709	1.642	394	800	1800	32 kg.	2240	5143
40	C/o P.C.C. road in Matwari Bhuiyan toli Matwari W.N.2	-do-	80.36	51430	59.274	13856	10000	15750	---	---	81036
41	C/o divider in Main Road	G. C. Choudhary, J.E.	77.62	47318	38.81	9066	---	---	---	---	56384
42	C/o Community sauchalaya Cum Bath Room with Tube well in W.No. 20	-do-	20.459	12472	57.706	13481	22035	49690	48 Bag	8400	84043
43	C/o P.C.C. Road in Muslim Tola from Maszid to Puran Rabidas House	-do-	28.40	17313	41.25	8399	7487	15487	---	---	41199
44	C/o P.C.C. Road in W.No.3 Chamar Toli from Manulal House to Babu Goap House	-do-	24.768	15099	31.23	7296	5220	11772	---	---	34167
45	C/o Community Sauchalaya with Bath Room tub well in W.N. 2 in Munda Toli	-do-	18.41	11223	51.09	11935	21137	47665	---	---	70823
46	C/o Community Sauchalaya W.N. 4 Sarle Toli Near Kiran Sharma House	-do-	18.73	11418	49.84	11643	20169	45483	---	---	68544
47	C/o drain in ward No.1 at Matwari from Manoj Kr. House to Abdul House	Kedar Singh, Store Keeper	28.543	17411	55.29	12827	28600	64350	1378 Kg 353 Bag	36675 6885	200098
48	C/o Black Top Road from P.W.D. Road to Jheel No. 3	-do-	72.64	45908	6.14	3744	---	---	---	---	49652
49	C/o drain in W No.-3 Rabidas Mohalla from H. Ranitor East.	C.B. Singh, J.E.	11.671	7469	25.558	5929	3000	29250	571 Bag	9975	52623
		Total									27,22,667

APPENDIX-VIII**Statement showing position of Surcharge cases pending in respect of selected Urban Local Bodies**

(Reference to: para 7.2, page 68)

(Rs in lakh)				
Sl. No.	Name of ULBs	Period	No. of proposed surcharge cases	Amount involved
1.	Ranchi	2000-02	42	10.68
2.	Pakur	2001-02	6	2.51
3.	Godda	2001-02	4	1.55
4.	Mihijam	2001-02	3	14.00
5.	Madhupur	2004-09	12	3.42
6.	Jugsalai	2002-03	1	0.53
7.	Lohardaga	2002-06	5	13.95
8.	Khunti	2003-04	1	0.26
9.	Jharia	2003-06	5	67.80
10.	Chas	2003-04	18	12.26
11.	Garhwa	2004-05	10	3.91
12.	Jamtara	2004-05	1	2.75
13.	Hazaribagh	2005-06	3	0.50
14.	Gumla	2005-09	6	5.41
15.	Medininagar	2005-06	1	0.52
16.	Simdega	2006-07	1	0.02
17.	Dhanbad	2006-07	2	0.90
18.	Giridih	2008-09	2	0.04
19.	Sahebganj	2007-08	1	0.25
20.	Chaibasa	2006-07	1	0.75
21.	Chakradharpur	2009-10	1	0.72
Total			126	142.73

APPENDIX-IX

Statement showing Result of Audit

(Reference to: para 7.3, page 69)

					(Rs in lakh)
Sl. No.	Name of ULBs	Period of Audit	Amount suggested for recovery	Amount recovered at the instance of audit	Amount held under objection
1.	Ranchi	2008-09	48.11	0.35	434.82
2.	Dhanbad	2004-06	28.11	0.03	210.77
3.	Hazaribagh	2007-08	61.67	0.44	98.96
4.	Giridih	2007-08	48.05	Nil	39.00
5.	Chatra	2006-08	25.34	0.16	12.19
6.	Chas	2006-08	6.46	Nil	19.59
7.	Chakradharpur	2007-08	19.22	Nil	34.23
8.	Simdega	2006-08	6.69	0.12	40.55
9.	Godda	2007-08	2.69	0.51	29.74
10.	Mango	2006-08	6.96	Nil	88.49
11.	Jamtara	2006-08	5.63	Nil	5.48
12.	Saraikela	2006-08	6.78	0.35	6.12
13.	Basukinath	2006-08	5.22	Nil	16.59
14.	Jasidih	2006-08	2.75	Nil	20.83
15.	Kharsawan	2006-08	2.88	Nil	3.84
16.	Chakuliya	2007-08	1.14	Nil	Nil
17.	Chirkunda	2002-08	19.10	Nil	36.45
	Total		296.80	1.96	1097.65

GLOSSARY OF ABBREVIATIONS

AG	Accountant General
AR	Audit Report
ATN	Action Taken Notes
BMA Rules	Bihar Municipal Accounts Rules
B & O LFA Act	Bihar & Orissa Local Fund Audit Act
BOQ	Bill Of Quantity
BPL	Below Poverty Line
BSL	Bokaro Steel Limited
BSUP	Basic Services to Urban Poor
C&AG	Comptroller & Auditor General of India
CEO	Chief Executive Officer
CDP	City Development Programme
CSMC	Central Sponsored Monitoring Committee
DA	Dearness Allowance
DC	Deputy Commissioner
DPR	Detailed Project Report
DPS	Delayed Payment Surcharge
DWSD	Drinking Water & Sanitation Department
EFC	Eleventh Finance Commission
ELA	Examiner of Local Accounts
GOI	Government of India
GOJ	Government of Jharkhand
GRDA	Greater Ranchi Development Agency
JE, AE, EE	Junior Engineer, Assistant Engineer, Executive Engineer
JMA	Jharkhand Municipal Act

JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MOA	Memorandum of Agreement
MS ROD	Metallic Steel Rod
NA	Not Available
NAC	Notified Area Committee
NGOs	Non-Government Organisations
NMAM	National Municipal Accounts Manual
PCC	Pavement in Cement Concrete
PF	Provident Fund
PFMA	Public Financial Management and Accountability
PHED	Public Health & Engineering Department
PWD	Public Works Department
RCC	Reinforced Cement Concrete
RMC	Ranchi Municipal Corporation
RMC Act	Ranchi Municipal Corporation Act.
SDO	Sub-Divisional Officer
SFC	State Finance Commission
SISSO	Sulabh International Social Service Organisation
SWM	Solid Waste Management
TC	Tax Collector
TFC	Twelfth Finance Commission
UDD	Urban Development Department
UIG	Urban Infrastructure Governance
ULBs	Urban Local Bodies
UMTC	Urban Mass Transit Company
VAMBAY	Valmiki Ambedkar Malin Basti Awas Yojana
VAT	Value Added Tax