

CHAPTER VI

Compliance Audit of Urban Local Bodies

Chapter-VI

COMPLIANCE AUDIT OF ULBs

6.1 Misappropriation in Guwahati Municipal Corporation

The cashier of the Guwahati Municipal Corporation misappropriated ₹1.84 crore by not depositing the amount collected in cash from different branches of Guwahati Municipal Corporation in the bank accounts of Guwahati Municipal Corporation.

Rule 95 of the Assam Financial Rules (AFR) states that:

- Each entry in the cash book should be verified daily by the head of the office or by a gazetted officer authorised by him. The head of the office will be responsible for the accuracy of the cash book and of the cash balance.
- The cash book should be closed and balanced each day and the head of the office or his duly authorised representative should put his dated initials in the cash book.
- The balance of each column at the end of the month should also be verified with the balance of cash in hand and a certificate to the effect should be recorded in the cash book.
- When government moneys in the custody of a government officer are paid into the treasury or the bank, the head of the office making such payments should compare the treasury officer's or the bank's receipt on the challan or his pass book with the entry in the cash book before attesting it and satisfy himself that the amounts have been actually credited into the treasury or the bank.

The Guwahati Municipal Corporation (GMC) maintained 11 bank accounts for deposit of revenue collected from 14⁵⁶ different sources/branches. The branches were to deposit the revenue in the form of cash and cheque in the Cash Branch of GMC and get it acknowledged by the cashier. The cashier was to deposit the cash received from various branches, in the GMC's Bank Account on the same day and record it in the cash book maintained by the Cash Branch.

Audit noticed irregularities in maintenance of cash book for the years 2013-16. However, the irregularities still (April 2017) existed as scrutiny of cash book maintained by the Cash Branch for the year 2015-16 revealed that:

⁵⁶ 1. Vehicle auction 2. Damping 3. Penalty 4. Miscellaneous/Copying 5. Septik Tank (Cess Pool) 6. Planning Branch 7. Veterinary Branch 8. Market Branch 9. Tender 10. Mutation 11. Slow Moving Vehicles (SMV) Branch 12. NGO 13. Health Branch and 14. Hoarding and Advertisement.

- The cashier worked out neither opening balance nor closing balance at the end of each day/month.
- The Drawing and Disbursing Officer (DDO) never certified the cash book during the period covered by audit.
- The cashier recorded the cash (amounting to ₹ 7.68 crore during 2015-16) and cheques receipts from the different branches of GMC daily in the receipt side of the cash book. The cashier, however, had not recorded all entries for the cash deposited in bank regularly in the payment side of the cash book.

Scrutiny (January-March 2017) of bank accounts and cash book maintained by the cash branch of GMC revealed that during the year 2015-16, ₹ 7.68 crore was collected in cash. Out of ₹ 7.68 crore, the cashier deposited only ₹ 5.94 crore in the respective bank accounts, resulting in non-deposit of ₹ 1.74 crore. A consolidated statement of cash received by the Cash Branch from different sources/branches and amount actually deposited in the respective bank accounts is shown in **Table 6.1** below:

Table-6.1: Short deposit of the collected revenue in the bank during 2015-16

(Amount in ₹)

Sl. No	Sources/Branches	Cash received as per cash book	Cash deposited in Bank as per Bank Statement	Cash not deposited in Bank account	Account Number
1	Vehicle auction, Damping, Penalty, Miscellaneous/Copying, Septic Tank	40,98,834	28,76,315	12,22,519	10823642869
2	Septic Tank ⁵⁷	22,47,866	11,67,984	10,79,882	34560040260
3	Planning Branch	2,75,90,116	2,23,54,805	52,35,311	10823647040
4	Veterinary Branch	18,81,700	11,03,330	7,78,370	32342154488
5	Market Branch	2,04,32,442	1,87,91,785	16,40,657	34560062455
6	Tender	6,25,950	4,97,600	1,28,350	32343473152
7	Mutation	2,08,029	1,83,890	24,139	32343448784
8	Slow Moving Vehicle (SMV)	34,17,954	12,55,470	21,62,484	32342133105
9	NGO	8,24,660	7,55,550	69,110	32343542492
10	Health	1,54,30,570	1,03,69,760	50,60,810	32345420970
Total		7,67,58,121	5,93,56,489	1,74,01,632	

Further cross verification of deposit sheets collected from different branches of GMC, receipt books, bank statement and cash book maintained by the Cash Branch for the year 2015-16 revealed that though the cashier received ₹ 9.67 lakh in cash against 31 money receipts/deposit sheets from four⁵⁸ branches, it was neither recorded in the cash book nor deposited in GMC's bank account.

⁵⁷ A separate bank account (account no.-34560040260) for depositing the revenue from septic tank (cess pool) was opened and started depositing cash w.e.f. 17.11.2015.

⁵⁸ Planning, Market, Health and Slow moving vehicle Branches

The detail of cash received by the cashier which was neither recorded in the cash book nor deposited in the bank is shown in **Table 6.2** below:

Table 6.2**(Amount in ₹)**

Sl. No.	Amount received from	Date of receipt	Amount	Reference	
				Receipt Book No.	Leaf no.
1	Planning Branch	15.10.15 to 20.01.2016	8,01,971	2927	292636-292640
				2928	292723-292733 and 292758-292765
				3783	378207
2	Market Branch	30.05.15, 2.11.15, 13.01.16, 21.10.16	80,484	Deposit sheets of Market Branch acknowledged by cashier	
3	Heath Branch	22.09.2015	51,500	Deposit sheets of Health Branch acknowledged by cashier	
4	SMV Branch	16.11.2015	33,290	Cash book of SMV Branch where cashier of cash branch had received cash.	
Total			9,67,245		

The Commissioner, GMC who was also the DDO, was responsible to certify the cash book after ensuring that the amounts have been actually credited in the bank account. However, he was unaware of the short deposit of ₹ 1.74 crore and non-accountal of receipt of ₹ 0.10 crore as he never verified the cash receipt with the bank deposit during the period covered in audit. Moreover, he did not detect the discrepancies in the cash book through the prescribed monthly checks on the closing balance of cash. Thus there was no supervision upon the cash actually collected and deposited in the bank by the cashier.

At the instance of audit, GMC conducted a departmental enquiry (July 2017) and lodged a FIR against the cashier and the police arrested the cashier (July 2017). However, the misappropriated money is yet to be recovered.

Thus, failure of the Commissioner, GMC to exercise necessary oversight over cash management not only allowed the cashier to violate Financial Rules by not depositing the revenue in the bank on receipt from different sources/branches but also resulted in misappropriation of ₹ 1.84 crore, (short deposit: ₹ 1.74 crore and non-accountal: ₹ 0.10 crore) as the whereabouts of the money is not known.

The matter was reported to the Department in July 2017; reply was awaited (February 2018).

6.2 Loss of revenue to Guwahati Municipal Corporation

Guwahati Municipal Corporation suffered loss of revenue of ₹16.08 lakh due to lack of monitoring of deposit of lease value by lessee of the Beltola Bi-weekly market besides suspected misappropriation of ₹6.49 lakh.

As per Clause 3 of Guwahati Municipal Corporation (Lease of Parking places and Markets) Bye-Laws, 2009, the Commissioner, GMC is competent to lease out parking places and markets belonging to the Corporation annually with the approval of the Standing Finance Committee or the Corporation as the case may be. Further, clause 13 of the Bye-Laws states that the lessee shall deposit 50 *per cent* of the settled value as advance deposit. The balance 50 *per cent* shall be paid in equal number of weekly/monthly instalments as may be fixed in advance.

(A) The Commissioner, GMC invited (23.03.2015) tender for settlement of five GMC notified markets which included Beltola Bi-weekly market. The Commissioner, GMC allotted the lease⁵⁹ of Beltola Bi-weekly market to M/s Puja Construction, being the highest eligible bidder, for an amount of ₹ 88.51 lakh for 2015-16. However, due to delay in finalisation of lease, GMC restricted the operation period to a period of 11 months 9 days (*w.e.f.* 22.04.2015 to 31.03.2016) at a reduced rate of ₹ 83.45 lakh.

The Bye-Laws stated that the lessee shall deposit 50 *per cent* of the settled value as advance deposit but the agreement prescribed 30 *per cent* of the settled value to be paid as advance. The lessee had to, accordingly, pay an advance of ₹ 25.03 lakh. Further, the lessee had also to pay an instalment of ₹ 6.49 lakh along with the advance payment and the remaining amount in eight equal instalments of ₹ 6.49 lakh. If the lessee fails to pay any of the instalments on the scheduled date, 20 *per cent* surcharge was to be paid. Further, the agreement also envisaged that if the lessee fails to pay two consecutive instalments together with surcharge, the lease settlement shall be terminated forthwith and earnest money and 30 *per cent* deposit as advance payment shall be forfeited.

Scrutiny of records of the Market Branch of GMC revealed that the lessee paid (20-04-2015) ₹ 31.52 lakh in monthly instalments by cheque as well as cash (July 2015 to October 2016) as detailed in **Table 6.3** below:

⁵⁹ *Markets belonging to GMC are leased out on an annual basis to a private party which bids highest revenue & pay lumpsum amount to the GMC and thereby gets the right to collect toll at the rate fixed by the GMC, from the shops and vendors of the market on behalf of GMC.*

Table 6.3: Payment made by the lessee of Beltola Bi-weekly market to GMC**(Amount in ₹)**

Sl. No	Instalment due on		Instalment paid on		Remark
	Date	Amount	Date	Amount (Cash)	
1	31.05.2015	6,49,052	28.09.2015	6,49,052	Cheque no. 989415 dated 10.07.15 bounced. Cash paid after a delay of 120 days.
2	30.06.2015	6,49,052	24.07.2015	6,49,052	Cheque no.989428 was encashed. (Delay of 24 days).
3	31.07.2015	6,49,052	17.10.2015	6,49,052	Cheque no- 977223 dated 26.08.15 bounced. Cash paid after a delay of 78 days.
4	31.08.2015	6,49,052	-	-	Cheque no. 977225 dtd 08.10.15 bounced No repayment was made against the bounced cheque.
5	30.09.2015	6,49,052	30.10.2015	6,49,052	Cash paid after a delay of 30 days.
6	31.10.2015	6,49,052	30.11.2015	6,49,052	Cash paid after a delay of 11 days.
7	30.11.2015	6,49,052	22.12.2015	6,49,052	Cash paid after a delay of 22 days.
8	31.12.2015	6,49,052	27.01.2016	2,50,000	₹ 2.50 lakh paid (27.01.16) in cash and ₹ 3,99,052 in cheque (30.01.16) but cheque bounced. Against which, ₹ 2.00 lakh paid in cash. Remaining amount of ₹ 318768 (including penalty of ₹ 119716 was paid vide cheque No.-512279 dated 05.10.2016.
			05.10.2016	3,99,052	
Total		51,92,416		45,43,364	₹ 6,49,052 remained outstanding

- As seen from the above table, four out of five cheques deposited by the lessee had bounced due to which the lessee paid the instalments in cash at a later date for the bounced cheques except Cheque no. 977225 for ₹ 6.49 lakh against which no repayment was made.
- The lessee was supposed to pay an amount of ₹ 51.92 lakh through eight instalments, whereas, the lessee paid ₹ 45.43 lakh by way of seven instalments. Hence, there was a short payment of one instalment *i.e.*, ₹ 6.49 lakh.
- The lessee had to pay instalments on the last day of every month in advance but the same was also delayed every time. As payment of all the eight instalments were delayed, the lessee had to pay surcharge amount of ₹ 9.59 lakh but the same was not charged by the GMC as shown in the **Table 6.4:**

Table-6.4: Details of penalty not levied on the lessee

(Amount in ₹)

Sl. No	Amount	Due date of instalment	Instalment paid on	Penalty (@ 20 per cent of ₹ 649052)	Remarks
1	649052	31.05.2015	28.09.2015	129810	No penalty was levied
2	649052	30.06.2015	27.07.2015	129810	
3	649052	31.07.2015	17.10.2015	129810	
4	649052	31.08.2015	Not deposited	129810	
5	649052	30.09.2015	30.10.2015	129810	
6	649052	31.10.2015	30.11.2015	129810	
7	649052	30.11.2015	22.12.2015	129810	
8	250000	31.12.2015	27.01.2017	50000	The balance amount of ₹ 399052 was paid vide cheque and penalty was also levied for late payment.
Total				958670	

Further, the GMC also refunded the Earnest Money and Security Deposit amounting to ₹ 1.77 lakh (₹ 1,32,004 + ₹ 45,010) stating that the lessee had paid the full amount. However, the lessee had not paid full lease value as per agreement.

Thus, GMC suffered a loss of revenue of ₹ 16.08 lakh (₹ 6,49,052 remained outstanding against the lessee and penalty of ₹ 9,58,670 not charged upon the lessee) due to lack of monitoring by the Market Branch and the Accounts Officer of GMC.

(B) Further scrutiny revealed that though seven instalments amounting to ₹ 45.43 lakh were received from the lessee, only six instalments amounting to ₹ 38.94 lakh were deposited in the Bank account (SBI a/c no. - 34560062455) which was in violation of the financial rules and resulted in short deposit of ₹ 6.49 lakh in the bank.

Thus, the lessee neither deposited ₹ 6.49 lakh in the bank account nor was it found in cash leading to suspected misappropriation of the said amount.

The matter was reported to the Department in July 2017; reply was awaited (February 2018).

6.3 Undue benefit to contractor by grant of mobilisation advance and loss due to non-levy of interest by Gossaigaon Town Committee

Gossaigaon Town Committee irregularly granted mobilisation advance to the contractor beyond the prescribed limit besides incurring a loss of ₹21.64 lakh for not levying interest on the advance released to the contractor.

Assam Public Works Department Code does not provide for Mobilisation Advance (MA) to contractors. However, Section 31.5 of the Central Public Works Department (CPWD) Manual 2007 provides for grant of Mobilisation Advance (MA) to contractors against a Bank Guarantee

of a scheduled bank for the full amount of advance. The advance is limited to 10 *per cent* of the tendered amount on which simple interest at 10 *per cent* per annum is to be charged from contractor.

Government of Assam, accorded (24 March 2009) Administrative Approval and financial sanction of ₹ 2.02 crore for the project “Storm Water Drainage” at Gossaigaon Town under the Urban Infrastructure Development Schemes for Small & Medium Towns under the Jawaharlal Nehru National Urban Renewal Mission during 2009-2010. The Director, Public Works Department, Bodoland Territorial Council (BTC), Kokrajhar prepared estimate for the work as per APWD Code. The Director also approved technical sanction to the work. Gossaigaon TC awarded (4 August 2011) work to a contractor at the tendered cost of ₹ 2.00 crore and the contractor completed the work in December 2015.

Scrutiny (March 2017) of records of the Chairman, Gossaigaon TC revealed that even though the estimates were prepared based on APWD code, ₹ 1.00 crore was paid as MA to the contractor in three instalments (January 2012: ₹ 30 lakh, March 2012: ₹ 10 lakh and July 2012: ₹ 60 lakh) extending the benefit available under the CPWD Code. However, the CPWD Code was not followed by the GoA. Further, it was seen that:

- Gossaigaon TC had not followed the norms fixed by the CPWD Manual 2007. It released ₹ 1 crore (being 50 *per cent* of the value of the entire work: ₹ 2 crore) to the contractor as MA against the limit of 10 *per cent* i.e., ₹ 20 lakh.
- Gossaigaon TC released MA to the contractor without any Bank Guarantee from Scheduled Bank, which was mandatory as per CPWD Manual 2007.
- Gossaigaon TC levied no interest upon the contractor against release of ₹ 1.00 crore as MA, thereby suffering a revenue loss of ₹ 21.64 lakh.
- There was a provision in the agreement for charging penalty for delay in completion of work. The rate at which the penalty was to be charged was not specified and it was to be decided by the TC. Audit found that the contractor was not charged any penalty in spite of delay in completion of work by 46 months⁶⁰. The Chairperson, Gossaigaon TC had not received any extension request from the contractor for completing the work. He did not take any action to ensure completion of the work in time by the contractor.

⁶⁰ Date of completion as per work order: February 2012
Actual date of completion of work as per Progress Report: 24.12.2015

Thus, Gossaigaon TC irregularly granted MA of ₹ 1.00 crore against permissible limit of ₹ 20.00 lakh⁶¹, extending undue financial aid to the contractor. This also resulted in a loss of ₹ 21.64 lakh due to non-levy of interest on the MA.

The matter was reported to the Department in July 2017; reply was awaited (February 2018).

6.4 Avoidable expenditure in Dhekiajuli Municipal Board

Dhekiajuli Municipal Board incurred avoidable expenditure of ₹11.45 lakh by not deducting 10 per cent contractor's profit for the works executed departmentally.

Government of Assam, Urban Development Department (UDD) accorded administrative approval and sanctioned ₹ 7.23 crore to Dhekiajuli Municipal Board (MB) for the project "Storm Water Drainage" at Dhekiajuli Town under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).

Out of ₹ 7.23 crore released, Dhekiajuli MB incurred ₹ 1.26 crore on execution of 19 works⁶² as detailed in *Appendix-XV*, which were departmentally executed by the MB. The Assistant Engineer, Dhekiajuli MB prepared estimates of the works.

As per Assam Public Works Department (APWD) Roads, Schedule of Rates (SOR), 2010-11, all items of civil works include 10 per cent contractor's profit over and above the cost of material and wages of labourers. When work is executed departmentally, without engaging contractor, the work will involve only cost of material and wages of labourers as no profit needs to be paid to any contractor. Thus, the contractor's profit element should not be included in the estimated cost (₹ 1.26 crore).

Test-check (June 2016) of records of the Chairperson, Dhekiajuli MB revealed that the estimates for all the 19 works were prepared on the basis of APWD (Roads), SOR, 2010-11 without deducting the contractor profit element. The Chairman paid full amount of ₹ 1.26 crore for the 19 works which included ₹ 11.45⁶³ lakh of the contractor's profit element.

Accepting the audit observation, the Chairperson, Dhekiajuli MB stated (June 2016) that the contractor's profit element was not deducted due to oversight.

⁶¹ (Tendered value of work: ₹ 2.00 crore

Admissible MA 10 per cent of tendered value: ₹ 20 lakh)

⁶² Works relating to construction of brick masonry drains and RCC box culvert in different wards under Dhekiajuli.

⁶³ Estimates for 19 works including contractor's profit: ₹ 1.26 crore

Element of contractor's profit to be deducted: ₹ 1.26 crore $\times 10 \div 110 = ₹ 11.45$ lakh

Dhekiajuli MB incurred an avoidable expenditure of ₹ 11.45 lakh by not deducting 10 *per cent* contractor's profit element from the estimated value of work executed departmentally.

The Government should instruct all MBs to strictly follow the provisions of the SOR while preparing estimates to avoid such extra expenditure.

The matter was reported to the Department in July 2017; reply was awaited (February 2018).


(RASHMI AGGARWAL)

Accountant General (Audit), Assam

GUWAHATI
THE 17 April 2018

Countersigned



(RAJIV MEHRISHI)

Comptroller and Auditor General of India

NEW DELHI
THE 23 April 2018

