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OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT), BIHAR  
(LOCAL AUDIT WING), PATNA -800001

Dated: - 13.12.2007

NO. L.A.Sur- 359

*02/12*

The Municipal Commissioner-cum-Chief Executive Officer,  
Muzaffarpur Municipal Corporation  
Dist: - Muzaffarpur.

Sir

Audit Report No.420/2007-08 on the accounts of Muzaffarpur Municipal Corporation, Muzaffarpur for the Period 2005-06 to 2006-07 is enclosed for your kind information and necessary action.

Yours faithfully

(S.N.Sharma)

Audit Officer/Surcharge  
Local Audit Wing, Bihar, Patna

R.N. 1

Encl: -As above

*By Miss M.E  
Chief Executive Officer (Muzaffarpur)*

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## Audit Report No. 420 of 2007-08

### Introduction

The accounts of Municipal Corporation Muzaffarpur for the year 2005-06 to 2006-07 were test audited by the audit Party of the Office of The Principal Accountant General (Audit) Bihar, Local Audit Wing, Patna during 16.7.2007 to 28.9.2007

### 2. Administration

Name of Mayor			
1	Sri Samir Kumar		1.4.2005 to 31.3.2007
Name of Deputy Mayor			
1	Sri Vivek Kumar		1.4.2005 to 31.3.2007
Name of Chief Executive Officer/Municipal Commissioner			
1	Shri Binod Shankar Lal	CEO	1.4.2005 to 5.5.2005
2	Sri S.K. Tiwari	CEO	5.5.2005 to 2.9.2006
3	Sri Binod Kumar Karu	CEO	15.9.2005 to 9.1.2007
4	Sri Kaushal Kishore Verma	CEO	9.1.2007 to 30.3.2007
5	Sri Harihar Prasad Singh	Musl. Commissioner	30.3.2007 to 31.3.2007

### 3. Scope of Audit

A list of records and registers examined in audit has been given in Appendix I A to this report. A separate list of records and registers either not maintained or not produced has been listed in Appendix I B to this report.

### 3(A). Important Audit Findings

Sl.No.	Para No.	Nature of objection	Amount
1	9(i)	Diversion of Govt. Grant	156.27 lakh
2	10(B)	Diversion of Govt. Grant	40.00 lakh
3	10(C)	Blocked of fund in incomplete work	19.99 lakh
4	11(iv)	Excess payment of Rs. 110886 on irregular purchase of container	1.11 lakh
5	11(i)(c)	Excess payment on purchase of Tractor	0.75 lakh
6	12(2)	Diversion of grant	4.50 lakh
7	12(i)	Excess payment on purchasing Excavator-cum-Loading	0.82 lakh
8	13(B)	Infructuous expenditure on Construction of drain	5.77 lakh
9	15(i)	Infructuous expenditure on purchase of Camp Road sweeper	13.41 lakh
10	15(ii)	Infructuous expenditure on purchase of	4.25 lakh

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11	15(iii)	Mobile Toilet Infructuous expenditure on construction of store, Godwan etc.	20.92 lakh
12	18	Non remittance of health & education cess	396.77 lakh
13	19	Irregular appointments	
14	20	Infructuous expenditure on payment of salary to Doctors, vaccination etc.	28.70 lakh
15	26	Heavy outstandings of shop rent	37.41 lakh
16	30	Payment to Daily wages	91.85 lakh
17	32	Purchase of Mobile Phones	10.79 lakh
18	34	Street lighting, tender of stock utilization not shown	30.34 lakh
19	35	Purchase of fuel, stock utilization not shown	42.42 lakh
20	39	Advance outstanding	105.42 lakh
21	43	Vouchers not produced	305.95 lakh

#### 4. Overview

The Municipal Corporation was financed by grants and loans, from state government and its own sources in shape of taxes and fee etc. Monthly, Quarterly and Annual Accounts as prescribed under section 116 of the Patna Municipal Corporation Act, 1951 which is applicable to this corporation also was not maintained. As such, the actual position of opening balance, receipts and expenditure during the year and the closing balance at the close of financial year was not ascertained. However, as far as it could be ascertained with the details of transaction recorded in the Main Cash Book, the position of finance for the year 2005-06 and 2006-07 was as under: -

Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	8961000.00	89662041.11
2	Receipts		
	(i) Govt. Grant	110484775.00	23773349.00
	(ii) Interest on grant	298470.00	15485.00
	(iii) Govt. Loan	Nil	Nil
	(iv) Stamp duty	2957008.00	8927763.00
	(v) Health Cess	4923567.79	3640623.30
	(vi) Education cess	4888106.10	3886753.27
	(vii) Own Sources	45050340.07	38085504.18
3	Total	177563266.96	167991518.86
4	Expenditure		

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	(i) Execution of Schemes	16885269.00	39822425.00
	(ii) Establishment charges	71015956.85	76949426.50
5	Closing balance	89662041.11	51219667.36

Note: - Opening balance as on 1.4.2005 was taken from para 5 of A.R.No. 197 of 2006-07. Vide details in Appendix II to this report.

It is clear from the above table that income from own sources of the Corporation was not sufficient even to meet its establishment charges and other day to day expenditure. Income from own sources during 2006-07 shows a deteriorating trend as compared to 2005-06 where as its establishment charges were increasing from year to year. Effective steps need to be taken for augmentation of revenue from its own sources. Presently the corporation is mainly depending on Govt. grant, Govt. Loans Additional stamp duty for meeting its establish charges and had already encroached upon unutilized balance of Govt. grant, Health cess and Education cess thereby creating a huge liability.

**5. Maintenance of Accounts**

Corporation was maintaining as many as 29 Bank accounts and only one Cash Book for recording transactions with all the banks which is contrary to the provision of section 87 of the PMC Act. The entire transactions were intermingled and the fund available in our Bank account was frequently transferred to another Bank account without recording and reason for the same. This created a lot of confusion. Despite suggestions in last and previous Audit Report, the position still remains the same. The system adopted by the Corporation is fraught with danger and may lead to serious financial irregularities in future. The number of Bank accounts may be minimized as far as possible and inter transfer of funds from one bank Account to another be closed to have a clear and transparent accounting.

During the period under audit a huge sum of Rs. 1889.34 lakh was transferred from one Bank to another out of which credit of Rs. 32908859.00 into the Bank account into

which it was transferred was not shown. The same may be shown to next audit. (Vide details in appendix III to this report)

**6. Cash Book**

The accountant Cash Book was not maintained properly. The following short comings were noticed in the maintenance of Cash Book.

- (i) The totaling and balancing of the Cash Books was not done. The closing balance at the close of financial year was not struck off.
- (ii) Headwise expenditure was not classified.
- (iii) One Cash Book was maintained for recording transaction with 26 Bank accounts and one P. Account but in receipt and expenditure side, the corresponding banks name and account number was not indicated.
- (iv) The amount of interest earned on Bank Account was not taken as receipt in the Cash Book.
- (v) In several cases, entries in the Cash Book were not authorized by the Chief Executive Officer/Municipal Commissioner.

**7. Non-reconciliation of balances**

The cash Book balance as of 31<sup>st</sup> March 2007 was not reconciled with the balance as per Bank Statement/Pass Book. Non-reconciliation of two sets of balances is fraught with danger and may lead to serious financial irregularities as the cases of Wrong debit/Double debit excess or short debit, non or short credit etc. may not be detected.

(i)	Balance as per Cash Book as on 31 <sup>st</sup> March, 2007	51219667.36
(ii)	Balance as per different Bank accounts vide details in Appendix IV	70863360.71
	Difference	19643693.35

The difference between two sets of balances may be reconciled and shown to next audit.

**8. Budget**

As per provision under section 94 of the Patna Municipal corporation Act, 1951 the time schedule for preparation and finalization of Budget estimate of the income of the Municipal fund for the next financial year is as under: -

(i)	Preparation of budget and its submission to the standing committee	Latest by 10 <sup>th</sup> January
(ii)	Consideration and Submission of Budget by the standing committee to the corporation	Latest by 15 <sup>th</sup> February
(iii)	To be lodged in office for inspection by any rate payer	Between 16 <sup>th</sup> February to March
(iv)	Adoption of Budget and submission of copy there of to Govt.	Latest by 31 <sup>st</sup> March

Budget file for the year 2006-07 only was produced in audit. Perusal of the file revealed that this corporation did not maintain the time schedule. Budget for the year 2006-07 was finally approved by the standing committee/corporation to 18<sup>th</sup> April 2007 and the details of submission of copy to the Govt. was not available in the file.

It was further noticed that there was wide gap between the budget provision and the actual as shown below: -

Sl.No.	Receipts		Expenditure	
	Budget Provision	Actual	Budget Provision	Actual
	Rs. in lakh	Rs. in lakh	Rs. in lakh	Rs. in lakh
1.	1404.70	379.49	3619.37	769.50

The above facts shows that budget was prepared without any realistic/Practical approach and was imaginary which failed to serve any purpose.

**9. Government Grant**

Govt. grant register was not maintained by the corporation. In absence of Govt. grant register, the position of unspent balance of grant prior to the period under audit could not be ascertained. The expenditure out of grant was intermingled with entire transaction of the corporation. Audit has to take much pain and waste time in arriving at the position of

grant during the period under audit with the scattered information in main Cash Book, subsidiary Cash Book and last Audit Report which was as follows: -

Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	3214071.07	88896483.00
2	Receipt		
	(i) govt. Grant	110436775.00	23773349.00
	(ii) Interest	298470.00	15485.00
3	Total	113949316.07	112685317.00
4	Expenditure during the year	25052833.07	45838769.00
5	Unspent balance	88896483.00	66846548.00

(vide details in appendix V A&B to the report).

(i) **Diversion of Govt. Grant**

The unutilized balance of Govt. grant as worked out in audit comes to Rs. 66846548.00 as of 31<sup>st</sup> March 2007, against which the closing balance as per Cash Book as of 31<sup>st</sup> March, 2007 works out to Rs. 51219667.36 This clearly indicates that the balance of Govt. grant to the extent of Rs. 15626880.71 was diverted by the corporation and spent towards its day to day expenditure which was highly irregular.

(ii) In several cases, amount of Govt. grant meant for implementation of specific schemes relating to civic amenities and public welfare were lying unutilized thereby defeating the purpose of grant as the delay in implementation of schemes may be defeated by time over run via a vis cost over run.

(iii) Interest earned on amount of grant forms part of the grant. But in all cases such amount of interest were diverted and appropriated towards other expenditure of the corporation which was highly irregular.

(iv) In absence of Govt. grant register and voucherwise detail expenditure it could be ascertained in audit as to whether the grant was utilized for the purpose for which it was sanctioned.

(v) The expenditure on execution of schemes Rs. 39822485 during the year 2006-07 includes Rs. 30000000 transferred to PHED (25000000) and MRDA (5000000) for

execution of schemes. As such the actual expenditure/utilization of grant during 2006-07 works out to Rs. 98.22 lakh only.

**10 National sum Development Programme**

(A) As far as it could be ascertained with the help of information available in subsidiary Cash Book maintained for recording transaction relating to NSDP, the position of opening balance, receipt and expenditure during the year and the balance as of 31<sup>st</sup> March 2007 stood as under: -

Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	28,30,340,-50	53,08,396.50
2	Receipt		
	(i) govt. Grant	1,59,73,000.00	Nil
	(ii) Interest	2,29,404.00	15,485.00
	(iii) Refund	3,40,000.00	1,17,000.00
3	Total	1,93,72,744.50	54,40,881.50
4	Expenditure	1,80,64,348.00	15,03,083.00
5	Unspent balance	13,08,396.50	39,37,798.50
	Add. Fixed Deposit	40,00,000.00	Nil
		53,08,396.50	39,37,798.50

- (i) The opening balance as on 1.4.2005 was shown excess by Rs. 280602 as indicated in para 24(A) of A.R.No. 197 of 2006-07 which was not corrected by the corporation.
- (ii) The expenditure during 2005-06 includes Rs. 40.00 lakh kept in foxed deposit. As such it has been added in the closing balance of 2005-06.
- (iii) As the opening balance is shown excess by RS. 280602.00 this has resulted into excess closing balance as of 31<sup>st</sup> March 2007. This needs correction.

**(B) Diversion of Grant**

A sum of Rs. 40.00 lakh was transferred from NSDP account No. 14023 vide cheque No. 518651 dated 28.10.2005 to Dena Bank A/c No. C/A 211 (a newly opened account) This account was inverted in fixed deposit vide cheque No. 4868401 dated



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28.10.2005 at 4% interest. This FDR was pledged as security for obtaining a loan of Rs. 30.00 lakh at 5% interest for payment of salary to staff. ;

Corporation refunded the amount of laon and partial interest Rs. 3003456 vide SBI cheque No. 682657 dated 21.4.2006. Dena Bank released the investment (FDR) vide Bankers cheque No. 6193072 dated 2.5.2006 for Rs. 4015485.00 after adjustment of interest of loan.

#### **Audit Comment**

- (i) Diversion of Rs. 40.00 lakh was contrary to the instructions contained in the sanctioning letter itself.
- (ii) The interest earned on fixed deposit was part of the grant and its adjustment towards interest on loan taken by the Corporation for other purpose was highly irregular. As such Rs. 84521.00 should be refunded to the NSDP fund.

#### **(C) Purpose and its fulfillment**

The scheme was to be implemented at the grass root by neighborhood committees and community Development societies. Where there were not such societies. The same was to be constituted meaning thereby that this scheme was to be executed only by such society/committee and expenditure from this fund was to be closely monitored by the concerned ULB to ensure that the fund is not misutilised.

But contrary to the above directions, this corporation executed the work departmentally and there was complete lack of proper monitoring. The provision for community centre and Health care centre was completely ignored and the provision for drinking water supply, Community Latrine and Bath was minimum. Slum areas were also not identified by the Corporation.

- (i) 10% of the Grant was to be utilized for construction of House coring not more than Rs. 33800.00 in slum areas and the remaining amount was to be spent on drinking water

supply, Drain, road, community latrine and Bath, community centre and Health care centre electricity etc.

As per term and conditions of grant, 10% of total grant was to be spent on construction of houses for poor inhabitants of slum area at an estimated cost of RS. 33800 each. The position regarding construction of house upto 2004-05 (vide para 24B (iii) of AR No. 197 of 2006-07 stood as under: -

Fund available @ 10%	Rs. 6898570
Expenditure on construction of house	Rs. 3942800
Balance	Rs. 2955770
Less amount diverted towards other exp.	Rs. 406032
Net balance	Rs. 2549738
Fund available for the purpose during 2005-06	Rs. 2549738
10% of grant received (Rs. 15973000)	Rs. 1597300
Total	Rs. 4147038

Against the total fund available the corporation selected 55 beneficiaries and decided to pay in cash the amount equivalent to estimated cost of RS. 33800 in four installments i.e. Rs. 10000+Rs. 15000 + Rs. 6300 + Rs. 2500 in place of constructing houses and handing over the same to the beneficiaries. Out of 55 beneficiaries on 22 beneficiaries could complete their houses and the remaining 33 beneficiaries could not complete their houses despite they were paid Rs. 871661.

Similarly fund available during 2006-07 for this purpose was: -

(i) Total fund available Rs. 4147038  
 Spent during 2005-06 Rs. 1615261  
 Balance Rs. 2531777

Against the available fund of Rs. 25.32 lakh corporation selected 51 beneficiaries during 2006-07 and paid Rs. 1160700 out of which only one beneficiary could complete his house at cost of RS. 33800 and 50 houses remained incomplete despite payment of RS. 1126900.

Thus Rs. 1998561 (Rs. 876661 + Rs. 1126900) stood block in incomplete work resulting from complete lack of proper monitoring on the part of the corporation.

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(ii) **Street lighting**

An expenditure of Rs. 1301946.00 was incurred on purchase of 234 vapour lamps of 150W with other accessories. Details below :-

Sl. No	Details of payment		Amount (Rs.)	Quantity	Paid to
	Voucher No.	Date			
1	1362 to 1364	17.11.06	214904.00	48	M/s K.V Associates Muzaffarpur
2	1631 to 1633	30.12.06	158952.00	40	M/s K.V Associates Muzaffarpur
3	1833 to 1835	15.02.07	179127.00	45	M/s K.V Associates Muzaffarpur
4	1642	24.11.05	10000.00	11	M/s Galaxy, Muzaffarpur
5	2484	25.03.06	103695.00		
6	1710	10.12.05	157375.00	30	M/s Galaxy, Muzaffarpur
7	1502	29.10.05	85277.00	15	M/s Galaxy, Muzaffarpur
8	1914	10.01.06	29141.00	5	M/s Galaxy, Muzaffarpur
9	1308	15.09.05	35317.00	6	M/s Galaxy, Muzaffarpur
10	1307	15.09.05	97642.00	10	M/s Galaxy, Muzaffarpur
11	1310	15.09.05	50114.00	8	M/s Galaxy, Muzaffarpur
12	1309	15.09.05	58520.00	10	M/s Galaxy, Muzaffarpur
13	1311	15.09.05	31882.00	6	M/s Galaxy, Muzaffarpur
<b>Total</b>			<b>1301946.00</b>		

(iii) **Audit Comments**

- (i) Stock account and utilisation of above vapour lamps were not shown to audit.
- (ii) Details of identification of slum areas and proper utilization in slum areas was not shown to audit.
- (iii) Sales tax @ 4% i.e. Rs. 29959.00 and Income tax @ 2% i.e. Rs. 14979.00 was not deducted at source from the furnish bills of the firm M/s Galaxy (serial No. 4 to 13) which may be recovered from the firm and deposited into concerned head of Govt. account.

Pending Production of stock and utilization in slum areas, the amount of Rs. 1301946.00 is held under objection.

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**11. Government grant on the recommendation of 12<sup>th</sup> Finance commission**

As per transaction recorded in the subsidiary Cash Book, the position of fund under this scheme during the period under audit stood as under: -

Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	Nil	4888719
2	Receipt		3888122
	(i) govt. Grant	6478211	4704177
3	Total	6478211	13481018
4	Expenditure	1589492	1269916
			5696616
5	Closing Balance	4888719	6514486

During the period under audit the total grant of RS. 15070510 was received. As per

terms and conditions of the grant, the fund was to be utilized as under: -

1	(+) 50% on solid waste management	7535255
2	46% on civic amenities	6932434
3	3% on E. Governance	452115
4	1% on creation of civic Management	150705
	<b>Total</b>	<b>15070509</b>

**11(1) Solid Waste Management**

Against the available fund of Rs. 7535255 corporation spent Rs. 2205940 on purchase of different equipments as under: -

(a)	Pole mounted Conatiner with pole	100	449800
(b)	Hand trolley	40	114816
(c)	Tractor	5	1325000
(d)	Hydraulic Tailor	5	316324
	<b>Total</b>		<b>2205940</b>

Thus Rs. 5329315 remained unutilized as of 31<sup>st</sup> March 2007 under this head.

**(a) & (b) Irregular Purchase**

Tender was floated on 25.02.06 in local news papers vide letter No. 213 dated 24.02.06 for the purchase of the following equipments: -

- (i) Wheel based Iron Hand Trolley with 10 gauge and 12 gauge M.S sheet with 1¼"X1¼ angle of clear size 3'.6"X2'.6"X1.6" including painting etc with all complete job.

- (ii) Circular revolving iron waste contain/Dust bin of size 3'.6"X2.6" to be installed at different places within the corporation areas.

Among the other terms and conditions, it was included that: -

- (i) Only those registered with Industries/Sales tax Department were eligible to participate.
- (ii) Materials were to be delivered within 30 days from the date of work order and rate quoted should be inclusive of all taxes FOR etc.

The last date for receipt of tender was 10.3.2006 and tender was to be opened at 4 PM on the same date. For supply of items, the lowest rate was quoted by M/S K.V Associates, Muzzaffarpur @ Rs. .3515 and Rs. .4000 each respectively. The firm was asked to demonstrate the samples on 5.5.2006 vide letter No. 1099 dated 29.4.2006 but the firm did not demonstrate its samples till 31.5.06. The firm offered to demonstrate the samples after 12.6.06.

So, another tender was floated on 9.6.06 vide letter No. 716 dated 9.6.06 and the last date for receipt of tender was 26.6.06. Papers relating to this tender and C.S was not available in the file. Meanwhile the matter for supply of container and Hand Trolley was negotiated with M/S K.V. Associates on 29.6.06. The size of the container and trolley was reduced and a new rate was fixed as under: -

Sl.No	Particulars	Quoted size	Rate	Revised size	Rate
1	Hand Trolley	3'.6"X2'.6"X1'.6"	Rs. 3515 each	3'X2'X1'0"	Rs. 2795 each
2	Container	3'.6"X2'.6"	Rs. 4000 each	2'.6"X2.6"	Rs. 3460 each

On this rate supply order was placed with the firm vide letter No. 1236 dated 10.7.06 for supply of 100 container and 40 Hand Trolley. Next supply order for supply of 25 container was placed with the firm vide letter No. 1286 dated 19.10.06. The firm charged Rs. 2160 for each trolley at its own will.

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Thus Rs. 564616 was paid to the firm as under Hand Trolley @ Rs. 2760x40  
number 4% vat charged = 110400

Container @ Rs. 3460X125 number 4% vat = 4416  
= 432500  
17300  
**Total 564616**

The Details of payment was as under: -

Sl.No	Voucher No.	Date :	Amount
1	705	3.8.06	45737.00
2	904	29.8.06	39033.00
3	905	29.8.06	34770.00
4	1180	23.10.06	108192.00
5	1181	23.10.06	169540.00
6	1182	23.10.06	50000.00
7	1183	23.10.06	5668.00
8	1184	23.10.06	11336.00
9	1597	29.12.06	3460.00
10	1598	29.12.06	1730.00
11	1596	29.12.06	76270.00
12	1907	28.2.07	8500.00
13	1907	28.2.07	10380.00
<b>Total.</b>			<b>564616.00</b>

**Audit Comments: -**

- (i) Sales tax and Income tax deducted from voucher No. 904 and 905 Rs. 10380 was not deposited into concerned head of Govt. account. The same may be deposited
- (ii) Tender floated on 25.2.2006 did not indicate the quantity of equipments to be purchased. SO the efficient and bigger firms could not participate and as such corporation could not get a competition rate.
- (iii) Without finalising the position of 2<sup>nd</sup> tender, /s K.V Associates was asseed for to negotiate the rate even though it failed to comply with the time schedule. So, the time was given under advantage.
- (iv) The firm was allowed a higher rate after negotiation As arrived at in audit, rate on the basis of rate quoted by the firm should have been as under: -

Hand trolley 3'x2'x1' = Rs. 1687 each

Container 2'x2'x2.6" = Rs. 3090 each

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The rate quoted by the firm was inclusive of all taxes as per terms and conditions of the tender notice. Hence, the total expenditure admissible on this account was Rs. 453730 as under: -

Hand Trolley @ Rs. 1687x40 number	Rs. 67480
Container @ 3090x125 number	Rs. 386250
Total	Rs. 453730

Thus, excess payment of RS. 110886 stands for recovery from the person(s) responsible for payment.

- (v) When the size of container was reduced, a fresh tender should have been invited but this was not done.
- (vi) Stock account and utilization of Hand Trolley and container was not shown to audit pending which Rs. 564616 is held under objection.

**11(1)(c) Purchase of Tractor**

Tractor was floated for purchase of 24 HP to 28HP Tractor of any standard make with hydranlic tailor attachment facilities complete set which was opened on 30.11.2006. Six tenders were found valid and the rate quoted by M/s Preouier Engineering & Trading Corporation Muzaffarpur @ 249951 for Mahindra 235 DI was first lowest and M/s Ganpati Enterprises, Muzaffarpur @ 265000 for Eicher 242 XTRAC was second lowest. A Compunction view of financial and technical aspect of both the Tractor was as under: -

	Eicher 242xTRC	Mahindra 235DI
Displacement Volume	1557 CC	1735 CC
HP	24	25
Fuel Consumption	0.5 to 1.0 litre/hour	100 to 1.25 litre/hour
Warranty period	Nil	2years
Price	265000	249951

Before finalizing the deal only one aspect, i.e consumption of fuel was considered and other aspect was completely ignored. The difference between two tractors as regards fuel consumption was shown to be 3 litre a day taking into consideration of 8 hours

working which was wrong. The difference was nominated and if it is to be considered at all it comes to 2 litre a day. In practices none of the tractor in found working for 8 hours daily. Thus the annual savings of RS. 6000 by purchase of Eicher 242XTRAC tractor an account of fuel consumption was wrongly shown just to favor the firm. The supply order was placed with the firm M/s Ganpati enterprises vide letter No. 1359 dated 8.12.2006 for supply of 5 tractors. After supply of tractors, the firm was paid Rs. 1325000 vide details below: -

Sl.No.	Voucher no.	Date	Amount	
1	1813	9.2.07	127405	Paid to the firm
2	1569	22.12.06	1146635	
3	1570	22.12.06	50960	Sales tax deducted & deposited to the Department.
<b>Total</b>			1325000	

**Audit Comments**

- (i) By not considering the other aspect i.e. HP displacement volume, Warranty period, price and lowest tender an avoidable expenditure of RS. 75245 was incurred which stands for recovery from the person(s) responsible for the purchase.

**11(2) Schemes relating to civic amenities**

Under this head, corporation utilized Rs. 5880000 against the total available fund of Rs. 6932434 as shown below -

i	Construction of road, drain etc. 68 schemes	Rs. 3995000
ii	Latrine 1 schemes	Rs. 95000
iii	Water supply (Hand pumps) 17 pumps	Rs. 198000
iv	Street light 290	Rs. 1032000
v	Semi Mast 1	Rs. 114000
vi	Construction of buildings 1	Rs. 446000
vii	Water stand post 3 (on going)	Rs.-
		Rs. 5880000



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8 Schemes relating to construction of road and drain, 10 schemes relating to Hand pumps and water stand post and 11 schemes for street light were on going as of 31<sup>st</sup> March, 2007.

#### 11(2)(i) Street lighting

A sum of Rs. 104 287 was spent as on purchase and fittings of 290 to street lights vide details in appendix V to this report.

#### Audit comments

- (i) Against serial No. 1 to 5 of the appendix, for Rs. 384585 sales tax @ 4% and Income Tax @ 2% i.e. Rs. 15383.40 and Rs. 7691.70 was not deducted from the bill. Hence, the total sum of Rs. 23075.10 stands for recovery from the firm. The amount may be recovered and deposited into concerned head of Govt. account.
- (ii) In all the cases (Serial No. 1 to 20) payment was made on "Retail Invoice" of the firm and the original Cash Memos/Bills were wanting.
- (iii) Stock account and utilization of above street light was not shown to audit. The same may be shown to next audit pending which the account of Rs. 10.47 lakh is held under objection.

#### 11(2)(ii) Semi Mart

An expenditure of RS. 114500 was incurred on purchase/fittings of own flood light (semi Mart) vide voucher No. 465 dated 8. 06 paid to M/s V.Kendra for the purpose.

Scrutiny of the voucher revealed that sales tax was deducted @ 2% in place of 4% resulting into short deduction of Rs. 2290.00. The amount may be recovered from the firm and deposited into concerned head of Govt. account.

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**11(2)(iii) Construction of building**

Name of Work: - Renovation of office building (Tax and Engineering Section)

Revised Estimate: - Rs. 450500

Actual expenditure: - Rs. 449982

The entire expenditure was met out of Govt. grant received on the recommendation of 12<sup>th</sup> Finance Commission which was not admissible. Thus the expenditure is treated as diversion of Govt. grant.

**11(3) E-Governance**

Under this head corporation could hardly utilized Rs. 203092 against available fund of RS. 452115 as shown below: -

i	Purchase of Computer	2	105246
ii	Printer	1	15785
iii	Printer	1	2840
iv	Ups Battery	1	55925
v	Table	2	9984
vi	Chair	2	8320
vii	Steel Aluirah	1	4992
<b>Total</b>			<b>203092</b>

Thus Rs. 249023 remained unutilized as of 31<sup>st</sup> March 2007.

**11(4) Creation of Civil management**

The total amount of RS. 150705 available under this head remained unutilized as of 31<sup>st</sup> March, 2007.

**12. Purchase of Excavator-cum-Loader**

Govt. grant of Rs. 18.75 lakh was received vide letter No. NVV3515 dated 19.9.2006 for purchase of our Excavator-cum-Loader. Tender was invited on 17.10.2006 for the purpose indicating therein "any standard make with recovery attachment and accessories etc." complete set. Three tenders were received: -

- (i) M/s V.D.Escorts, Muzafarpur who quoted Rs. 1785000 for 51 BHP, 2200 RPM including all taxes.

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- (ii) M/s Shankar Equipments Ltd. Patna – 1 who quoted Rs. 1867000 for 92PS, 22RPM including all taxes
- (iii) M/S telco construction Equipments Co. Ltd. Cutta who quoted Rs. 1895304 for 82 HP.

The third tender was not considered without assigning any reason. The lowest rate quoted by M/s V.D.Escorts. Muzaffarpur was also not accepted and the supply order was placed with M/s shankar equipments Ltd. Vide letter No. 1295 dated 17.11.2006 and the firm supplied the Excavator-cum-Loader on 23.11.06 against which the firm was paid Rs. 1583359 after deducting 4% sales tax Rs. 71808 and 2% Income tax Rs. 35904 vide cheque No 996917 dated 28.11.06

**Audit Comments: -**

- (i) Tender was floated for any standard make with necessary attachment and accessories etc. without specifying the capacity on RPM etc. The lowest tender was not accepted on the ground of less capacity (HP) but RPM bring the same was ignored. This resulted into excess expenditure of RS. 82000 which stands for recovery from the person(s) responsible.
- (ii) In case the requirement of the Corporation was for 92 HP Excavator-cum-Loader, a fresh tender should have been invited to have a competitive rate but this was not done and single tender for 92 HP was considered which was irregular.
- (iii) Sales tax and Income Tax was recovered in short as shown below: -

Amount of bill	ST recoverable 4%	ST record	Short	IT recoverable 2%	Record	Short
1867000	74680	71808	2872	37340	35904	1436

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Thus Rs. 2872 on account of sales tax and RS. 1436 on account of Income tax may be record from the firm falling which from the person(s) responsible and deposited into concerned head of Govt. account.

(iv) Details of deposit of sales tax Rs. 71808 and Income tax Rs. 35904 (already deducted at source) into concerned head of Govt. account was not shown. The same may be shown to next audit pending which the total amount of RS. 107712 is held under objection.

**13 Grants on the recommendation of 11<sup>th</sup> Finance Commission**

(a) As per subsidiary cash book, the position of finance under this scheme during the period under audit stood as under: -

Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	292833	5088
2	Receipt		
	(i) Govt. grant	Nil	Nil
	(ii) Interest	69066	Nil
3	Total	361899	5088
4	Expenditure	356811	Nil
5	Unspent balance	5088	5088

There was no transaction under this scheme since 6.12.05. The expenditure of Rs. 356811 includes Rs. 180417 consisting of amount of interest transferred to the PL account for appropriation towards day to day expenditure.

As the amount of interest forms part of the grant, the appropriation of amount towards other expenditure was highly irregular. The amount of Rs. 180417 alongwith balance amount of Rs. 5088 may be refunded to the sanctioning authority if not required for further utilization under this scheme.

**13(B) Infructuous expenditure due to ill concerned planning**

Name of work: - Construction of drain/sewage in MMC Campus  
Agency: - Departmental through Sri Indradeo Pd. Singh, J.E.

Estimated Cost: - Rs. 612500

Scheme No. 1 of 2003-04

Date of commencement 13.6.03

Against the total estimate, an advance of Rs. 589422 just approaching to the estimate, during the period from 12.6.03 to 7.12.2004 was paid but the work could not be completed. The scheme involved a permission from civil court for road cutting which was not granted till close of audit and the correspondence with the Registrar civil court, Muzaffarpur rested with letter No. 686 dated 23.6.05. Mean while Rs. 577287 was adjusted against the advance and the balance amount of RS. 12135 refunded by Sri Indradeo Pd. Singh J.E to the corporation vide M.R. No.52451 dated 16.8.07 and the work has been finally closed.

#### **Audit Comment**

- (i) The scheme was to construct drain with the campus and connect this drain with the main drain by cutting a road which belonged to civil court. Without examining the possibility of completion of the scheme by taking prior permission for road cutting the scheme was under taken. As the permission for road cutting was not granted, the newly constructed drain could not be connected with the main drain and the out flow remained blocked, the expenditure of Rs. 577287 proved to be infructuous resulting from ill concerned planning which now stands for recovery from the person(s) responsible.

#### **14 Swarn Jayanti Shahari Rojgar-Yojna**

As per as it could be ascertained with the help of informations available in Main Cash Book and subsidiary Cash Book, the position of Finance under this scheme stood as under: -

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Sl.No.	Particulars	2005-06	2006-07
1	Opening Balance	9637.57	1613019.57
2	Receipt		
	iii) Grant	2053000.00	12241755.00
	iv) Misc.	48000.00	7500.00
3	Total	2110637.57	13862274.57
4	Expenditure	497618.00	48595.00
5	Unspent balance	1613019.57	13813679.57

The position of utilisation of grant was very poor. Out of grant of Rs. 20.53 lakh received during 2005-06, corporation could hardly utilize Rs. 4.98 lakh during 2005-06 and Rs. 0.48 lakh during 2006-07. The grant of Rs. 122.42 lakh received during 2006-07 remained unutilised as of 31<sup>st</sup> March 2007. Non-utilization of grant defeats the very purpose of grant on the one hand and deprives the needy beneficiaries of facilities and other benefits extended to them by the Govt. on the other hand.

**15. Solid Waste Management**

Govt. of Bihar, NVV accorded administrative approval of schemes for Rs. 800.00 lakh as under: -

(i)	Construction of drain	Rs. 530.00 lakh
(ii)	Purchase of machinery and tools	Rs. 270.00 lakh
<b>Total</b>		<b>Rs. 800.00 lakh</b>

Against the above approval, released Rs. 300.00 during 2005-06 vide letter No. 557 dated 25.2.06. The amount was received by the Corporation in March, 06 and kept in PL account. No expenditure was incurred during 2005-06. During the year 2006-07, corporation utilized Rs. 14746428 as shown below: -

(A)	Purchase of machinery and tools	
i	Purchase of Tractor 2 Nos.	533446
ii	Purchase of Water Tanker 3 Nos.	201000
iii	Purchase of Silt trator of 3000 litre capacity 2 Nos.	154000
iv	Purchase of Four seated mobile toilet 2 Nos.	425000
v	Purchase of Camp road Sweeper 1 Nos.	1341000
(B)	Construction of workshop shed and store (5 schemes lying incomplete)	2091982
(C)	In obedience to Govt. instructions contained in letter No. 1909 dt. 27.5.06, transferred to PHED, Muzaffarpur vide cheque No. 990676 dated 16.6.2006	10000000
<b>Total</b>		<b>Rs. 14746428</b>

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Thus, corporation could hardly utilize Rs. 147.46 lakh as of 31<sup>st</sup> March 2007 and RS. 152.54 lakh was lying unutilized.

**15(i) Infructuous expenditure of RS. 13.41 lakh purchase of camp road Sweeper**

Administrative approval was accorded by the Govt. of Bihar vide letter No. 557 dated 25.2.2006 for purchase of our camp road sweeper machine. On the basis of lowest tender of Rs. 13.41 lakh, supply order was placed with M/s R.K Enterprises, Patna vide letter No. 1237/V dated 28.7.2006. In response to the supply order the firm supplied the machine and submitted its bill for payment which was paid as under: -

Total amount of bill		1289423
Add 4% VAT		51577
<b>Total</b>		<b>Rs. 1341000</b>
Tax deducted at source		
4% sales tax =	51577	
2% Income tax =	25788	77365
Net paid		Rs. 1263635
Voucher No.	Date	Amount
1287	30.10.06	670500
1367	22.11.06	459035
1521	8.12.06	134100
<b>Total</b>		<b>Rs. 1263635</b>

Amount of tax deducted at source was drawn from corporation fund as follow: -

Vouchers No.	Date	Amount
1368	22.11.2006	51577
1369	22.11.2006	25788
<b>Total</b>		<b>77365</b>

**Audit Comments**

(a) As per log book the came road sweeper was used for a maximum period of 30 to 35 hours during the period from 5.1.2006 to 30.5.2007 the most of which was on testing the machine and the machine is finally lying idle since May 2007 till the date of close of audit. Thus the expenditure of Rs. 7341000 on purchase of this machine proved to be inforamtions and stands for recovery from the person(s) responsible for the purchase.

(b) The details of deposit of RS. 77365 deducted from the bill on account of sales tax and Income tax into the concerned head of Govt. account was not shown to audit. The same may be shown to next audit pending which Rs. 77365 is held under objection.

**15(ii) Infructuous expenditure of Rs. 4.25 lakh purchase of Mobile toilet**

On the basis of lowest tender supply order for supply of 2 Nos. of four seated mobile toilet was placed with M/S R.K. Enterprises, Patna vide letter No. 1236 dated 28.7.2006. The firm supplied the mobile toilet and submitted its bill for payment as under: -

(i)	Four seated mobile toilet including demonstration training service charges, transport loading and unloading etc. @ Rs. 212500X2Nos.	Rs. 425000
	Less tax deducted at source: -	
	Sale tax 4% 17000	25500
	Income tax 2% 8500	
	Net paid	Rs. 399500

**Details of payment**

**Voucher No.**

1098

1342

1099

1100

**Audit Comment**

**Date**

27.09.2006

11.11.2006

27.9.2006

27.9.2006

**Amount**

359550

39950

**Rs. 399500**

17000 For deposit of sales tax

8500 and Income tax

Paid to the firm

- (a) File produced in audit was incomplete in as much as the note side was blank and the papers placed in correspondence side were not serially numbered.
- (b) Tender, CS etc. were not available in the file.
- (c) Mobile toilet was put to use since its purchase a maximum of 5 to 6 times only and was lying idle since 25<sup>th</sup> January 2007 to the 30<sup>th</sup> September 2007 (Close of audit) Thus the expenditure of RS. 425000 on purchase of Mobile toilet proved to be information and the amount of Rs. 425000 stands for recovery from the person(s) responsible for the purchase.