

Presented to Jharkhand State

Legislature on ~~27 AUG 2015~~

Annual Technical Inspection Report

on

Local Bodies

for the year ended 31 March 2014

Government of Jharkhand

**Office of the Principal Accountant General (Audit),
Jharkhand, Ranchi**

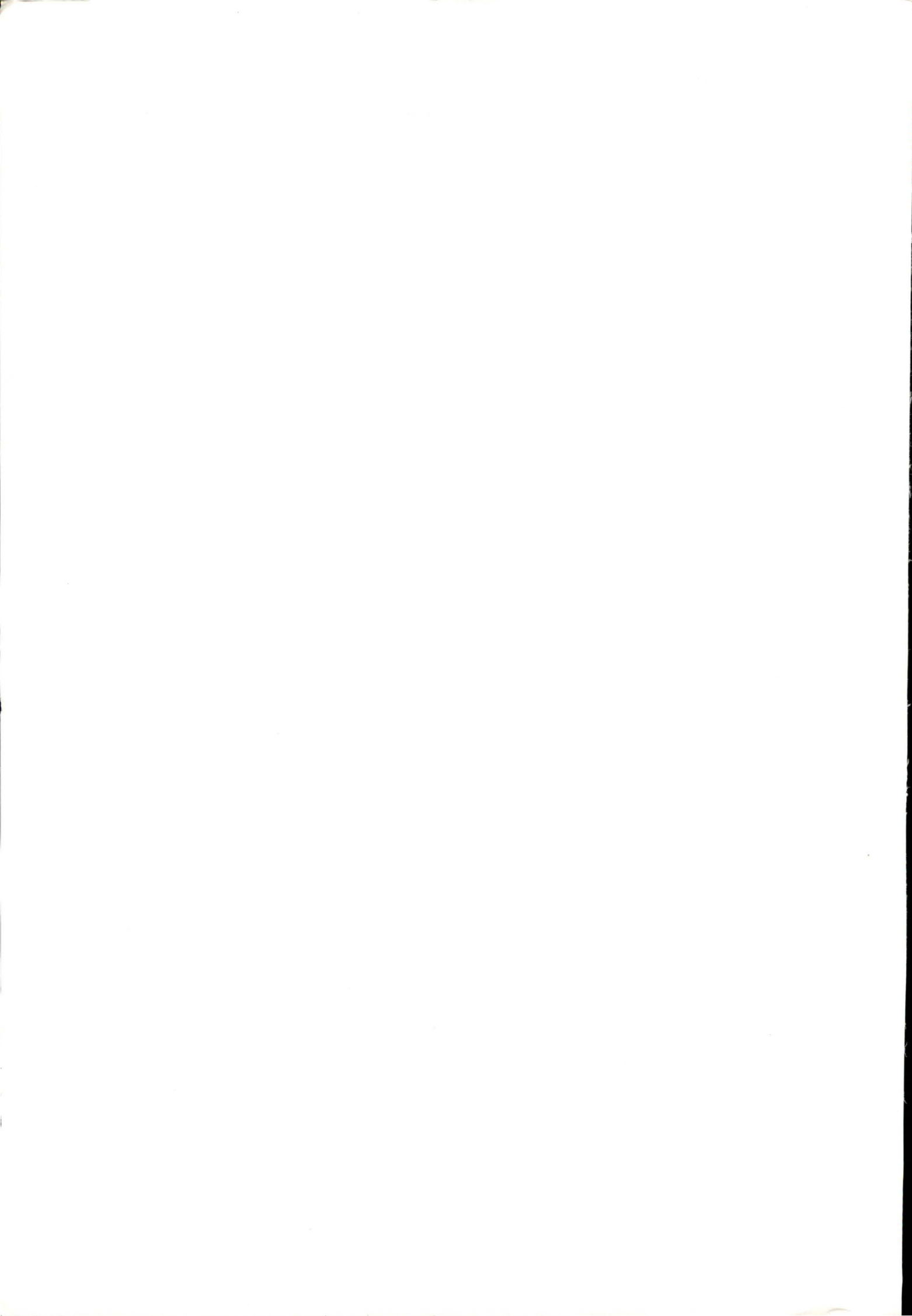


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PREFACE

This Report has been prepared for submission to the Government of Jharkhand in accordance with Technical Guidance and Supervision (TGS) over the audit of Local Bodies entrusted by the State Government under Section 20 (1) of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971.

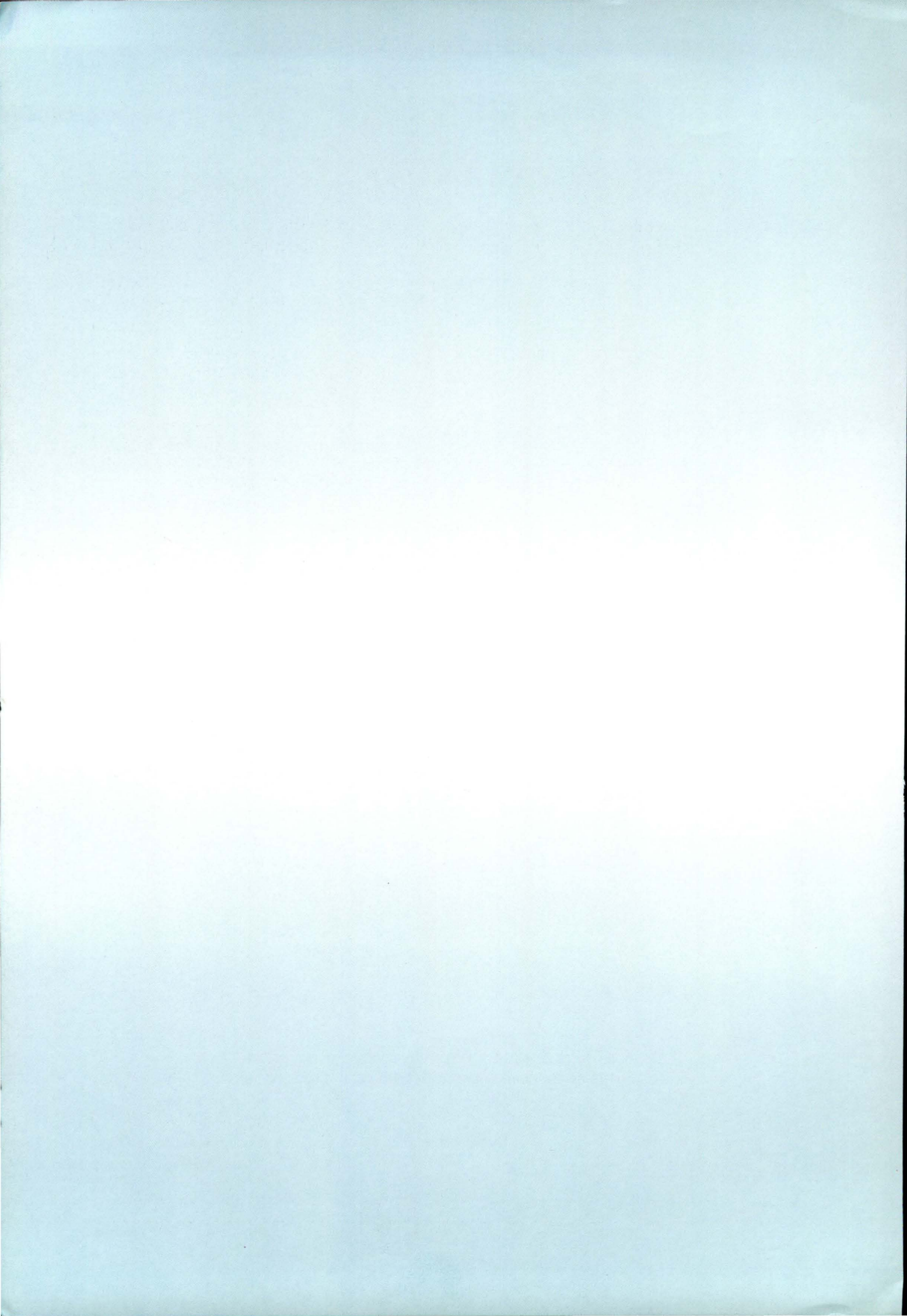
The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Jharkhand under the Social Services including Department of Panchayati Raj and National Rural Employment Programme (Special Division) and Department of Urban Development.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports, instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



OVERVIEW



OVERVIEW

The report consists of two parts- Part I and Part II. Part I contains three chapters on Panchayati Raj Institutions and Part II contains three chapters on Urban Local Bodies.

1 An overview of Accounts and Finances of Panchayat Raj Institutions

Due to non-operationalisation of Director of Local Fund Audit, Technical Guidance and Support parameters such as preparation of annual audit plan, audit methodology by local fund auditor, imparting training to local fund audit staff, etc. were not being executed and the purpose of entrustment of TGS continue to remain unfulfilled.

[Paragraph 1.11]

Non-maintenance of important registers weakened local self-government control by diffusing the overall financial/asset position of Panchayats.

[Paragraph 1.12.2]

2 Performance Audit on Functioning of Panchayati Raj Institutions

PRIs are yet to be strengthened by the State Government through actual transfer of functions, functionaries and funds. PRIs were facing acute shortage (36 to 100 per cent) of manpower in all the four test checked districts.

[Paragraph 2.6]

PRIs failed to prepare Annual Plan for social and economic development of the whole district. Draft development plan of the district was also not prepared by the District Planning Committee.

[Paragraphs 2.7, 2.8, 2.9 and 2.10]

Dues of ₹27.80 crore for Road Cess, Mining Cess and Rent of properties was pending for collection by local bodies from State Government (Cess) and Private parties (Rent).

[Paragraphs 2.7.2.1, 2.8.2.1, 2.9.2.1 and 2.10.2.1]

Construction materials worth ₹7.59 crore was irregularly procured without tendering and construction materials/services worth ₹ 5.14 crore was procured on improper bills by the ZPs.

[Paragraphs 2.7.3.1, 2.8.3.1, 2.9.3.1 and 2.10.3.1]

Engagement of a single labourer for upto four times on same date on same work was noticed in nine works. DE/ JE, misappropriated ₹ 18 lakh, sanctioned by the department against incorrect inflated estimates of 6.5 km of road which was actually 5.4 km long and then advancing balance money for construction of another road which was already constructed under RSVY.

[Paragraph 2.10.3]

Rupees 8.84 crore was proved unfruitful due to incomplete works (31 works as on March 2014) of estimated cost of ₹16.06 crore taken up during 2006-11 by the ZPs.

[Paragraphs 2.7.3.2 and 2.10.3.2]

Record management was inadequate in the test-checked PRIs as upto 87 per cent, 97 per cent and 97 per cent of prescribed records were not maintained at ZP, PS and GP levels respectively.

[Paragraphs 2.7.4, 2.8.4, 2.9.4 and 2.10.4]

3 Compliance Audit- Panchayati Raj Institutions

Failure of the DE to monitor the progress of the works resulted in defalcation of ₹ 6.23 crore by the Assistant Engineer. Besides, as the school buildings remained incomplete, it resulted in unfruitful expenditure of ₹ 61.86 lakh and deprived education facilities to the local people.

[Paragraph 3.1]

Contrary to the provisions, the DE, ZP, Chatra sanctioned advances of ₹ 17 lakh to the AE, ZP, Chatra for executing the work without adjusting the earlier advances. The failure to take a decision about the work executed by the AE resulted in loss of bitumen worth ₹ 7.24 lakh from the premises of the ZP and blocking of Government funds of ₹ 71.99 lakh. Another advance of ₹ 10 lakh sanctioned to AE, ZP Chatra also remained unadjusted as on January 2015.

[Paragraph 3.2]

The failure of DE to supervise the execution of work and payment of subsequent temporary advances to the technical assistant without adjusting/recovery of earlier advances led to suspected misappropriation of ₹ 5.42 lakh.

[Paragraph 3.3]

4 An overview of Accounts and Finances of Urban Local Bodies

Fourteen test-checked ULBs did not revise the rate of taxes for last several years ranging from 11 to 34 years.

[Paragraph 4.5.6]

Sixty six per cent of sanctioned posts were vacant in 15 test-checked ULBs.

[Paragraph 4.7.4]

5 Performance Audit-Urban Local Bodies

A. Performance Audit on Functioning of Municipal Councils

In absence of proper planning, the schemes were taken up for execution by the MCs without any prioritisation.

[Paragraphs 5.1.7.1, 5.1.8.1, 5.1.9.1 and 5.1.10.1]

MCs were financially dependent on grants and loans received from Central/State Government.

[Paragraphs 5.1.7.2, 5.1.8.2, 5.1.9.2 and 5.1.10.2]

Non-commencement of SWM projects resulted in unscientific disposal of solid waste by the MCs.

[Paragraphs 5.1.7.6, 5.1.8.7, 5.1.9.5 and 5.1.10.5]

In absence of 100 *per cent* metering of water connections and non-recovery of user charges, MCs were unable to meet the operation and maintenance cost.

[Paragraphs 5.1.7.6, 5.1.8.7, 5.1.9.5 and 5.1.10.5]

The collection efficiency of property tax was much lower than the benchmark of 85 *per cent* emphasised by XIII FC.

[Paragraphs 5.1.7.8, 5.1.8.9, 5.1.9.8 and 5.1.10.8]

Non-adoption of new staffing pattern and continuation of significant vacancies in all the posts adversely affected functioning of MCs.

[Paragraphs 5.1.7.10, 5.1.8.11, 5.1.9.10 and 5.1.10.10]

B. Asset Management by Municipal Councils including planning and acquisition

MCs acquired/purchased assets without planning as they did not make data base of assets, vision documents, perspective plan, annual development plan and procurement plan for creation of assets. Master Plans prepared at the cost of ₹ 1.31 crore by MCs, Chaibasa and Chas were not approved by UDD.

[Paragraphs 5.2.5.1, 5.2.6.1, 5.2.7.1, 5.2.8.1 and 5.2.9.1]

Fifteen buildings constructed at a cost of ₹ 105.76 lakh by the MCs remained unutilised since their construction and six buildings constructed at a cost of ₹ 42.52 lakh were irregularly occupied/ utilised by others which resulted in loss of revenue to the MCs.

[Paragraphs 5.2.5.1, 5.2.6.1, 5.2.7.1 and 5.2.9.1]

MC, Adityapur did not departmentally collect revenue from *Baalu Ghats* for the period for which they remained unsettled resulting in a minimum loss of revenue of ₹ 3.36 crore during 2008-14.

[Paragraph 5.2.5.7]

Six projects could not be initiated due to non availability of land resulting in blockage of funds of ₹ 8.54 crore.

[Paragraphs 5.2.6.4, 5.2.7.4, 5.2.8.4 and 5.2.9.4]

MC, Chas irregularly allotted rights for Childrens' Park and boating at Solagidih *Talab* which were developed by the MC at a total cost of ₹ 69 lakh.

[Paragraph 5.2.7.5]

Shop rent amounting to ₹ 52.97 lakh was outstanding as of March 2014 against the allottees. Further, non-revision of shop rent by the MCs resulted in a loss of ₹ 2.74 crore.

[Paragraphs 5.2.5.7, 5.2.6.7, 5.2.7.7, 5.2.8.7 and 5.2.9.7]

6 Compliance Audit- Urban Local Bodies

Non-implementation of the project of Solid Waste Management initiated in 2007 and surrender of rupees three crore to the government as the MC, Sahibganj failed to get BoQ and tender documents from the consultant appointed for preparation of DPR despite paying ₹ 13.74 lakh to him.

[Paragraph 6.1]

Inadequate monitoring of VAMBAY by DMC led to non-recovery of ₹ 36.50 lakh from executing agency. This also resulted in denying the benefits to intended beneficiaries and blocking of funds of ₹ 61.90 lakh.

[Paragraph 6.2]

Tendering of work by the Special Officer without ensuring availability of land resulted in unfruitful expenditure of ₹ 13.38 lakh and the work remained incomplete.

[Paragraph 6.3]

PART-I
CHAPTER-1
AN OVERVIEW OF ACCOUNTS AND FINANCE OF
PANCHAYATI RAJ INSTITUTIONS (PRIs)

PART-I

CHAPTER-1

AN OVERVIEW OF ACCOUNTS AND FINANCES OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The Seventythird Constitutional amendment gave constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, regular elections, regular flow of funds through Finance Commissions, *etc.* As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable these institutions to function as institutions of self government. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

Consequently, the State Government enacted the Jharkhand Panchayat Raj (JPR) Act, 2001 to establish a three-tier¹ PRI system in the State and framed Jharkhand Panchayat Raj (Budget and Accounts) Rules, 2010, to ensure smooth functioning of PRIs.

State Profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. The population growth in Jharkhand in the last decade was 22.42 *per cent* against the national average of 17.64 *per cent*.

As per census 2011 the percentage of urban and rural population was 24.05 and 75.95 respectively of the total population of the state. Decadal growth rates for rural and urban population were 19.58 and 32.36 *per cent* respectively while population of the state rose by 22.42 *per cent*.

Table-1.1: Important statistics of the State

Indicator	Unit	State as per Census		National (as per Census 2011)
		2001	2011	
Population	-	26945829	32988134	1210193422
Population (Rural)	-	20952088	25055073	833087662
Population (Urban)	-	5993741	7933061	377105760
Population Density	Person per sq.km.	338	414	382
Decadal Growth Rate	Percentage	23.19	22.42	17.64
Sex Ratio	Females per 1,000 males	941	948	940
Literacy	Percentage	53.56	66.41	74.04

(Source: Census, 2001 & 2011)

¹ Zila Parishad at district level, Panchayat Samiti at intermediate level and Gram Panchayat at village level

1.2 Organisational structure

The PRIs are under the administrative control of the Department of Panchayati Raj & National Rural Employment Programme (Special Division) (PRD), Government of Jharkhand (GoJ). The JPR Act, 2001 and Rules/byelaws made thereunder provide for Executive/Administrative as well as elected body to discharge their duties for the purpose of carrying on the administration of PRIs.

Chart 1.1: Organisational structure of PRIs-Administrative Body

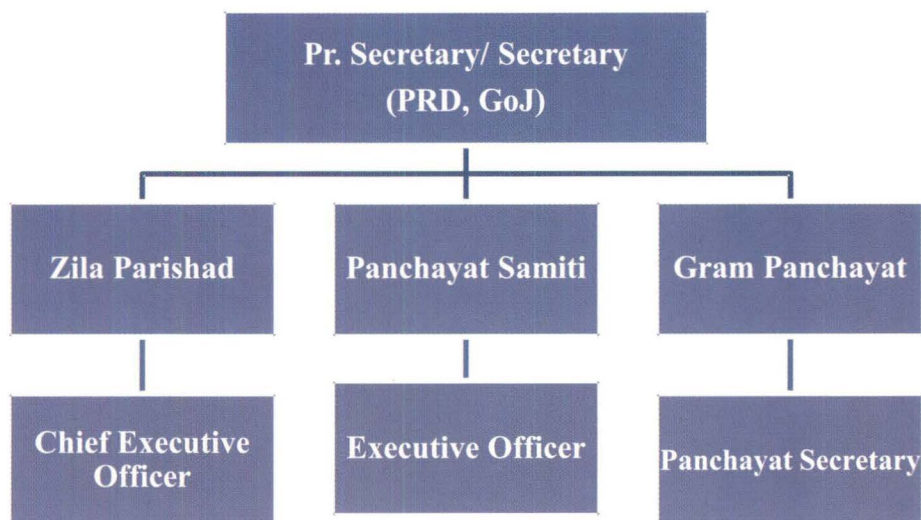
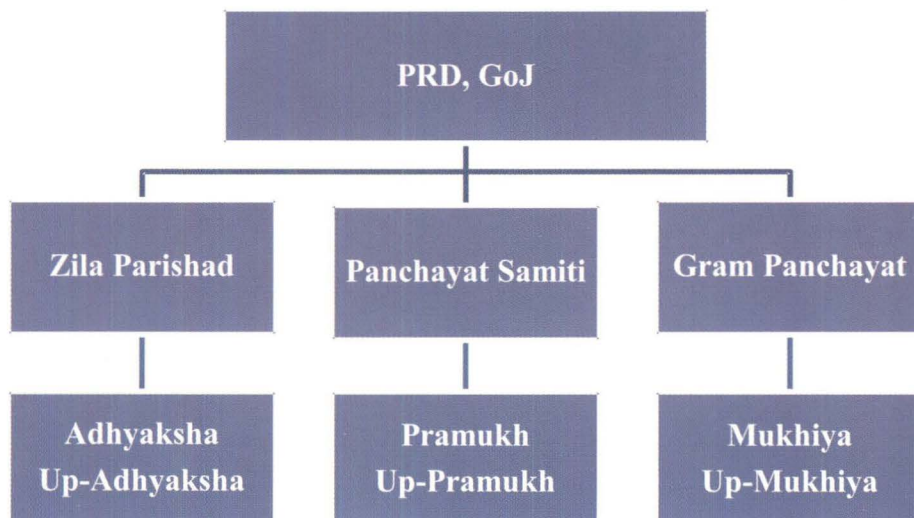


Chart 1.2 Organisational Structure of PRIs-Elected Body



(Source: JPR Act, 2001)

1.3 Functions and responsibilities of authorities of PRIs

The 4706 PRIs units in Jharkhand include 4423 Gram Panchayats (GPs), 259 Panchayat Samitis (PSs) and 24 Zila Parishads (ZPs). The elections to PRIs held in December 2010.

The functions of authorities of PRIs are as follows-

Authority	Functions assigned
Chief Executive Officer (CEO)/Executive Officer (EO)/Secretary	<ul style="list-style-type: none"> • Drawal and disbursal of fund, • Preparation of budget and accounts, • Supervision and control of officers of ZP/PS/GP, • Discharging the duties conferred by or under this Act or the Rules or regulations made thereunder, • Executing the policies and directives of the Panchayats.
Adhyaksha/Pramukh/Mukhiya	<ul style="list-style-type: none"> • Ensure proper custody of the records and registers of ZP/PS/GP and shall maintain them, • Exercise overall control over the financial and executive administration of the ZP/PS and place before Panchayats all issues connected therewith so that necessary orders of the Panchayats may be obtained and for this purpose may call for records of the Panchayats, • Supervise and control the business transacted by the employees of the ZP/PS/GP, • Be responsible for safe custody of the ZP/PS/GP Fund, • Comply with all the directives issued by the State Government or any Authority authorised by the State Government under this Act,
Chief Planning Officer (CPO)	CPO shall advise the ZP in matter of preparing a plan and shall be responsible for all the matters related with plans of the ZP in which preparation of plan for economic development and social justice and annual plan of the district is also included and he shall be the CEO of the District Planning Committee.
Chief Accounts Officer (CAO)	CAO shall advise the ZP on matters of financial policy and shall be responsible for all matters concerned with accounts of the ZP wherein preparation of annual accounts and budget is also included and shall ensure that no expenditure whatsoever is done without proper sanction, and if done, it has to be done only in accordance with this Act and the rules and regulations made thereunder, and shall disallow any such expenditure which is not supported by this Act or rules or regulations or wherefore no provision has been made in the budget.

1.4 Standing Committees of PRIs

A GP may constitute seven Standing Committees for discharge of its functions and duties, and such committees shall be under general control of the GP and

shall exercise such powers as may be conferred on them by the GP. The Secretary of the GP shall be the *ex-officio* Secretary of the Standing Committee.

Similarly, every PS and ZP shall constitute eight Standing Committees from amongst its elected members. The CEO/EO shall be the *ex-officio* Secretary of all the committees of the ZP/PS, as the case may be. The modalities for constitution of standing committees and their functions have been detailed in *Appendix-1.1*.

Moreover, ZP and PS may constitute one or more than one committee for such matters which do not come within the business ambit of the prescribed committees.

1.5 Financial Profile

1.5.1 Financial position of PRIs as per PRD

PRIs get fund from i) grants released by the Central and State Government for development works and office expenses like salary grant for staff, contingent grant ii) loans by State Government for Salary and iii) own revenues, in respect of ZP like rent receipts from shops, DakBunglows, Inspection Bungalow etc. Own revenue (other than interest earned on funds) in respect of PS and GP have not yet been generated.

Table 1.2 shows the position of financial assistance given by Central and State government to all PRIs under different schemes during 2009-14:

Table-1.2: Receipt and expenditure of PRIs

(₹ in crore)

Particulars		2009-10	2010-11	2011-12	2012-13	2013-14	Total
Receipts							
Grants	Plan	237.67	710.98	827.03	748.39	513.91	3037.98
	Non-Plan	62.46	66.29	94.75	84.28	392.45	700.23
	XIII Finance Commission	Nil	174.48	221.55	391.34	233.70	1021.07
Loans		2.50	2.02	2.27	2.50	2.71	12.00
Total Receipts		302.63	953.77	1145.6	1226.51	1142.77	4771.28
Expenditure							
Revenue Expenditure		14.88	17.85	135.24	93.49	128.89	390.35
Capital Expenditure		237.67	710.97	827.02	748.41	772.77	3296.84
Total Expenditure		252.55	728.82	962.26	841.9	901.66	3687.19
Percentage of expenditure against total receipts		83	76	84	69	79	

(Source: Data provided by State Government)

From the table above, it is clear that expenditure against the total receipts of grants/loans from State Government ranged between 69 and 84 *per cent* during the years 2009-14 reflecting suboptimal utilisation of the available funds.

Recommendation: The Grants should be utilised in a time bound manner to derive the intended benefits.

1.5.2 Financial position of Rural Development Department (RDD) schemes executed at PRIs level

The position of receipts and expenditure of the rural development schemes compiled by RDD for the year 2009-14 is given in *Appendix 1.2*.

Audit noticed that under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) the expenditure exceeded against the receipts during the year 2009-10 to 2013-14 except in the year 2011-12. Whereas under IAY, IWMP, SGSY/NRLM suboptimal utilisation of funds released in the year 2009-10 to 2013-14 was noticed.

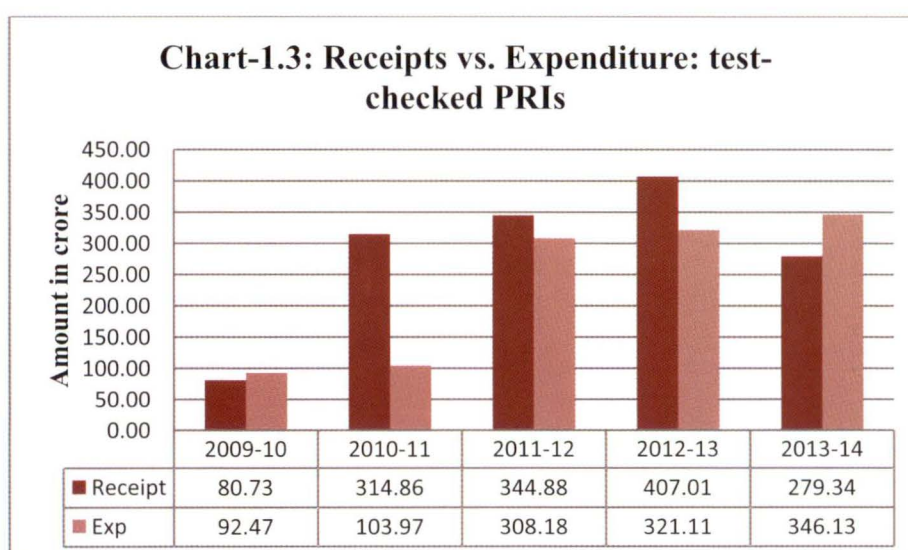
The matter was referred (October 2014) to Government for knowing the reasons of excess expenditure under MGNREGS and suboptimal utilisation in other schemes, it was replied that excess expenditure under MGNREGS were met from the previous years' balances and due to delay in release of Central share, suboptimal utilisation of funds in other schemes (IAY, SGSY/NRLM) were made. No reasons were furnished regarding suboptimal utilisation in IWMP.

1.5.3 Financial profile of selected PRIs

The details of allotment of fund and their utilisation from 2009-10 to 2013-14 in test checked 18 ZPs, 32 PSs and 36 GPs are given in *Appendix 1.3*.

Audit noticed that:

- Only 41.75 per cent of available funds of ₹ 2708.46 crore were utilised by the PRIs for execution of schemes (₹ 1130.79 crore) during 2009-10 to 2013-14; and
- The own revenue² realised by ZPs ranged between 1.04 and 11.48 per cent of their total available receipts during the year 2009-14.



(Source: Data provided by PRIs)

² Non-tax receipts such as shop rent, settlement money and interest earned

Recommendation: PRIs should ensure optimum utilisation of the available resources in a time bound manner to derive the intended benefits.

1.6 Taxation

Section 93 of JPR Act, 2001 empowers ZPs/PSs/GPs to assess and collect tax on occupant of a holding, tax on business, trades, professions and employments, Water rate *etc.* under their jurisdiction for augmentation of their own revenue. Further, the Act *ibid* advocates that State Government may make rules to regulate imposition, assessment and collection of the taxes. But, the State Government has not framed any rule for imposition of taxes by the Panchayats due to which PRIs are not collecting taxes as yet. Due to non realisation of taxes, PRIs are dependent solely on grants and loans from State Government for delivery of services.

Recommendation: The State Government should frame rules immediately for imposition of taxes by the panchayats to enable them to become self dependent on its own revenue (tax and non-tax revenue).

1.7 Thirteenth Central Finance Commission (XIII FC) Grants

The position of grants released by the Government of India (GoI) and further releases by the State Government to PRIs under XIII FC is given in **Table 1.3**:

Table-1.3: Grants of Thirteenth Central Finance Commission

(₹ in crore)

Period	Particulars	Entitlement	Amount released by GoI	Amount released by State Government
2010-11	General Area Basic Grant	141.30	139.48	139.48
	Special Area Basic Grant	35.00	35.00	35.00
2011-12	General Area Basic Grant	163.70	178.68	177.74
	General Area Performance Grant	56.00	8.81	8.81
	Special Area Basic Grant	35.00	35.00	35.00
	Special Area Performance Grant	17.50	--	--
2012-13	General Area Basic Grant	191.40	201.05	201.05
	General Area Performance Grant	131.30	137.79	137.79
	Special Area Basic Grant	35.00	17.50	17.50
	Special Area Performance Grant	35.00	35.00	35.00
2013-14	General Area Basic Grant	226.80	231.94	216.20
	General Area Performance Grant	154.95	143.22	NA
	Special Area Basic Grant	35.00	17.50	17.50
	Special Area Performance Grant	35.00	50.34	NA
Total		1292.95	1231.31	1021.07

(Source: Data provided by State Government)

The reason(s) for short release of ₹61.64 crore by the GoI and State Government were not furnished to audit (February 2015).

1.8 Noncreation of Panchayat Raj Fund

Section 94 of JPR Act, 2001 provides for creation of Panchayat Raj Fund at every district in which receipts of Cess under section 93 of JPR Act, 2001,

additional stamp fees³ or such other taxes under the Panchayat as specified by the State Government shall be deposited after making deduction there from of such collection charges as may from time to time be determined by the State Government.

The consolidated amount available in the Panchayat Raj Fund shall be distributed among the three-tier Panchayats in such manner and in such proportion as may be ascertained by the State Government.

However, it was noticed that the State Government had neither created the Fund nor prescribed the manner for distribution of fund among the Panchayats. (September 2014).

1.9 Devolution of Funds, Functions and Functionaries

GoJ was to devolve funds, functions, and functionaries to PRIs for 29 subjects mentioned in Schedule XI of Constitution of India to enable these institutions to function as institutions of self government. 15 functions were devolved to PRIs (as detailed in *Appendix-1.4*) by nine Departments (March 2014), the functions were still being operated by the Departments except in the case of activities relating to construction of ponds and renovation of *anganwaris*. The officers and staff of the State Government required for execution of the entrusted functions are to be posted/deputed to PRIs. The State Government, through executive orders, was to define the activities to be performed by PRIs and accordingly was to make arrangements for transfer of funds and functionaries in respect of the devolved subjects to PRIs.

The position of manpower in test checked ZPs and PSs against sanctioned posts as detailed in *Appendix 1.5* are given in the **Table 1.4**:

Table- 1.4: Sanctioned strength *vis-a-vis* person-in-position in test-checked PRIs.

Number of PRIs	Sanctioned strength	Person-in-position	Vacancy
ZP (15)	788	188	600
PS (11)	449	314	135

(Source: Data provided by PRIs)

The above table reflects acute manpower shortage (76 per cent in ZPs and 30 per cent in PSs) at both the levels which undoubtedly had affected their functioning. The GPs stated that sanctioned strength of GPs was not intimated by the State Government.

Recommendation: State Government may consider a relook into devolution of funds, functions and functionaries so as to make Panchayats real and effective institutions for Self government.

³ Stamp fees firstly to be deposited in the consolidated fund of the state and the State Government may, at the commencement of every financial year, if such provision is made by appropriation bill passed in this behalf by the Legislative Assembly, withdraw from the consolidated fund of the State such an amount as will be equal to the receipts made (realised) by the State Government in the preceding year.

1.10 Decentralised planning

In pursuance of article 243 ZD of the Constitution of India and Section 123 of the JPR Act, 2001 the State Government has issued gazette notification⁴ in August 2011 and prescribed the modalities for constitution of District Planning Committee (DPC) in every district of Jharkhand.

The DPC is primarily responsible for consolidation of plans of all PRIs and Urban Local Bodies (ULBs) of a district. The objective of DPC is to arrive at an integrated, participatory and coordinated plan for development of a district.

It was noticed that although provision in Article 243 ZD of the Constitution had mandated that not less than four-fifth of the total members of DPC should be elected from the elected members of ZP and municipal bodies, the JPR Act, 2001 provides only for selection of three-fourth members from the elected members.

Thus, the DPC has been constituted in contravention of constitutional provisions. As a result, adequate representation of the elected members in the constitution of DPC was not ensured.

However, provisions have been made for constitution of sub-committees (*Appendix-1.6*) for giving suggestions to the DPC on the subject concerned.

1.11 Audit mandate

In pursuance of recommendations of XIII FC, the State Government entrusted (October 2011) Technical Guidance and Supervision (TGS) over the audit of accounts of Local Bodies (PRIs/ULBs) to the CAG under Section 20 (1) of the CAG (DPC) Act, 1971. Accordingly, the State Government amended Jharkhand and Orissa Local Fund Audit Act⁵, 1925 in March 2012 and made provision for audit of accounts of Local Bodies by the Director of Local Fund Audit (DLFA) or Chartered Accountant and under the TGS of the CAG of India. Further, the Audit Report prepared by DLFA and the CAG shall be placed before the State Legislature. The State Government appointed DLFA (November 2014) and created 22 posts (March 2013) for constitution of the office of the DLFA but appointments against the 22 posts have not been made as yet.

In absence of audit by DLFA as the primary auditor, the parameters of TGS as detailed in *Appendix – 1.7*(except test check of Local Bodies units) remained to be executed. Further, the objective of TGS through supervision over preparation of annual audit plan, audit methodology by the local fund auditor, imparting training to local fund audit staff, *etc.* remained unfulfilled.

Recommendation: *The State Government should take effective steps for early operationalisation of DLFA.*

⁴ Jharkhand Panchayat Raj (District Planning Committee, Constitution and procedures, powers and executions) Rules, 2011

⁵ Prior to TGS, Local Bodies were audited under the Act.

1.12 Accounting framework

1.12.1 Non-preparation of Annual Accounts

The Jharkhand Panchayat Raj (Budget and Accounts) Rules, 2010 prescribes preparation of Annual accounts/reports of PRIs by the CEO/EO⁶ and submission by 30 May every year to General Administrative Committee of PRIs for its approval and the same shall be approved and accepted by the General assembly of each tier of PRIs on or before 15 June of every year. The Annual accounts/Reports, after its approval by each tier of PRIs, shall be sent to the Divisional Commissioner and the Director, PRD by 30 June of every year.

It was observed that none of the test checked PRIs⁷ except Hazaribagh had prepared the Annual accounts for 2013-14 as of December 2014. Thus, the receipt and expenditure figures and the financial performance of the test checked PRIs for the year 2013-14 were not verifiable in audit.

1.12.2 Non-maintenance of records

The Jharkhand Panchayat Raj (Budget and Accounts) Rules, 2010 prescribes maintenance of records, registers and accounts for transparency and accountability. A test check of record management in test checked ZPs revealed non-maintenance of important records/ registers as brought out in **Table 1.5** below.

Table-1.5: Non-maintenance of records/registers

Sl. No.	Records/Registers not maintained	Name of the ZPs ⁸
1	Demand and Collection Register ⁹	Chatra, Deoghar, Garhwa, Giridih, Jamshedpur, Khunti, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi, Saraikella, Simdega
2	Grant Register ¹⁰	Chatra, Deoghar, Garhwa, Giridih, Jamshedpur, Khunti, Latehar, Lohardaga, Pakur, Palamu, , Ramgarh, Ranchi, Saraikella, Simdega
3	Budget Estimate ¹¹	Chatra, Deoghar, Garhwa, Giridih, Jamshedpur, Khunti, Latehar, Lohardaga, Pakur, Palamu, , Ramgarh, Ranchi, Saraikella, Simdega
4	Asset register ¹²	Chatra, Deoghar, Garhwa, Giridih, Jamshedpur, Khunti, Lohardaga, Pakur, Palamu, Ramgarh, Ranchi, Saraikella

(Source: Data Provided by test checked PRIs)

Budget is the most important tool for financial planning, accountability and control. As per JPR Act 2001, every panchayat shall prepare annual budget estimate of its receipts and expenditure for every year as per the prescribed procedure. Owing to non preparation of budget the performance against the

⁶ The Block Development Officer (EO) for PS and GP and CEO for ZP

⁷ Chatra, Deoghar, Garhwa, Giridih, Jamshedpur, Khunti, Latehar, Lohardaga, Pakur, Palamu, Ranchi, Saraikella, Simdega

⁸ Out of 19 test checked ZPs

⁹ Rule 28 (Form 21) of Jharkhand Panchayat Raj (Budget & Accounts) Rules, 2010.

¹⁰ Rule 23 (Form 17) of Jharkhand Panchayat Raj (Budget & Accounts) Rules, 2010.

¹¹ Rule 3 (Form 1, 2 and 3) of Jharkhand Panchayat Raj (Budget & Accounts) Rules, 2010.

¹² Rule 42 (Form 30 (1)) of Jharkhand Panchayat Raj (Budget & Accounts) Rules, 2010.

annual plans could not be assessed/evaluated. Similarly, in the absence of Grant Register the actual utilisation of a particular grant for the prescribed purpose could not be ascertained.

Recommendation: Non-maintenance of important registers weakened the local government control on finances/ assets of Panchayats.

1.12.3 Implementation of Model Accounting Structure (MAS) and PRIA software (PRIASoft) in PRIs

The CAG, in consultation with Ministry of Panchayati Raj (MoPR), GoI, prescribed new accounting structure for exercising proper control and securing better accountability on finances of PRIs and forwarded (October 2009) the same to the State Government for adoption and its operationalisation from 1 April 2010.

MoPR recommended (October 2009) accounting software PRIASoft (Panchayati Raj Institutions Accounting Software) that captures three-tier revised classification and generates all the reports in the formats on Budget and Accounting Standards for PRIs.

MAS as well as *PRIASoft*, which was to be adopted from 1 April 2010 was adopted by the State Government in November 2013 only though directions for maintenance of accounts in *PRIASoft* were issued from 1 June 2011 itself. Further, feeding of data through *PRIASoft* was being done only in PRIs of Deoghar with effect from 2012-13.

Recommendation: PRIs should maintain accounts in the format of Model Accounting System as prescribed by the CAG.

1.12.4 Non-appointment of Chief Accounts Officer

Section 90 of JPR Act, 2001 provides for appointment of Chief Accounts Officer (CAO) in every ZP, who shall advise the ZP on matters of financial policy and preparation of annual accounts and budget.

The State Government failed to appoint CAO which affected preparation of annual accounts, budget and maintenance of records in ZPs.

1.13 Response to audit observations

1.13.1 Status of Inspection Reports (IRs)

As per Rule 58 of Jharkhand Panchayat Raj (Budget and Accounts) Rules, 2010, the CEO shall take effective steps for remedy of defects or irregularities pointed out in the reports audited by Accountant General.

While auditing PRIs, 436 IRs containing 3390 paragraphs were issued during 2003-14, of which 31 paragraphs were settled. Therefore, as on 31 March 2014, 436 IRs containing 3359 paragraphs were still outstanding against PRIs of the State.

A review of the IRs revealed that the executives, whose records were audited by the Examiner of Local Accounts (ELA), before entrustment of TGS (October 2011) did not send any reply in respect of most of the outstanding IRs/paragraphs which indicated lack of efforts by authorities in furnishing compliance to those paragraphs. The matter was brought to the notice of the

Chief Secretary in January 2015 but action has not yet been taken by the Chief Secretary.

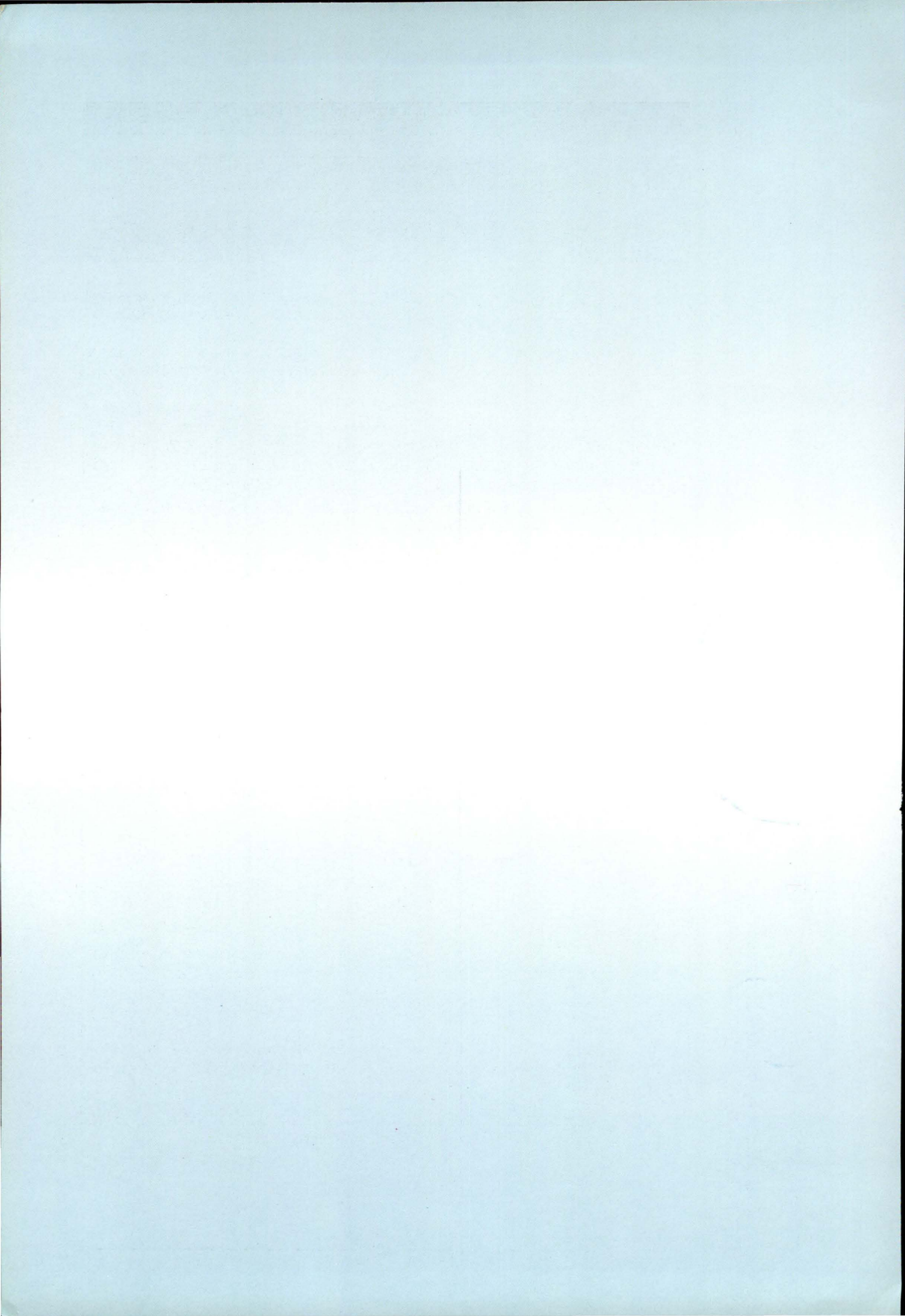
Recommendation: The authorities of PRIs should respond promptly to the observations of IRs for speedy settlement of audit observations.

1.14 Conclusion

- Non-empowerment of PRIs to generate own sources through taxation has resulted in less funds being available for discharge of their functions;
- The State Government has not yet devolved all subjects to PRIs as envisaged in the eleventh Schedule of Constitution;
- Annual accounts were not prepared by any tier of PRIs;
- Due to non-operationisation of DLFA the majority of PRIs were left unaudited, which may increase the risk of irregularities; and
- Long pendency of audit paragraphs and non-settlement of audit observations indicated non-commitment to good governance.



CHAPTER-2
PERFORMANCE AUDIT



CHAPTER-2

PERFORMANCE AUDIT

Department of Panchayati Raj and National Rural Employment Programme (Special Division)

Performance audit on Functioning of Panchayati Raj Institutions

Executive summary

Panchayati Raj Institutions (PRIs) are required to prepare plans and implement schemes for economic development and social justice in various areas including those enumerated in the Eleventh Schedule of the Constitution of India. In Jharkhand, three tier panchayats at village level (Gram Panchayat), Block level (Panchayat Samiti) and District level (Zila Parishad) have been constituted. The performance audit on Functioning of Panchayati Raj Institutions covering four Zila Parishads (ZPs), eight Panchayat Samitis (PSs) and seventy-eight Gram Panchayats (GPs) revealed the following deficiencies:

Palamu Zila Parishad

- PRIs are yet to be strengthened by the State Government through actual transfer of functions, functionaries and funds.

[Paragraph 2.6]

- PRIs failed to prepare Annual Plan for social and economic development of the whole district. Draft development plan of the district was also not prepared by the DPC.

[Paragraph 2.7.1]

- During 2009-14, Backward Region Grant Fund (BRGF) grant of ₹ 60.80 crore was lapsed.

[Paragraph 2.7.2.1]

- Dues of ₹4.02 crore for Road Cess, Mining Cess and Rent of properties was pending for collection by local bodies from State Government (Cess) and Private parties (Rent).

[Paragraph 2.7.2.1]

- ZP failed to submit utilisation certificates (UCs) amounting to ₹ 95.64 crore to AG (A&E) for the funds released by PRD. ZP suffered loss of interest of ₹ 1.67 crore due to keeping CSS funds in PL account.

[Paragraph 2.7.2.1]

- PRIs were not provided ₹ 1.04 crore by the State Government as additional penal interest due to delayed credit of XIII FC fund in the PRIs accounts.

[Paragraph 2.7.2.1]

- Construction materials worth ₹1.82crore was irregularly procured without tendering/on improper bills by the ZP.

[Paragraph 2.7.3.1]

- Rupees 0.87 crore was proved unfruitful due to incomplete 10 works as on March 2014 of estimated cost of ₹ 2.25 crore taken up during 2006-11 by the ZP.

[Paragraph 2.7.3.2]

- Up to 50 per cent (ZP), 95 per cent (PSS) and 84 per cent (GPs) of prescribed records were not maintained by the test checked PRIs.

[Paragraph 2.7.4]

Ranchi Zila Parishad

- PRIs are yet to be strengthened by the State Government through actual transfer of functions, functionaries and funds.

[Paragraph 2.6]

- PRIs failed to prepare Annual Plan for social and economic development of the whole district. Draft development plan of the district was also not prepared by the District Planning Committee (DPC).

[Paragraph 2.8.1]

- During 2009-14, grant of BRGF of ₹ 45.88 crore was lapsed.

[Paragraph 2.8.2.1]

- Dues of ₹ 11.89crore for Road Cess, Mining Cess and Rent of properties was pending for collection by local bodies from State Government (Cess) and Private parties (Rent).

[Paragraph 2.8.2.1]

- ZP failed to submit UCs amounting to ₹ 144.35 crore to AG (A&E) for the funds released by PRD.

[Paragraph 2.8.2.1]

- PRIs were not provided ₹ 0.93 crore by the State Government as additional penal interest due to delayed credit of XIII FC fund in the PRIs accounts.

[Paragraph 2.8.2.1]

- Construction materials worth ₹ 1.71 crore was irregularly procured without tendering/on improper bills by the ZP.

[Paragraph 2.8.3.1]

- Rupees 1.18 crore was rendered wasteful on 64 collapsed/abandoned irrigation wells either due to incorrect estimates or non-obtaining of advice from Ground Water Department.

[Paragraph 2.8.3.2]

- Up to 68 per cent (ZP), 92 per cent (PSS) and 97 per cent (GPs) of prescribed records were not maintained by the test checked PRIs.

[Paragraph 2.8.4]

Sahibganj Zila Parishad

- PRIs are yet to be strengthened by the State Government through actual transfer of functions, functionaries and funds.

[Paragraph 2.6]

- PRIs failed to prepare Annual Plan for social and economic development of the whole district. Draft development plan of the district was also not prepared by the DPC.

[Paragraph 2.9.1]

- During 2009-14, grant of BRGF, XIII FC and state plan funds of ₹ 42.10 crore was lapsed.

[Paragraph 2.9.2.1]

- ZP failed to submit UCs amounting to ₹ 42.86 crore to AG (A&E) for the funds released by PRD.

[Paragraph 2.9.2.1]

- PRIs were not provided ₹ 0.41 crore by the State Government as additional penal interest due to delayed credit of XIII FC fund in the PRIs accounts.

[Paragraph 2.9.2.1]

- Construction materials worth ₹ 5.08 crore was irregularly procured without tendering/on improper bills by the ZP.

[Paragraph 2.9.3.1]

- Irregular expenditure of ₹ 0.68 crore was incurred during 2009-14 on 42 inadmissible works under MGNREGS by test checked GPs.

[Paragraph 2.9.3.2]

- Up to 87 per cent (ZP), 97 per cent (PSs) and 97 per cent (GPs) of prescribed records were not maintained by the test checked PRIs.

[Paragraph 2.9.4]

West Singhbhum Zila Parishad

- PRIs are yet to be strengthened by the State Government through actual transfer of functions, functionaries and funds.

[Paragraph 2.6]

- PRIs failed to prepare Annual Plan for social and economic development of the whole district. Draft development plan of the district was also not prepared by the DPC.

[Paragraph 2.10]

- During 2009-14, BRGF grant of ₹ 61.57 crore was lapsed.

[Paragraph 2.10.2.1]

- Dues of ₹ 11.48 crore for Road Cess, Mining Cess and Rent of properties was pending for collection by local bodies from State Government (Cess) and Private parties (Rent).

[Paragraph 2.10.2.1]

- ZP failed to submit UCs amounting to ₹ 75.54 crore to AG (A&E) for the funds released by PRD. ZP suffered loss of interest of ₹0.95 crore due to keeping CSS funds in PL account..

[Paragraph 2.10.2.1]

- PRIs were not provided ₹ 0.74 crore by the State Government as additional penal interest due to delayed credit of XIII FC fund in the PRIs accounts.

[Paragraph 2.10.2.1]

- Construction materials worth ₹2.90crore was irregularly procured without tendering/on improper bills by the ZP.

[Paragraph 2.10.3.1]

- DE/ JE misappropriated ₹ 18 lakh sanctioned by the PRD by inflating the estimates of 6.5 km of road which was 5.4 km only.

[Paragraph 2.10.3]

- Up to 74 per cent (ZP), 95 per cent (PSs) and 86 per cent (GPs) of prescribed records were not maintained by the test checked PRIs.

[Paragraph 2.10.4]

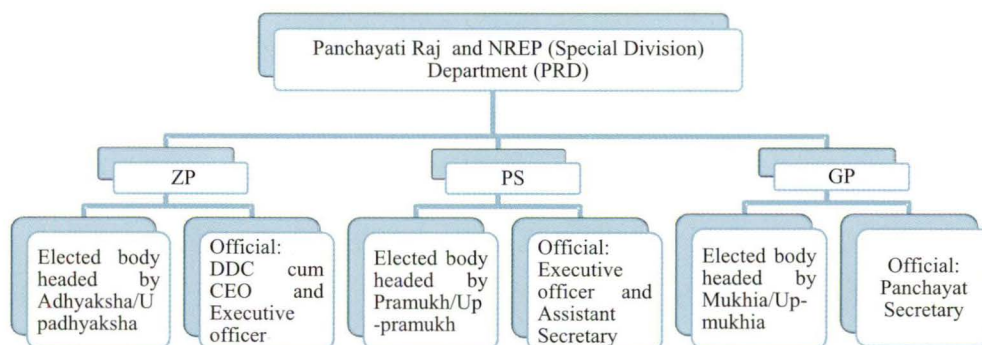
2.1 Introduction

Seventy third Constitutional Amendment Act 1993 included 29 functions in Schedule XI of the Constitution which were to be devolved to Panchayats for effective local governance. Accordingly, Jharkhand Panchayat Raj Act (JPR Act), 2001 was enacted and elected bodies of the Panchayats came into existence (March 2011) in Jharkhand after the election (December 2010). As per the Act, Gram Panchayats (GPs) were constituted for a village; Panchayat Samitis (PSs) for a block; and Zila Parishads (ZPs) for a district.

GP shall be any local area declared by the State Government comprising of a village or group of villages with a population of nearly 5000. The State Government may divide the area of the GP into wards. Each district in a State is divided into a blocks and there shall be a PS for every block and PS is the intermediary linked in the three tier Panchayati Raj rule. The State Government may notify a village or group of villages as Gram Sabha (GS) consisting of persons registered in the electoral rolls relating to a revenue village comprised within a GP area. The GS deliberates on various issues relating to the village and submits recommendations to the GP.

2.2 Organisational set-up

The organisational set-up of the PRIs is given in organogram below:



2.3 Audit objectives

The objectives of the Performance Audit were to assess whether:

- Devolution of funds, functions and functionaries was sufficient for independent and effective functioning of PRIs;
- Planning and financial management were adequate and sufficient to manage delegated functions economically, efficiently and effectively;
- Man-power management and capacity building measures are being adopted effectively for implementation of JPR Act 2001;
- Implementation of schemes was achieving the intended objectives; and
- The Department had put in place a functional and effective system of internal control.

2.4 Audit criteria

The audit criteria were benchmarked from the criteria sourced from:

- JPR Act, 2001;
- Applicable Circulars/Orders/ Rules issued by Government of Jharkhand and GOI;
- Jharkhand Public Works Department Code, Jharkhand Public Works Account Code, Jharkhand Financial Rules (JFR), and Jharkhand Treasury Code (JTC).

2.5 Audit Scope and methodology

The Performance Audit on Functioning of Panchayati Raj Institutions (PRIs) in the State for the period 2009-10 to 2013-14 was conducted between April 2014 and September 2014 through test check of records such as meeting registers, Annual Action Plans (AAPs), grants sanctioning letters, cash books/bank accounts, Monthly Progress Reports (MPRs), schemes files, general correspondence files *etc.* off our out of 24 ZPs¹, eight (within the selected ZPs) out of 259 PSs², 78 (within the selected PSs subject to a maximum of ten GPs in each PS) out of 4423 GPs on sampling basis³, District Planning Offices (DPO), line departments of the four districts and Panchayati Raj Department (PRD).

An entry conference was held with Director, PRD (April 2014) and subsequently with officials at district level wherein the audit objectives, criteria, scope and methodology were discussed. An Exit conference to discuss the audit findings was held with the Deputy Secretary PRD in February 2015 and replies of the Department were incorporated at appropriate places.

¹ Palamu, Ranchi, Sahibganj and West Singhbhum

² Barharwa, Bero, Chakradharpur, Jagarnathpur, Ormanjhi, Padwa, Patan and Rajmahal

³ ZP through stratified Random Sampling, PS and GP simple random sampling without Replacement method

Audit Findings

2.6 Devolution of Funds, Functions, and Functionaries

Government of Jharkhand (GoJ) was to devolve funds, functions, and functionaries to PRIs for 29 subjects mentioned in Schedule XI of the Constitution of India to enable these institutions to function as institutions of local governance. Audit examination revealed that although 15 functions were devolved to PRIs by nine Departments (March 2014), the functions were still being operated by the Departments except in the case of activities relating to construction of ponds and renovation of *anganwaris*. Further, though GoJ decided (October 2012 to December 2013) to transfer functionaries from nine Departments to PRIs, all the test checked PRIs stated (July 2014 to September 2014) that none of functionaries were transferred to them as on March 2014. As the PRIs were facing acute shortages of manpower⁴ (*Appendix 2.1*), devolution of functions without devolving functionaries aggravated their problem in smooth functioning.

It was also noticed that out of nine Departments, two Departments devolved ₹ 9.17 crore to four test checked ZPs but no funds were devolved by these Departments to eight test checked PSs and 78 GPs. The remaining seven Departments however, failed to provide any funds to PRIs. Further scrutiny revealed that instead of sanctioning grants to ZPs, the two Departments devolved ₹ 9.17 crore as allotment by misclassification and the amounts were drawn from treasury on Abstract Contingencies bills⁵ without required⁶ concurrence of Finance Department, GoJ and on miscellaneous bills⁷. Deputy Secretary, PRD accepted (February 2015) the above facts and stated that matter would be taken up with other departments.

Recommendation: State Government may devolve functionaries and funds to undertake devolved functions as specified by the Constitution so as to make Panchayats real and effective institutions for local governance.

Other discrepancies noticed during the test check are given below:

2.7 ZP Palamu

ZP Palamu provides civic amenities in rural areas in co-ordination with 20 PSs and 283 GPs of the Palamu district covering an area of 4337 Sq km and a population of 17.14 lakhs (as per Census 2011). Audit test checked records of ZP along with two PSs and 18 GPs (*Appendix 2.2*).

⁴ Ranging from 36 to 100 per cent for Government officials and from 60 to 86 per cent for non Government officials

⁵ ₹363.95 lakh (₹ 240 lakh of Agriculture & Sugarcane Development Department (ASDD) in Ranchi, ₹ 114.95 lakh of ASDD in Sahibganj and ₹ 9 lakh of Department of Social Welfare, Women and Child Development (DSWWCD) in Palamu

⁶ Concurrence of Finance Department is required for withdrawal of advance of more than ₹10,000 from treasury.

⁷ ₹504.27 lakh (₹ 274.75 lakh in Palamu and ₹ 229.52 in West Singhbhum), Used for drawing motor car advances, house building advances etc.

2.7.1 Planning

As per JPR Act, 2001, the GP and PS within the district should prepare the Annual Plans for the development of their area and submit the same to the ZP for inclusion in the District plan. The ZPs should prepare Annual Plans for economic development and social justice of the district and ensure coordinated execution thereof.

Audit observed that the GPs forwarded the list of works to the PS which, in turn forwarded the said list to the ZP. Thus, Annual plans were not prepared at GP and PS level. It was further noticed that the ZP prepared AAPs for BRGF as a scheme instead of an Annual Plan for economic development and social justice of the entire district. However, the ZP didn't co-ordinate execution of even that scheme. It was also noticed that the test checked GP, PS and ZP prepared separate list of works being executed under XIII FC.

Thus, test checked PRIs failed to prepare Annual Plan for social and economic development of the district. Further, regarding works executed under XIII FC, the test checked PRIs failed to prepare even a consolidated statement regarding the works executed.

2.7.1.1 District Planning Committee (DPC)

As per Article 243ZD of the Constitution of India, DPC shall be constituted in every district to consolidate the plans prepared by Panchayats and Municipalities in the District to prepare a draft development plan for the district.

Audit noticed that the AAP prepared by the ZP for BRGF as a scheme was approved by the DPC during the only meeting held in each year (2011-14). However, the DPC failed to consolidate plans prepared by Panchayats as a draft development plans for the district. The DPC also failed to constitute the sub-committee/technical groups.

Recommendation: Annual Plans should be prepared at PRI level and should be consolidated at DPC level for preparation of draft development plan of the district.

2.7.2 Financial Management

The fund received by the PRIs from Central/State Government during 2009-14 and the expenditure there-from are indicated in **Table 2.1** below

Table-2.1: Financial position of test-checked PRIs at Palamu

(₹ in crore)

PRIs	Opening Balance (OB)	Central Govt. (per cent of total receipt)	State Govt. (per cent of total receipt)	Other receipts including own sources (per cent of total receipt)	District funds ⁸ (per cent of total receipt)	Total available fund (including OB)	Payments (per cent of total fund available)	Closing Balance
ZP	1.11	78.82 (83.07)	10.00 (10.54)	3.04 (3.21)	3.02 (3.18)	95.99	68.83 (71.71)	27.16
PSs (02)	Nil	0.72 (70.59)	0.30 (29.41)	0	0	1.02	0.68 (66.67)	0.34
GPs (18)	0.08	8.23 (88.40)	1.08 (11.60)	0	0	9.39	8.80 (93.72)	0.59
Total	1.19	87.77	11.38	3.04	3.02	106.40	78.31	28.09

(Source: Information provided by the PRIs)

⁸ **District Fund:** funds of different departments under disposal of DC

Thus, it was evident from the table that test checked PRIs were financially dependent on grants of Central/State Government due to negligible own sources at ZP level and nil own sources at PS and GP level. The main reason for meager/nil own sources of PRIs was failure of First and Second SFCs for recommending any measure to enhance the revenues of PRIs (March' 2014) as well as non-framing of Rules by State Government for imposition of taxes (Section 93 of JPR Act 2001) by PRIs.

Though provided in rule framed under JPR Act, 2001, no prior intimation of probable allotment of funds was provided by the State Government to the ZP.

2.7.2.1 Irregularities in receipt and utilization of fund

Audit examination revealed that:

- Against the entitlement of ₹ 97.46 crore for 2009-14, ZP lost central grants under BRGF amounting to ₹ 60.80 crore due to delays in approval and forwarding of AAPs, delays in transfer of grant by State Government, slow utilisation of grants *etc.*
- Dues of rent of properties of ZP was ₹ 0.95 crore (March 2014).
- Dues of Mining cess⁹ and Road cess¹⁰ amounting to ₹ 2.72 crore (for last 22 years) and ₹ 35.16 lakh respectively were pending (March 2014) from State Government.
- Ignoring the instruction of PRD for keeping Centrally Sponsored Schemes (CSS) funds in Bank Accounts, the ZP deposited funds of ₹ 71.34 crore in the PL account for the period 2009-14 resulting in loss of interest of ₹ 1.67 crore.
- Without any financial powers under JPR Act 2001 and applicable Rules, DE was nominated to execute works from various sources¹¹ (including ZP) for which he maintained 14 cash books and 13 savings bank accounts and received and utilised funds amounting to ₹ 32.71 crore, for the period 2009-14. Thus, DE envisaged to provide technical support to the ZP was actually functioning as independent financial authority without any such formal devolution.

While confirming the observations, in exit conference, Deputy Secretary, PRD assured us of issuance of proper directions.

- As per BRGF guidelines, the interest accrued on BRGF grants shall be treated as additional resource under BRGF and should be utilized as per the guideline of the programme. However, out of total additional fund in form of interest earned on the balances of BRGF grant in the saving account of NREP, ₹13.70 lakh was not refunded to Implementing agency ZP.

⁹ Collected by Revenue and Land reforms department and to be shared in 80:20 basis between state government and ZP; cess was discontinued from 1992.

¹⁰ Collected by Revenue and Land Reforms department and paid to ZPs on the basis of utilisation of previous release.

¹¹ DC, DRDA, Civil Surgeon *etc.*

- State Government shall transfer XIII FC Funds to all the three tiers of Panchayats within ten days of their receipt or else release funds along with interest for the number of days of delay at RBI Bank rate, audit noticed that instead of bank transfer of grants to individual tiers, the State Government released authority for drawal of funds by CEOs of respective ZPs. This delayed the credit of funds in ZP bank accounts by up to 277 days for which the State Government stood liable for payment of additional penal interest of at least ₹ 1.04 crore to the PRIs (*Appendix 2.3*). Further release of funds to test checked PSs and GPs was delayed up to 606 days. Thus the purpose of quick transfer of grants for immediate implementation of schemes remained unfulfilled.

In Exit Conference, Deputy Secretary while accepting the fact attributed the reason for delay to procedural time lapses and lack of manpower at PRI level for further distribution at lower tiers.

The reply is not acceptable as guidelines of XIII FC states that local bodies' grants are to be transferred to the elected local bodies (PRIs) within the prescribed period.

Recommendation: XIII FC grant should be drawn at PRD level from the treasury and transferred directly to PRIs bank accounts.

- ZP failed to submit UCs amounting to ₹ 95.64 crore to AG (A&E) for the funds released under different heads by PRD, Jharkhand during 2006-07 to 2012-13.

2.7.3 Execution of works

Section 75, 76 and 77 of JPR Act, 2001 describes preparation of annual plans and implementation of schemes within its domain as per mapping exercise entrusted to it.

Out of 1978 works undertaken for execution (both departmentally and through tender process) during 2009-14 under BRGF, XIII FC and MGNREGS, only 948 works were completed and 1030 works (52.07 *per cent*) remained incomplete by the end of March 2014 in the 21 test checked PRIs.

2.7.3.1 Irregularities in execution of works

Our examination of a sample of 46 works taken up for execution by the ZP revealed the following irregularities:

- Thirty works with estimated cost ranging from ₹ 0.47 lakh to ₹ 21.27 lakh were executed departmentally by violating Rule 158 of JPWD code which mandates tendering of all works valuing more than ₹ 20,000. Further, construction materials worth ₹ 0.89 crore for these works were also not procured on quotations/tender basis violating the instructions (March 1994).
- An expenditure of ₹ 0.93 crore was incurred for procurement of construction materials on improper bills (plain paper, hand receipt *etc.*) from unregistered suppliers in 30 departmentally executed works.

- Non/short-deduction of penalty¹² of ₹ 6.69 lakh was noticed in sixteen tendered works against 16 wilful defaulters who did not complete their works within approved time schedule.

When asked for reasons behind the irregularities, Deputy Secretary, PRD in exit conference accepted the facts whereas CEO assured us of following codal provisions now onwards.

2.7.3.2 Unfruitful/Irregular expenditure

Audit scrutiny revealed that:

- Ten works of estimated cost of ₹ 2.25 crore taken up during 2006-11 remained incomplete due to various reasons (**Appendix 2.4**) after incurring an unfruitful expenditure of ₹ 0.87 crore on the works (March 2014).
- An expenditure of ₹ 0.35 crore incurred by test checked GPs during 2009-14 on 36 *mitti-murram* roads of estimated cost of ₹ 0.79 crore taken up for execution under MGNREGS was irregular as *mitti-murram* road is not admissible under MGNREGS.

Thus, works could not be completed due to inadequate planning and insufficient monitoring which was accepted by CEO, ZP.

2.7.4 Internal control and monitoring

- Maintenance of records at test checked ZP, PS and GP level were very dismal as up to 50 per cent, 95 per cent and 84 per cent of prescribed records were not maintained respectively which includes budget and annual accounts, general cash books, treasury pass book etc.
- Against at least one meetings in a month for transaction of business of Panchayats (Section 69 JPR Act, 2001), shortfalls in monthly meetings of test checked ZP, PSs and GPs were noticed up to 33 per cent, 15 per cent and 87 per cent respectively.
- Standing committees were not constituted in 12 out of 18 test-checked GPs for managing, executing and monitoring schemes and preparing budget and accounts for Panchayat. Although constituted at nine test checked PRIs, (six GPs, two PSs and ZP) except meetings of three committees for one to seven times at ZP level no meetings were held (March 2014) against prescribed one meetings per month.
- Very few transactions were entered on *PRIASoft* (web based application for vouchers entry and generating records) in test checked PRIs (**Appendix 2.5**).
- Except for MGNREGS, Social audit was not conducted for any other schemes in the test checked PRIs.
- JPR Act 2001 provides for inspection of working of PRIs but audit scrutiny revealed that neither a schedule for inspection was prescribed nor any officer was nominated for inspection by the State Government.

¹² Clause 2 of terms and condition of F2 agreement of the contract: penalty at 0.5 per cent of the estimated cost of unexecuted work per day (subject to maximum 10 per cent of total estimate)

Recommendation: Internal Control and monitoring should be strengthened to avoid deviation from Rules and effective and time bound implementation of schemes.

2.8 ZP Ranchi

ZP Ranchi provides civic amenities in rural areas in co-ordination with 18 PSs and 303 GPs of the Ranchi district covering an area of 4907 Square kilometer (Sq.km.) and a population of 16.57 lakh (as per Census 2011). Audit test checked records of ZP along with two PSs and 20 GPs (***Appendix 2.6***).

2.8.1 Planning

As per provision discussed in paragraph 2.7.1 *ante*, audit observed that in 142 test checked GSs, the list of works for implementation in the village were forwarded to GPs. The GPs forwarded the list of works to the PS which, in turn forwarded the said list to the ZP. Thus, Annual plans were not prepared at GP and PS level. It was further noticed that the ZP prepared AAPs for Backward Region Grant Funds (BRGF) as a scheme instead of an Annual Plan for economic development and social justice of the entire district. However, the ZP didn't co-ordinate execution of even that scheme. It was also noticed that the test checked GP, PS and ZP prepared separate list of works being executed under XIII FC.

Thus, the test checked PRIs failed to prepare Annual Plan for social and economic development of the whole district. Further, regarding works executed under XIII FC, the test checked PRIs failed to prepare even a consolidated statement regarding the works executed.

2.8.1.1 District Planning Committee (DPC)

As per provisions discussed in paragraph 2.7.1.1 *ante*, audit noticed that the AAP prepared by the ZP for BRGF as a scheme was approved by the DPC during the only meeting held in each year (2011-14). However, the DPC failed to consolidate plans prepared by Panchayats as a draft development plan for the district. The DPC also failed to constitute its sub-committee/technical groups as provisioned in the Rule.

Recommendation: Annual Plans should be prepared at PRI level and should be consolidated at DPC level for preparation of draft development plan of the district.

2.8.2 Financial Management

The funds received by the PRIs from Central/State Government during 2009-14 and the expenditure therefrom are indicated in **Table 2.2** below:

Table-2.2: Financial position of test-checked PRIs at Ranchi

(₹ in crore)

PRIs	Opening Balance (OB) (01/04/2009)	Central Govt. (per cent of total receipt)	State Govt. (per cent of total receipt)	Other receipts including own sources (per cent of total receipt)	District funds (per cent of total receipt)	Total available fund (including OB)	Payments (per cent of total fund available)	Closing Balance (31/03/2014)
ZP	14.7	109.49 (39.83)	11.82 (4.30)	4.14 (1.50)	149.48 (54.37)	289.63	199.19 (68.78)	90.44
PSs (02)	Nil	3.88 (92.16)	0.33 (7.84)	0	0	4.21	3.34 (79.33)	0.87
GPs (20)	1.67	21.72 (90.09)	2.39 (9.91)	0	0	25.78	25.36 (98.33)	0.42
Total	16.37	135.09	14.54	4.14	149.48	319.62	227.89	91.73

(Source: Information provided by the PRIs)

Thus, it was evident from the table that test checked PRIs were financially dependent on grants of Central/State Government due to negligible own sources at ZP level and nil own sources at PS and GP level. The main reason for meager/nil own sources of PRIs was failure of First and Second State Finance Commissions (SFCs) for recommending any measure to enhance the revenues of PRIs (March 2014) as well as non-framing of Rule by State Government for imposition of taxes (Section 93 of JPR Act 2001) by PRIs.

Though provided in rule framed under JPR Act, 2001, no prior intimation of probable allotment of funds was provided by the State Government to the ZP.

2.8.2.1 Irregularities in receipt and utilisation of fund

Audit examination revealed that:

- Against the entitlement of ₹109.15crore for 2009-14,ZP lost central grants under BRGF amounting to ₹ 45.88 crore due to delays in approval and forwarding of AAPs, delays in transfer of grant by State Government, slow utilisation of grants etc.
- Dues of rent of properties of ZP was ₹ 0.85crore (March 2014) and revision of rates of shop rents was not done since last 18 years.
- Dues of Mining cess and Road cess amounting to ₹ 10.78 crore (for last 22 years) and ₹ 26.14 lakh respectively were pending (March 2014) from State Government.
- Ignoring the instruction of PRD for keeping CSS funds in Bank Accounts, the ZP deposited funds of ₹ 13.90 crore in the PL account for the period 2009-14resulting in loss of interest of ₹23.44 lakh.
- ZP decided to postpone (July 2012) its earlier planned (November 2011) registration of contractors for undisclosed reasons and refunded Contractor's registration fee of ₹ 78.35 lakh resulting in loss to the ZP to that extent and the schemes were executed without registration of Contractors.
- Receipts amounting to ₹1.93crore on account of sale of Bill of Quantities (BOQs) and Contractor Registration fees were deposited in the bank accounts of District Engineer (DE) Ranchi, instead of in ZP funds. Further, neither cashbooks were maintained for the receipts nor concurrence of CEO was taken before incurring expenditure from the said receipts, by the DE.

- As discussed in paragraph 2.7.2.1 *ante*, DE was nominated to execute works from various sources (including ZP) for which he maintained 18 cash books and 20 savings bank accounts and received and utilised funds amounting to ₹301.03 crore, during 2009-14. Again, without any formal powers under applicable Rules, the DE was calling for tenders, finalising them (with the approval of SE/ CE), signing the agreement, issuing work orders, passing the bills and making payments in seven test checked cases. Thus, the DE envisaged to provide technical support to the ZP was actually functioning as an independent financial authority without any such formal devolution.

In exit conference Deputy Secretary, PRD and CEO during audit while confirming observations assured to issue proper direction and corrective action.

- Out of total capital receipt of ₹ 2.08 crore (between August 2009 and August 2010) received from District Land Acquisition Officer, Ranchi as compensation for ZP land (lying at Ranchi Ring Road project), capital receipts of ₹ 0.89 crore (between August 2009 and January 2013) were diverted towards payment of salaries/ allowances/ retirement benefits of ZP employees violating Rule 455 (iv) of JFR which prohibits crediting of capital receipt to ordinary revenue head.

- As per Jharkhand Panchayat Raj (Budget and Accounts) Rule, 2010, the ZP fund shall be lodged in Treasury (PL) Account or in Bank Accounts and shall be operated by the CEO. Further, Rule 300 of JTC and subsequent orders of Finance Department prohibit drawal and parking of funds in anticipation of expenditure for preventing lapses of budget.

Audit scrutiny revealed that, for the period 2009-14, Deputy Commissioner (DC) utilised the ZP PL accounts for temporary parking of ₹ 130.22 crore of District funds belonging to other Departments to prevent its lapse, before transferring the funds to other executing agencies. The ZP had no control over the funds and they were entirely managed on the orders of the DC.

We also noticed that ₹ 19.25 crore were irregularly drawn and parked in bank accounts by CEO of ZP for further transfer to executing agencies on the orders of DC.

CEO, ZP confirmed the fact which was further endorsed by Deputy Secretary PRD during exit conference and assured to issue proper instructions.

Recommendation: PL account of ZP should not be used for parking of District funds to avoid lapses and further transfer to other executing agencies.

- In contravention to the provision discussed in paragraph 2.7.2.1 *ante*, audit noticed that instead of bank transfer of grants to individual tiers, the State Government released authority for drawal of funds by CEO, ZP. This delayed the credit of funds in ZP bank accounts by up to 292 days for which the State Government stood liable for payment of additional penal interest of at least ₹ 0.93 crore to the PRIs (***Appendix 2.7***). Further release of funds to test checked PSs and GPs was delayed by up to 310 days. Thus the purpose of quick transfer of grants for immediate implementation of schemes remained unfulfilled.

In Exit Conference, Deputy Secretary, PRD while accepting the fact attributed the reason for delay to procedural time lapses and lack of manpower at PRI level for further distribution at lower tiers.

The reply is not acceptable as guidelines of XIII FC states that local bodies' grants are to be transferred to the elected local bodies (PRIs) within the prescribed period.

Recommendation: XIII FC grant should be drawn at PRD level from the treasury and transferred directly to PRIs bank accounts.

- ZP failed to submit UCs amounting to ₹ 144.35 crore to AG (A&E) for the funds released under different heads by PRD, Jharkhand during 2006-07 to 2012-13.

2.8.3 Execution of works

Section 75, 76 and 77 of JPR Act, 2001 describes preparation of Annual Plans and implementation of schemes within its domain as per mapping exercise entrusted to it.

Out of 1716 works undertaken for execution (both departmentally and through tendering process) by the 23 test checked PRIs during 2009-14 under BRGF, XIII FC and MGNREGS, only 1069 works were completed and 647 works (38 per cent) remained incomplete (March 2014).

2.8.3.1 Irregularities in execution of works

Our examination of a sample of 25 works taken up for execution by the ZP revealed the following irregularities:

- Eighteen works with estimated cost ranging from ₹4.76 lakh to ₹19.91 lakh were executed departmentally by violating the provision discussed in paragraph 2.7.3.1 *ante*. Further, construction materials worth ₹1.17 crore for these works were also not procured on quotations/tender basis violating the instructions (March 1994).
- An expenditure of ₹54.45 lakh was incurred for procurement of construction materials on improper bills (plain paper, hand receipt etc.) from unregistered suppliers in 17 departmentally executed works.
- Non/short-deduction of penalty of ₹ 3.32 lakh was noticed in seven tendered works against one wilful defaulter who did not complete the works within approved time schedule.

2.8.3.2 Wasteful/Irregular expenditure

Audit scrutiny further revealed that:

- An expenditure of ₹1.18 crore incurred on 64 collapsed/abandoned irrigation wells during 2009-14 taken up for execution under MGNREGS by test checked GPs at an estimated cost of ₹ 1.55 crore was rendered wasteful due to incorrect estimates¹³/non-obtaining of advice from Ground Water Department.

¹³ Peep holes to ease outside pressure and facilitate entry of clean water into the well and a recharge structure were not the part of the estimate.

- An expenditure of ₹ 38.83 lakh incurred by test checked GPs during 2009-14 on 18 *mitti-murram* roads of estimated cost of ₹ 59.74 lakh taken up for execution under MGNREGS was irregular as *mitti murram* road is not admissible under MGNREGS.

Thus, works could not be completed due to inadequate planning and insufficient monitoring. Deputy Secretary, PRD in exit conference accepted the facts whereas CEO assured us of following codal provisions now onwards.

2.8.4 Internal control and monitoring

- Maintenance of records at test checked ZP, PS and GP level were very dismal as up to 68 *per cent*, 92 *per cent* and 97 *per cent*, of prescribed records were not maintained respectively which includes budget and annual accounts, general cash books, treasury pass books *etc.*
- Against at least one meetings in a months for transaction of business of Panchayats (Section 69 JPR Act, 2001), shortfalls in monthly meetings of test checked ZP, PSs and GPs were noticed up to 51 *per cent*, 23 *per cent* and 69 *per cent* respectively.
- Standing committees were not constituted in 18 out of 20 test checked GPs for managing, executing and monitoring of schemes and preparing budget and accounts of Panchayat. Although constituted in test checked GPs (02), PSs (02) and ZP, no meetings of standing committees were held (March 2014) against prescribed one meeting per month.
- Quorum (Section 7, JPR Act, 2001) for a meeting shall be at least 1/10th (1/3rd in schedule area) of the total members of the Gram Sabha. Audit noticed that out of 142 test-checked GSs, required quorum of GS were not fulfilled in 138 GSs and works were proposed.
- Very few transactions were entered on *PRIAsoft* (web based application for vouchers entry and generating records) in test checked PRIs (*Appendix 2.8*).
- Except for MGNREGS, Social audit was not conducted for any other schemes in the test checked PRIs.
- JPR Act 2001 provides for inspection of working of PRIs but audit scrutiny revealed that neither a schedule for inspection was prescribed nor any officer was nominated for inspection by the State Government.

Recommendation: Internal Control and monitoring should be strengthened to avoid deviation from rules and effective and time bound implementation of schemes.

2.9 ZP Sahibganj

ZP Sahibganj provides civic amenities in rural areas in co-ordination with 9 PSs and 166 GPs of the Sahibganj district covering an area of 2054 Sq km and a population of 9.91 lakhs (as per Census 2011). Audit test checked records of ZP along with two PSs and 20 GPs (*Appendix 2.9*).

2.9.1 Planning

As per provision discussed in paragraph 2.7.1 *ante*, audit observed that in 167 test checked GSs, the list of works for implementation in the village were forwarded to GPs. The GPs forwarded the list of works to the PS which, in turn forwarded the said list to the ZP. Thus, Annual plans were not prepared at GP and PS level. It was further noticed that the ZP prepared AAPs for BRGF as a scheme instead of an Annual Plan for economic development and social justice of the entire district. However, the ZP didn't co-ordinate execution of even that scheme. It was also noticed that the test checked GP, PS and ZP prepared separate list of works being executed under XIII FC.

Thus, the test checked PRIs failed to prepare Annual Plan for social and economic development of the district. Further, regarding works executed under XIII FC, the test checked PRIs failed to prepare even a consolidated statement regarding the works executed.

2.9.1.1 District Planning Committee (DPC)

As per provisions discussed in paragraph 2.7.1.1 *ante*, audit noticed that the AAP prepared by the ZP for BRGF as a scheme was approved by the DPC during the only meeting held in each year (2011-14). However, the DPC failed to consolidate plans prepared by Panchayats as a draft development plan for the district. The DPC also failed to constitute the sub-committee/technical groups.

Recommendation: Annual Plans should be prepared at PRI level and should be consolidated at DPC level for preparation of draft development plan of the district.

2.9.2 Financial Management

The funds received by the PRIs from Central/State Government during 2009-14 and the expenditure therefrom are indicated in **Table 2.3** below:

Table-2.3: Financial position of test-checked PRIs at Sahibganj

(₹ in crore)

PRIs	Opening Balance (OB)	Central Govt. (per cent of total receipt)	State Govt. (per cent of total receipt)	Other receipts including own sources (per cent of total receipt)	District funds (per cent of total receipt)	Total available fund (including OB)	Payments (per cent of total fund available)	Closing Balance
ZP	3.02	77.71 (88.82)	4.51 (5.16)	1.47 (1.68)	3.80 (4.34)	90.51	72.84 (80.48)	17.67
PSs (02)	0.06	1.56 (78.85)	0.29 (14.52)	0.13 (6.62)	0	2.04	1.02 (49.79)	1.02
GPs (20)	1.71	15.47 (89.68)	1.78 (10.32)	0	0	18.96	18.42 (97.15)	0.54
Total	4.79	94.74	6.58	1.60	3.80	111.51	92.28	19.23

(Source: Information provided by the PRIs)

Thus, it is evident from the table that test checked PRIs were financially dependent on grants of Central/State Government due to negligible own sources at ZP level and PS level and nil own sources at GP level. The main reason for meagre/nil own sources of PRIs was failure of First and Second SFCs for recommending any measure to enhance the revenues of PRIs (March' 2014) as well as non-framing of Rules by State Government for imposition of taxes (Section 93 of JPR Act 2001) by PRIs.

Further, though provided in Rule framed under JPR Act 2001, no prior intimation of probable allotment of funds was provided by the State Government to the ZP.

2.9.2.1 Irregularities in receipt and utilization of fund

Audit examination revealed that:

- Against the entitlement of ₹ 73.19 crore for 2009-14, ZP lapsed central grants under BRGF amounting to ₹ 38.94 crore due to delays in approval and forwarding of AAPs, delays in transfer of grant by State Government, slow utilisation of grants etc.
- Grant of ₹ 3.16 crore allocated under 13 FC, BRGF and State plan funds for 2013-14 lapsed due to non-drawal by ZP.
- Despite constitution (March 2011) of elected bodies for implementation of BRGF, ₹ 13.16 crore (April 2011 and May 2012) was irregularly transferred by ZP to DPO for execution of BRGF schemes, under instructions of DC. Out of this grant, ₹ 94.46 lakh was still lying unutilised with DPO (September 2014).
- Dues of rent of properties of ZP was ₹ 0.10 crore (March 2014).
- Dues of Road cess amounting to ₹ 29.64 lakh were pending (March 2014) from State Government.
- Ignoring the instruction of PRD for keeping CSS funds in Bank Accounts, the ZP deposited funds of ₹ 20.10 crore in the PL account for the period 2009-14 resulting in loss of interest of ₹ 26.03 lakh.
- As per provisions discussed in paragraph 2.7.2.1 *ante*, total additional fund in form of interest of ₹ 25.56 lakh earned on the balances of BRGF grant in the saving account of DPO were lying idle in the bank account and not refunded to Implementing agency ZP.
- As discussed in paragraph 2.7.2.1 *ante*, DE was nominated to execute works from various sources (including ZP) for which he maintained 10 cash books and 10 savings bank accounts and received and utilised funds amounting to ₹ 25.50 crore, for the period 2009-14. Thus DE envisaged to provide technical support to the ZP was actually functioning as independent financial authority without any such formal devolution.

Deputy Secretary, PRD in exit conference assured us of issuance of proper direction.

- In contravention to the provision discussed in paragraph 2.7.2.1 *ante*, audit noticed that instead of bank transfer of grants to individual tiers, the State Government released authority for drawal of funds by CEO, ZP. This delayed the credit of funds in ZP bank accounts by up to 317 days for which the State Government stood liable for payment of additional penal interest of at least ₹ 0.41 crore to the PRIs (*Appendix 2.10*). Further release of funds to test checked PSs and GPs was delayed by up to 252 days. Thus the purpose of quick transfer of grants for immediate implementation of schemes remained unfulfilled.

In Exit Conference, Deputy Secretary, PRD while accepting the fact attributed the reason for delay to procedural time lapses and lack of manpower at PRI level for further distribution at lower tiers.

The reply is not acceptable as guidelines of XIII FC states that local bodies' grants are to be transferred to the elected local bodies (PRIs) within the prescribed period.

Recommendation: XIII FC grant should be drawn at PRD level from the treasury and transferred directly to PRIs bank accounts.

- XIII FC grants amounting to ₹ 6.18 lakh, released (between March 2011 and March 2013) by ZP to three GPs was not found credited in the account of GPs (March 2014).
- ZP failed to submit UCs amounting to ₹42.86 crore to AG (A & E) for the funds released under different heads by PRD, Jharkhand during 2006-07 to 2012-13.
- Due to equal distribution (instead of GP weighted distribution) of XIII FC grant of ₹ 4.88 crore, share of four major PSs, was reduced to ₹ 2.16 crore from ₹ 2.93 crore resulting in loss to four major PSs and gain to five minor PSs to that extent.
- Non deduction of contractors profit for construction of nine ponds in Sahibganj ZP resulted in irregular inflation of work order by ₹11.61 lakh resulting in creation of additional liability for the ZP.

2.9.3 Execution of works

Section 75, 76 and 77 of JPR Act, 2001 describes preparation of Annual Plans and implementation of schemes within its domain as per mapping exercise entrusted to it.

Out of 991 works undertaken for execution (both departmentally and through tendering process) by 23 test checked PRIs during 2009-14 under BRGF, 13 FC and MGNREGS, 819 works were completed and 172 works (17.36 per cent) remained incomplete (March 2014).

2.9.3.1 Irregularities in execution of works

Our examination of a sample of 20 works taken up for departmental execution by the ZP revealed the following irregularities:

- Twenty works of estimated cost of ₹ 21.58 lakh each were executed departmentally by violating the provision discussed in paragraph 2.7.3.1 ante. Further, construction materials worth ₹3.03 crore for these works were also not procured on quotations/tender basis violating the instructions (March 1994).
- An expenditure of ₹ 2.05 crore was incurred for procurement of construction materials on improper bill (plain paper, hand receipt etc.) from unregistered suppliers in 20 departmentally executed works.
- Wages of ₹ 25.36 lakh for 18569 mandays in 13 works were paid without attestation of 'Left Thumb Impressions' (LTI).

2.9.3.2 Irregular expenditure

An expenditure of ₹ 0.68 crore incurred by test checked GPs during 2009-14 on 42 *mitti-murram* roads of estimated cost of ₹ 0.83 crore taken up for execution under MGNREGS was irregular as *mitti-murram* road is not admissible under MGNREGS.

When asked for reasons behind the irregularities, Deputy Secretary, PRD in exit conference accepted the facts whereas CEO, ZP assured us of following codal provisions now onwards.

2.9.4 Internal control and monitoring

- Maintenance of records at test checked ZP, PS, GP level were very dismal as up to 87 per cent, 97 per cent and 97 per cent, of prescribed records were not maintained respectively which includes budget and annual accounts, general cash books, treasury pass books etc.
- Against at least one meetings in a months, for transaction of business of Panchayats (Section 69 JPR Act, 2001), shortfalls in monthly meetings of test checked ZP, PSs and GPs were noticed up to 28 per cent, 67 per cent and 100 per cent respectively.
- Standing committees were not constituted in any of the 20 test checked GPs for managing, executing and monitoring of schemes and preparing budget and accounts of Panchayat. Although constituted at test checked PSs (02) and ZP level, except meetings of five committees (8 to 11 times) at ZP level, no meetings of standing committees were held (March 2014) against prescribed one meetings per month.
- Quorum (Section 7, JPR Act, 2001) for a meeting shall be at least 1/10th (1/3rd in schedule area) of the total members of the Gram Sabha. Audit noticed that out of 167 test-checked GSs, required quorum of GS were not fulfilled in 158 GSs and works were proposed.
- Very few transactions were entered on *PRIAsoft* (web based application for vouchers entry and generating records) in test checked PRIs (*Appendix 2.11*).
- Except for MGNREGS, Social audit was not conducted for any other schemes.
- JPR Act, 2001 provides for inspection of working of PRIs but audit scrutiny revealed that neither a schedule for inspection was prescribed nor any officer was nominated for inspection by the State Government.

Recommendation: Internal Control and monitoring should be strengthened to avoid deviation from rules and effective and time bound implementation of schemes.

2.10 ZP West Singhbhum

ZP West Singhbhum provides civic amenities in rural areas in co-ordination with 18 PSs and 216 GPs of the West Singhbhum district covering an area of

7208 Sq km with a population of 12.84 lakh (as per Census 2011). Audit test checked records of ZP along with two PSs and 20 GPs (*Appendix 2.12*).

2.10.1 Planning

As per provision discussed in paragraph 2.7.1 *ante*, audit observed that in 138 test checked GSs, the list of works for implementation in the village were forwarded to GPs. The GPs forwarded the list of works to the PS which, in turn forwarded the said list to the ZP. Thus, Annual plans were not prepared at GP and PS level. It was further noticed that the ZP prepared AAPs for BRGF as a scheme instead of an Annual Plan for economic development and social justice of the entire district. However, the ZP didn't co-ordinate execution of even that scheme. It was also noticed that the test checked GP, PS and ZP prepared separate list of works being executed under XIII FC.

Thus, the test checked PRIs failed to prepare Annual Plan for social and economic development of the district. Further, regarding works executed under XIII FC, the test checked PRIs failed to prepare even a consolidated statement regarding the works executed.

2.10.1.1 District Planning Committee (DPC)

As per provisions discussed in paragraph 2.7.1.1 *ante*, audit noticed that the AAP prepared by the ZP for BRGF as a scheme was approved by the DPC during the only meeting held in each year (2011-14). However, the DPC failed to consolidate plan prepared by Panchayats as a draft development plans for the district. The DPC also failed to constitute its sub-committee/technical groups as provisioned in the Rule.

Recommendation: Annual Plans should be prepared at PRI level and should be consolidated at DPC level for preparation of draft development plan of the district.

2.10.2 Financial Management

The funds received by the PRIs from Central/State Government during 2009-14 and the expenditure there-from are indicated in **Table 2.4** below:

Table-2.4: Financial position of test-checked PRIs at West Singhbhum

(₹ in crore)

PRIs	Opening Balance (OB) (01/04/2009)	Central Govt. (per cent of total receipt)	State Govt. (per cent of total receipt)	Other receipts including own sources (per cent of total receipt)	District funds (per cent of total receipt)	Total available fund (including OB)	Payments (per cent of total fund available)	Closing Balance (31/03/2014)
ZP	10.71	74.74 (90.85)	5.04 (6.13)	0.86 (1.04)	1.63 (1.98)	92.98	68.09 (73.23)	24.89
PSs (02)	Nil	1.12 (75.17)	0.37 (24.83)	0	0	1.49	0.70 (46.98)	0.79
GPs (20)	5.57	15.50 (89.54)	1.81 (10.46)	0	0	22.88	22.18 (96.94)	0.70
Total	16.28	91.36	7.22	0.86	1.63	117.35	90.97	26.38

(Source: Information provided by the PRIs)

Thus, it is evident from the table that test checked PRIs were financially dependent on grants of Central/State Government due to negligible own sources at ZP level and nil own sources at PS and GP level. The main reason

for meager/nil own sources of PRIs was failure of First and Second SFCs for recommending any measure to enhance the revenues of PRIs (March 2014) as well as non-framing of Rules by State Government for imposition of taxes by PRIs.

Further, though provided in Rule framed under JPR Act 2001, no prior intimation of probable allotment of funds was provided by the State Government to the ZP.

2.10.2.1 Irregularities in receipt and utilisation of fund

Audit examination revealed that:

- Against the entitlement of ₹ 108.51 crore for 2009-14, District lost central grants under BRGF amounting to ₹ 61.57 crore due to delays in approval and forwarding of AAPs, delays in transfer of grant by State Government, slow utilisation of grants *etc.*
- Dues of rent of properties of ZP was ₹ 0.10 crore (March 2014) and revision of rates of shop rents was not done since last 24 years.
- Dues of Mining Cess and Road Cess was amounted to ₹ 10.50 crore (for last 22 years) and ₹ 88.11 lakh respectively were pending (March 2014) from State Government.
- Ignoring the instruction of PRD for keeping CSS funds in Bank Accounts, the ZP deposited funds of ₹ 65.56 crore in the PL account for the period 2009-14 resulting in loss of interest of ₹ 95.24 lakh.
- Ignoring the provision discussed in paragraph 2.7.2.1 *ante*, total additional fund in form of interest of out ₹ 11.55 lakh earned on the balances of BRGF grant in the saving account of RDSB were lying idle in the bank account and not refunded to Implementing agency ZP.
- An amount of ₹ 21.94 lakh remained in the bank account of ZP for over 10 years was transferred by the Bank to Depositor Education and Awareness Fund (DEAF) as per RBI guidelines, due to no transactions in the account for the last 10 years.
- Receipts amounting to ₹ 0.78 crore on account of sale of BOQs were deposited in the bank accounts of DE, instead of its deposit in ZP funds. Further neither cashbooks were maintained for the receipts nor was concurrence of CEO taken before incurring expenditure from the said receipts, by the DE.
- As discussed in paragraph 2.7.2.1 *ante*, DE was nominated to execute works from various sources (including ZP) for which he maintained 15 cash books and 15 savings bank accounts and received and utilised funds amounting to ₹ 81.64 crore, for the period 2009-14. Again, without any formal power under applicable Rule, the DE was calling for tenders, finalising them (with the approval of SE/CE), signing the agreement, issuing work orders, passing the bills and making payments in eight test checked cases. Thus DE envisaged to provide technical support to the ZP was actually functioning as independent financial authority without any such formal devolution.

CEO, ZP stated that irregular transaction by DE had been stopped since July 2014 and now, bank accounts were being operated by CEO, ZP. He further stated that tender decision would be made as per Rule.

- As per provisions discussed in paragraph 2.7.2.1 *ante* audit scrutiny revealed that, for the period 2009-14, DC utilised the ZP PL accounts for temporary parking of ₹ 1.63 crore of District funds belonging to other Departments to prevent its lapse, before transferring the funds to other executing agencies. The ZP had no control over the funds and they were entirely managed on the orders of the DC.

Deputy Secretary, PRD during exit conference assured us of issuing proper instructions in this regard.

Recommendation: PL account of ZP should not be used for parking of District funds to avoid lapses and further transfer to other executing agencies.

- In contravention to the provision discussed in paragraph 2.7.2.1 *ante*, audit noticed that instead of bank transfer of grants to individual tiers, the State Government released authority for drawal of funds by CEOs of respective ZPs. This delayed the credit of funds in ZP bank accounts by up to 378 days for which the State Government stood liable for payment of additional penal interest of at least ₹ 0.74 crore to the PRIs (*Appendix 2.13*). Further release of funds to PSs and GPs was delayed by up to 440 days. Thus the purpose of quick transfer of grants for immediate implementation of schemes remained unfulfilled.

In Exit Conference, Deputy Secretary, PRD while accepting the fact attributed the reason for delay to procedural time lapses and lack of manpower at PRI level for further distribution at lower tiers.

The reply is not acceptable as guidelines of XIII FC states that local bodies' grants are to be transferred to the elected local bodies (PRIs) within the prescribed period.

Recommendation: XIII FC grant should be drawn at PRD level from the treasury and transferred directly to PRIs bank accounts.

- XIII FC grants amounting to ₹ 3.88 lakh, released (February 2013) by ZP to Chakradharpur PS was not found credited in the account of PS (March 2014).
- ZP failed to submit UCs amounting to ₹ 75.54 crore to AG (A&E) for the funds released under different heads by PRD, Jharkhand during 2006-07 to 2012-13.

2.10.3 Execution of works

Section 75, 76 and 77 of JPR Act, 2001 describes preparation of Annual Plans and implementation of schemes within its domain as per mapping exercise entrusted to it.

Out of 1505 works undertaken for execution (both departmentally and through tendering process) by 23 test checked PRIs during 2009-14 under BRGF, 13 FC and MGNREGS, only 810 works were completed and 695 works (46 per cent) remained incomplete (March 2014).

2.10.3.1 Irregularities in execution of works

Our examination of a sample of 25 works taken up for execution by the ZP revealed the following irregularities:

- Fifteen works with estimated cost ranging from ₹4.76 lakh to ₹19.91 lakh were executed departmentally by violating the provision discussed in paragraph 2.7.3.1 *ante*. Further, construction material worth ₹ 1.33crore for these works were also not procured on quotation/tender basis violating the instructions (March 1994).
- An expenditure of ₹1.57crore was incurred for procurement of construction materials on improper bills (Plain paper, hand receipt etc.) from unregistered suppliers in 15 departmentally executed works.
- Engagement of a single labour for upto four times on same date on same work was noticed in nine works (3926 cases).
- Wages of ₹25.54 lakh for 25687 mandays in 15 works were paid without attestation of 'Left Thumb Impressions' (LTI).
- Non/short-deduction of penalty of ₹9.71 lakh was noticed in eight tendered works against four wilful defaulters who did not complete their works within approved time schedule. Further short deduction of labour cess of ₹ 2.09 lakh was also noticed in ten tendered works.

When asked for reasons behind the irregularities, Deputy Secretary, PRD in exit conference accepted the facts whereas CEO, ZP assured us of following codal provisions now onwards.

2.10.3.2 Misappropriation/Unfruitful/Irregular expenditure

Further audit examination revealed that

- PRD administratively approved and released ₹ 99.33 lakh (July 2004 and May 2005) for construction of Pandrashalli chowk to Voya- Kharsawan main path on the basis of incorrect estimate¹⁴. DE subsequently, completed (July 2007) the work valuing ₹ 80.70 lakh and proposed (July 2007) construction of another one km road (EklavyaVidhyalayaTorsindiri path) from the balance money, to the CEO, ZP who administratively approved the proposal and advanced (August 2007) ₹ 18.29 lakh to the DE by drawing it from its PL account¹⁵ in Chaibasa treasury. DE subsequently advanced ₹ 18 lakh (August 2007 to November 2007) to two JEs for construction of another road from Burusai Sau Gope house to Pandu Sundi house which was already constructed (March 2008, ₹ 18.34 lakh) by another JE, from separate funds received by the DE from DPO, under RSVY. Presently, ₹ 18.00 lakh remain advanced (September 2014) by the DE to the two JEs without adjustment,

¹⁴ Road was actually 5.4 km instead of 6.5 km

¹⁵ ZP letter no. 145 dated 09.08.2007 and PL cheque no. 331599 dated 7/8/2007

while remaining amounts lie with the DE. Thus ₹ 18.00 lakh was misappropriated by the JE/DE through release of money for the same work twice.

CEO, ZP confirmed the audit observation.

- Twenty one works of estimated cost of ₹ 13.81 crore taken up during 2007-09 were remained incomplete due to various reasons (**Appendix 2.14**) after incurring an unfruitful expenditure of ₹ 7.77 crore on the works (March 2014).
- In violation of JPWD Code, advances of ₹ 2.11 crore given to JE/AE for departmental execution of two works¹⁶ were irregularly adjusted by ZP on the basis of measurement recorded in MBs without verifying muster rolls/purchase vouchers.
- Estimates for two works of ₹ 5.97 crore were irregularly split into 21 and six parts by EE, RDS/ NREP of West Singhbhum and were administratively approved by DC, so as to keep estimates within sanctioning limits of EE/ DC and avoid scrutiny of higher authorities.
- An expenditure of ₹ 1.21 crore was rendered wasteful on 104 collapsed/abandoned irrigation wells taken up for execution under MGNREGS by test checked GPs at an estimated cost of ₹ 2.75 crore during 2009-14 either due to incorrect estimates or non-obtaining of advice from Ground Water Department.
- An expenditure of ₹ 2.46 crore incurred by test checked GPs during 2009-14 on 148 *mitti-murram* roads of estimated cost of ₹ 4.21 crore taken up for execution under MGNREGS was irregular as *mitti-murram* road is not admissible under MGNREGS.

Thus, works could not be completed due to inadequate planning and insufficient monitoring which was accepted by CEO, ZP.

2.10.4 Internal control and monitoring

- Maintenance of records at test checked ZP, PS and GP level were very dismal as up to 74 per cent, 95 per cent and 86 per cent of prescribed records were not maintained respectively which includes budget and annual accounts, general cash books, treasury pass book etc.
- Against at least one meetings in a month for transaction of business of Panchayats (Section 69 JPR Act, 2001), shortfalls in monthly meetings of test checked ZP, PSs and GPs were noticed up to 31 per cent, 51 per cent and 90 per cent respectively.
- Standing committees were not constituted in all test checked GPs for managing, executing and monitoring of schemes and preparing budget and accounts of Panchayat. Although constituted at test checked PSs (02) and ZP level, no meetings of standing committees were held (March 2014) against prescribed one meeting per month.

¹⁶ Construction of Health Centre at Tantnagar which remained incomplete (September 2014) and construction of Panchayat Bhawan at Dimbuli which was demolished by anti social elements after completion (September 2014)

- Quorum (Section 7, JPR Act, 2001) for a meeting shall be at least 1/10th (1/3rd in schedule area) of the total members of the Gram Sabha. Audit noticed that out of 138 test-checked GSs, required quorum of GS were not fulfilled in 135 GSs and works were proposed.
- Very few transactions were entered on *PRIAsoft* (web based application for vouchers entry and generating records) in test checked PRIs (*Appendix 2.15*).
- Except for MGNREGS, Social audit was not conducted for any other schemes by the test checked PRIs.
- JPR Act 2001 provides for inspection of working of PRIs but audit scrutiny revealed that neither a schedule for inspection was prescribed nor any officer was nominated for inspection by the State Government.

Recommendation: Internal Control and monitoring should be strengthened to avoid deviation from rules and effective and time bound implementation of schemes.

2.11 Conclusion

ZP Palamu

- Despite transfer of 15 functions to PRIs by nine departments the functions were still operated by the departments (except in respect of two activities). The funds (except in respect of two activities) and functionaries were yet to be transferred. PRIs were facing acute shortage of man power in the district.
- Annual plans were not prepared at GP and PS level. Instead of annual plans, the ZP prepared only Annual Action Plans for BRGF.
- As the receipts from own sources were negligible, the PRIs were financially dependent on Central/State grants; No rule has yet been framed by State Government for imposition of taxes by PRIs.
- The State Government failed to ensure timely transfer of XIII FC grants to PRIs.
- Inadequate monitoring while planning/executing works resulted in irregularities in procurement of materials for works and unfruitful expenditure and taking up of inadmissible works.
- The PRIs failed to maintain adequate records as prescribed.

ZP Ranchi

- Despite transfer of 15 functions to PRIs by nine departments the functions were still operated by the departments (except in respect of two activities). The funds (except in respect of two activities) and functionaries were yet to be transferred. PRIs were facing acute shortage of man power in the district.
- Annual plans were not prepared at GP and PS level. Instead of annual plans, the ZP prepared only Annual Action Plans for BRGF.

- As the receipts from own sources were negligible, the PRIs were financially dependent on Central/State grants; No Rule was framed by the State Government for imposition of taxes by PRIs.
- The State Government failed to ensure timely transfer of XIII FC grants to PRIs. Capital receipts were spent on salary payment.
- Inadequate monitoring while planning/executing works resulted in irregularities in procurement of material for works, unfruitful expenditure and wasteful expenditure.
- The PRIs failed to maintain adequate records as prescribed.

ZP Sahibganj

- Despite transfer of 15 functions to PRIs by nine departments the functions were still operated by the departments (except in respect of two activities). The funds (except in respect of two activities) and functionaries were yet to be transferred. PRIs were facing acute shortage of man power in the district.
- Annual plans were not prepared at GP and PS level. Instead of annual plans, the ZP prepared only Annual Action Plans for BRGF.
- As the receipts from own sources were negligible, the PRIs were financially dependent on Central/State grants; No Rule was framed by the State Government for imposition of taxes by PRIs.
- The State Government failed to ensure timely transfer of XIII FC grants to PRIs.
- Inadequate monitoring while planning/executing works resulted in irregularities in procurement of material for works and unfruitful expenditure.
- The PRIs failed to maintain adequate records as prescribed.

ZP West Singhbhum

- Despite transfer of 15 functions to PRIs by nine departments the functions were still operated by the departments (except in respect of two activities). The funds (except in respect of two activities) and functionaries were yet to be transferred. PRIs were facing acute shortage of man power in the district.
- Annual plans were not prepared at GP and PS level. Instead of annual plans, the ZP prepared only Annual Action Plans for BRGF.
- As the receipts from own sources were negligible, the PRIs were financially dependent on Central/State grants; No Rule was framed by the State Government for imposition of taxes by PRIs.
- The State Government failed to ensure timely transfer of XIII FC grants to PRIs.
- Inadequate monitoring while planning/executing works resulted in irregularities in procurement of material for works and unfruitful expenditure. Preparation of inflated estimate resulted in misappropriation of Government money.
- The PRIs failed to maintain adequate records as prescribed.

CHAPTER-3
COMPLIANCE AUDIT-PRI's

Chapter-3

Compliance Audit

Department of Panchayati Raj & National Rural Employment Programme (Special Division)

3.1 Non-recovery of advance and unfruitful expenditure

Failure of the DE to monitor the progress of the works resulted in defalcation of ₹ 6.23 crore by the Assistant Engineer. Besides, as the school buildings remained incomplete, it resulted in unfruitful expenditure of ₹ 61.86 lakh and deprived education facilities to the local people.

The Human Resource Development Department (HRDD), Government of Jharkhand (GoJ) accorded administrative approval (October 2008) for construction of 21 school¹ buildings in Chatra District under the Twelfth Finance Commission grants. The scheme was technically approved (2008-09) by the Chief Engineer, Rural Works Department, GoJ for ₹ 18.18 crore². As per HRDD instructions (October 2008), all these works were to be carried out departmentally through District Engineer (DE), Zila Parishad (ZP) or Engineers of Sarva Shiksha Abhiyaan (SSA) and were to be completed by 31 March 2009. The HRDD released ₹ 17.84 crore to District Education Officer (DEO), Chatra for construction of 21 school buildings and the amount was transferred to DE, ZP in three installments³ as per the progress of work. The DE was responsible for ensuring the timely completion of works.

Scrutiny of records at ZP, Chatra (November 2012) revealed that the DEO allotted all these works to DE, ZP and transferred ₹ 9.03 crore. The DE awarded all these work to Assistant Engineer (AE) and advanced (November to December 2008) ₹ 9 crore for construction of the schools.

The AE, ZP, Chatra commenced (November 2008) construction of only 15 out of 21 school buildings and the work remained incomplete since March 2009. However, the AE, ZP stopped the work since March 2009. As a result the Deputy Commissioner (DC), Chatra directed (February 2010) DEO, Chatra to conduct a joint valuation of the work executed by the AE through a team of Engineers. As per the Report submitted (July 2010) by the Engineers, the value of work executed by the AE was ₹ 2.28 crore as on June 2010. As a result the ZP, Chatra seized the personal bank account of the AE and recovered ₹ 49.17 lakh (August 2010) and the balance amount of ₹ 6.23 crore remained with the AE. Accordingly, an FIR was filed by the ZP, Chatra against the AE in January 2010. DE replied (March 2015) that certificate case was also initiated against the AE. It was also noticed that nine works out of 15 were subsequently entrusted (August 2009) to Labhuk Samitis and the works were in progress (January 2015). The balance six works stopped since

¹ 10+2 High School – 9 Nos., Upgraded High School -8 Nos. & project school – 4 Nos.

² 10+2 High School (9 Nos.) – ₹ 137.00 lakh each, Upgraded High School (8 Nos.) - ₹ 42.00 lakh each, Project School (4 Nos.) - ₹ 62.15 lakh each.

³ 40:40:20 per cent of the estimated cost

March 2009 after an expenditure of ₹ 61.86 lakh. Six works remained incomplete (January 2015). Thus, the failure of DE to monitor the progress of the work resulted in defalcation of part of advance out of ₹ 6.23 crore by the AE since November/December 2008. Besides, the incomplete six school buildings resulted in unfruitful expenditure of ₹ 61.86 lakh and deprived education facilities to the local people.

Matter was brought to the notice of the Government (December 2014). Their reply had not been received (February 2015).

3.2 Unadjusted advances

Contrary to the provisions, the DE, ZP, Chatra sanctioned advances of ₹ 17 lakh to the AE, ZP, Chatra for executing the work without adjusting the earlier advances. The failure to take a decision about the work executed by the AE resulted in loss of bitumen worth ₹ 7.24 lakh from the premises of the ZP and blocking of Government funds of ₹ 71.99 lakh. Another advance of ₹ 10 lakh sanctioned to AE, ZP also remained unadjusted as on January 2015.

PRD instructed (March 2006) Deputy Development Commissioner-cum-Chief Executive Officer (DDC-cum-CEO) of ZP to execute all works through tendering procedure. Further, the Jharkhand Treasury (JT) Code read with Public Works Accounts (PWA) Code specifies that in respect of advances granted under special orders of the competent authority against passed vouchers, the Government Servants are required to submit adjustment bills or else the amount should be refunded within one month of sanction.

PRD accorded administrative approval for the proposal of the ZP, Chatra to repair and strengthen the Chatra-Hazaribag road via Lepo in two parts during 2005-06 (part one) and 2006-07 (part two) for ₹ 41.99 lakh (July 2006) and ₹ 42.00 lakh (September 2006) respectively. PRD released ₹ 41.99 lakh in two installments of ₹ 20 lakh (September 2005) and ₹ 21.99 lakh (July 2006) and ₹ 30 lakh for the second part (September 2006).

Audit observed (January 2014) that ZP, Chatra decided (March 2006) to execute the work departmentally as the tendering process would take six months for the work to start and would need further time for completion. It was further noticed that the DE, Chatra was nominated (September 2005) as the executing agency for the work. The ZP, Chatra granted (March 2006 to March 2008) advances amounting to ₹ 27 lakh⁴ to the DE who subsequently, released (March 2006 to March 2008) the amounts as advances to the AE, Chatra for execution of work including purchase of materials and engagement of labour. However, while granting the advances, neither the ZP, Chatra nor the DE followed the provisions of the JT/PWA Codes and released the advances without insisting for settlement of earlier advances. Subsequently,

⁴ First part- ₹ 4 lakh in March 2006, ₹ 5 lakh in November 2007 and ₹ 8 lakh in March 2008; Second part- ₹ 5 lakh each in April 2007 and November 2007

the AE, Chatra submitted (February 2008) claim of ₹ 21.40 lakh (including value of 25.60 MT Bitumen) in respect of work for the first part against the advance of ₹ 17 lakh. However, the claim was not approved by the DE as vouchers in support of materials purchased and muster rolls for engagement of labour were not submitted. As the measurements were not approved by the DE, the DDC-cum-CEO did not approve the executed work resulting in unadjusted advances as on January 2015. Further, the advance of ₹ 10 lakh released by the DE to the AE for the second part also remained unadjusted as on (January 2015) with the AE as no work was executed on that part.

Audit also observed that the ZP, Chatra purchased 69.412 MT of bitumen from M/s Hindustan Petroleum Corporation Ltd (HPCL) for ₹ 16.71 lakh in July 2007 for use in this work out of which 25.60 MT was used for the work. However, a joint physical verification of bitumen in stock by a team of Audit and ZP, Chatra (January 2014) revealed that instead of 43.812 MT, only 13.753 MT of bitumen were in stock and the DDC-cum-CEO failed to justify the shortage 30.059 MT of bitumen costing ₹ 7.24 lakh. In absence of a Stock Register, the shortage could not be reconciled from records also.

Thus, the works, which was taken up (March 2006) to be executed departmentally as per orders of the DE so as to complete it at the earliest, remained incomplete till February 2015. The grant of subsequent advances without adjusting the previous one's by the ZP/DE resulted in submission of claims at a later date without vouchers/muster rolls to support the works executed. Therefore, the veracity of the claim of ₹ 21.40 lakh (including value of 25.60 MT bitumen) submitted by the AE in respect of the advance of ₹ 17 lakh granted for the first part of the work remained to be confirmed. Further, the prolonged uncertainty about the executed portion of the work resulted in loss of bitumen worth ₹ 7.24 lakh from the premises of the ZP, Chatra and blocking of Government funds of ₹ 71.99 lakh sanctioned by the PRD during September 2005/July 2006.

Though the second part of work was not executed so far, the advance of ₹ 10 lakh released to the AE by the DE in April/November 2007 remained unadjusted as on (January 2015). Besides, the intended objective of connecting all villages with all-weather roads for increased police surveillance and access to agricultural markets remained unaccomplished.

The DDC-cum-CEO replied (January 2015) that FIR was lodged (June 2009) by the then DDC cum CEO, ZP Chatra against the AE and Certificate action was also initiated.

Matter was brought to the notice of the Government (December 2014). Their reply had not been received (February 2015).

3.3 Suspected misappropriation of ₹ 5.42 lakh

The failure of DE to supervise the execution of work and payment of subsequent temporary advances to the technical assistant without adjusting/recovery of earlier advances led to suspected misappropriation of ₹ 5.42 lakh

Rule 100 of Jharkhand Public Works Account Code prescribes that advances may be granted to government servants against works sanctioned and to be executed. Further, as per instructions issued (December 1983) by Vigilance Department, Government of Jharkhand, the accounts of temporary advances shall be rendered within a month from the date of drawal of such advances. No further advance should be granted to the government servants without adjustment/recovery of the previous advances.

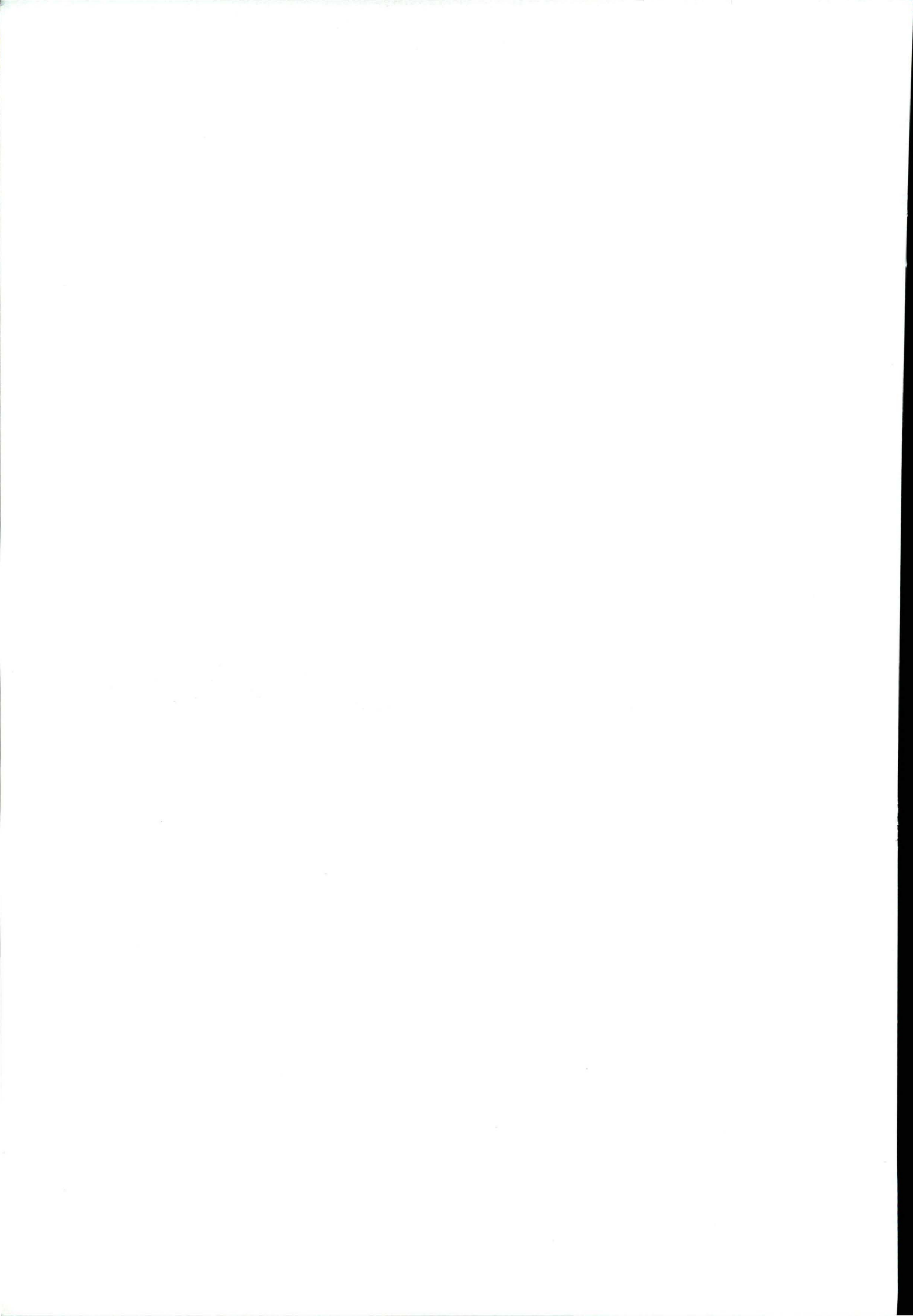
Scrutiny (February 2014) of records of Zila Parishad (ZP), Sahibganj revealed that Deputy Commissioner, Sahibganj accorded administrative approval (August 2010) of ₹ 21.58 lakh for construction of Panchayat Bhawan at Ganga Prasad East Middle Gram Panchayat in Sahibganj Block under convergence scheme of Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and Backward Region Grant Fund (BRGF) (₹ 10 lakh from MGNREGA and ₹ 11.58 lakh from BRGF) and ZP, Sahibganj was made the executing agency. The then Technical Assistant (TA) working on contractual basis in the office of the Block Development Officer, Sahibganj was nominated (December 2010) as executing agent of the scheme being executed departmentally by ZP, Sahibganj with scheduled date of completion of work as 31 March 2011.

An advance amount of ₹ eight lakh was granted to the TA during December 2010 and February 2011 on the recommendation of District Engineer (DE) to execute the scheme. As per condition 3 of the order (December 2010), the TA was required to submit measurement of executed work at least every seven days and the DE was to ensure regular supervision of execution of scheme and submit report on it. However, the TA did not submit any adjustment bill for the advance rendered to him. On being sought (September 2011) clarification for not completing the scheme, the TA informed that work was stopped due to land dispute but now (September 2011) the dispute had been sorted out. Therefore, the TA was directed (October 2011) to submit measurement details for works executed with the advance. Even though the TA failed to submit the vouchers, measurement book, muster roll and Management Information System in support of previous advances, a further advance of ₹ 11.30 lakh was granted to him on recommendations of the DE between November 2011 and May 2012. As the TA failed to submit measurement book and vouchers, DE directed (June 2013) another Junior Engineer to submit the up-to-date measurement of the work executed. Accordingly, the value of work done was assessed as ₹ 13.88 lakh only. On being directed (October 13) to refund the unadjusted advance of ₹ 5.42 lakh⁵, it was found that the TA had submitted resignation from the post in May 2013. Though, his resignation was not

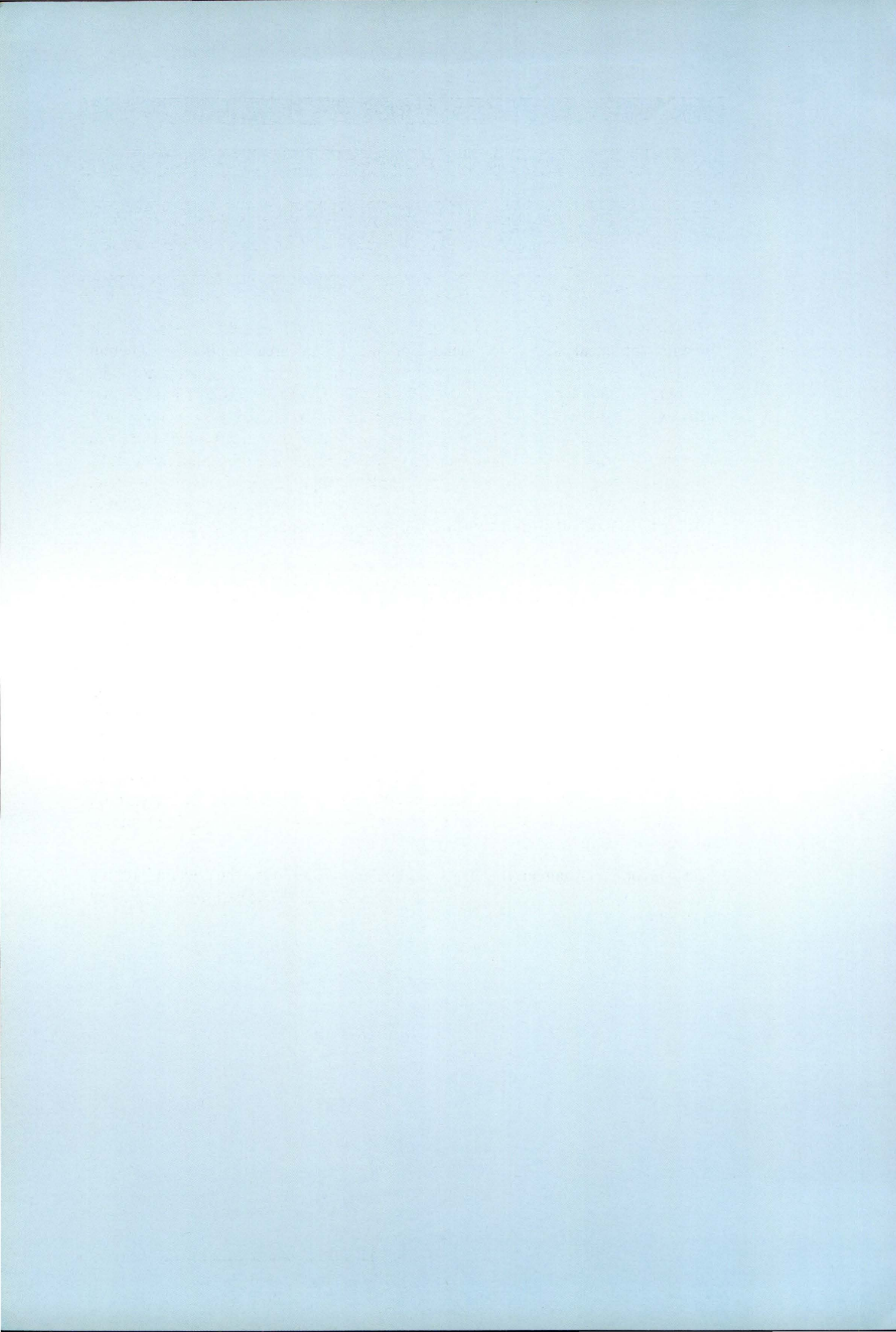
⁵ ₹ 8 lakh + ₹ 11.30 lakh – ₹ 13.88 lakh = ₹ 5.42 lakh

accepted, the TA was absconding from duty since June 2013. Thus, the failure of DE to supervise the execution of work and payment of subsequent temporary advances without adjusting/recovering earlier advances led to suspected misappropriation of ₹ 5.42 lakh by the TA. Further, the objective of the Government remained unfulfilled due to non-completion of Panchayat Bhawan. On being pointed out, DDC cum CEO replied (January 2015) that the executing agency had not responded to the warnings and show causes notice were issued between August 2013 and January 2014.

The matter was reported (December 2014) to the Government and its reply is awaited.



PART-II
CHAPTER-4
AN OVERVIEW OF ACCOUNTS AND FINANCES OF
URBAN LOCAL BODIES (ULBs)



PART-II

CHAPTER-4

AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

4.1 Introduction

The Seventy four Constitutional amendment enacted in 1992 envisaged for creation of local self-governments for the urban area population wherein municipalities were provided with the constitutional status for governance. The amendment empowered Urban Local Bodies (ULBs) to function efficiently and effectively to deliver services for economic development and social justice with regard to 18 functions listed in the Twelfth Schedule of the Constitution. The State Government enacted Jharkhand Municipal Act (JM Act), 2011 in February 2012 and incorporated all 18 functions in regard to empowering ULBs in the State. Jharkhand Municipal Accounts Manual (JMAM) was also prepared in October 2012 on the basis of National Municipal Accounts Manual, which prescribes the procedure of accounting in ULBs.

As per census 2011, the urban population of Jharkhand was 79 lakh which constituted 24 *per cent* of the total population (3.30 crore) of the State. In Jharkhand, there are 39 ULBs *viz.* three Municipal Corporations (M. Corps), 14 Municipal Councils (MCs), 19 Nagar Panchayats (NPs), one Nagarpalika and two Notified Area Committees(NACs).

4.2 Organisational structure

The ULBs are under the administrative control of Urban Development Department (UDD), Government of Jharkhand (GoJ). The Municipal Commissioner/Executive Officer (EO) of the M. Corp/MC/ NP is appointed by the State Government and has executive powers for the purposes of carrying on the administration of ULB, subject to the provisions of the JM Act, 2011 and of any rules made there under.

The Mayor/Chairman elected by the people presides over the meeting of the Council. The members of committees/sub-committees are elected from the elected councillors.

Chart 4.1 Elected Body-ULBs

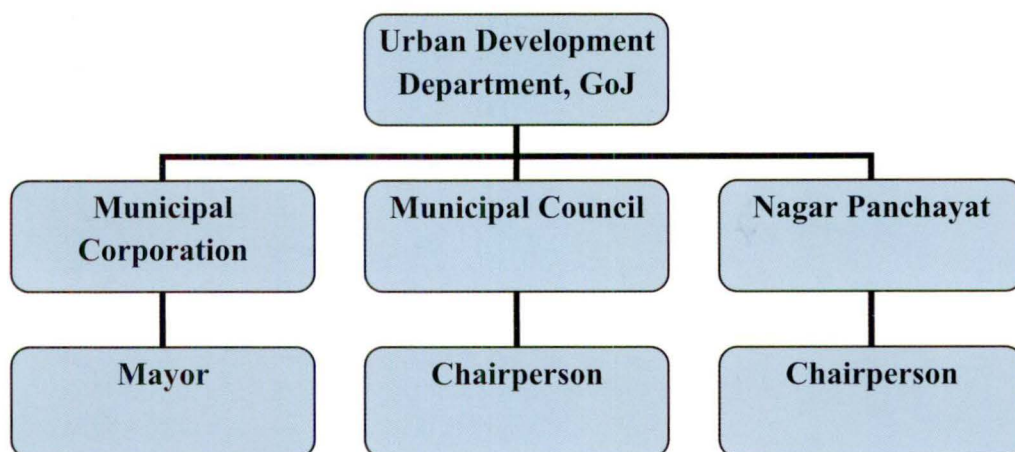
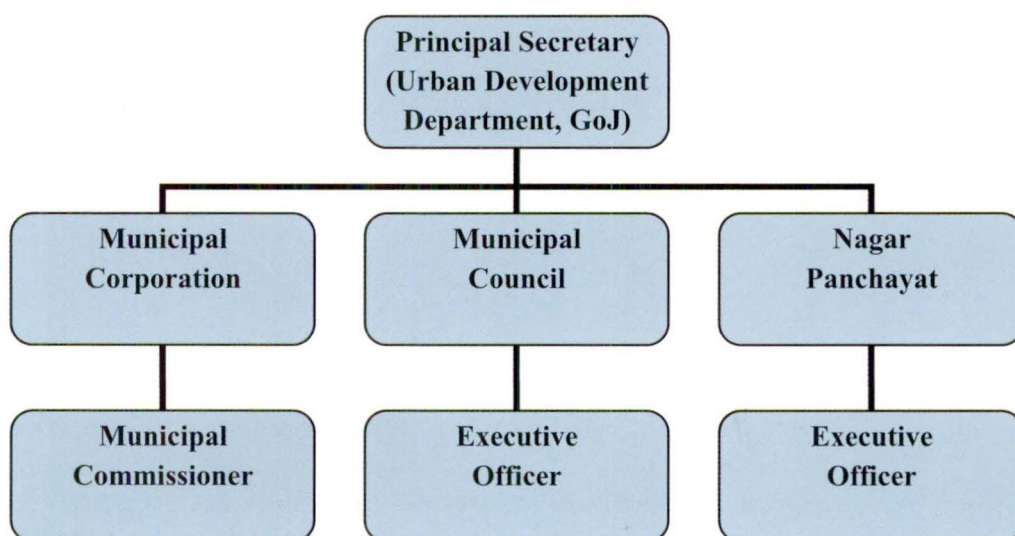


Chart-4.2: Administrative Body-ULBs



(Source: JM Act 2001)

4.3 Classification of ULBs

The State Government may by notification declare any area¹ to be a larger urban area, or a smaller urban area, or a transitional area on the basis of population of any local area, density of population, the percentage of employment in non-agriculture activities in such area, the economic importance of such area, *etc.* The category-wise ULBs in the State as of March 2014 are shown in **Table 4.1**:

¹ Provided that local area having acquired urban characteristics and importance such as availability of market facilities, established industries or potentialities to attract industries or commerce or education, health care or other such infrastructures for economic and industrial growth may also be considered.

Table-4.1: Classification of ULBs

Category	Nomenclature		Population	Number
A Larger Urban Area	Municipal Corporation (M. Corp.)		One lakh and fifty thousand and above	3
A Smaller Urban Area	MC/Municipality	Class 'A'	One lakh and above and less than one lakh and fifty thousand	14/1
		Class 'B'	Forty thousand and above and less than one lakh	
A Transitional Area	Nagar Panchayat/ Area Committee	Notified	twelve thousand and above and less than forty thousand	19/2
Total				39

(Source: JM Act, 2011)

4.4 Functions and responsibilities of municipal authorities

The JM Act, 2011 empowers authorities of ULBs to exercise powers and functions for carrying out the administration and delivery of services. The functions and the Authorities empowered to exercise them are as follows:

Standing Committee²-responsible to the M Corp or the MC or the NP

- It may recommend for increase, reduce, transfer, and make an additional budget grant under any head during the year.
- It may sell, or grant lease of, or otherwise dispose of, by public auction, any movable and immovable property of municipality.
- It shall consider report of auditor along with test audit report of the CAG of India, and take action thereon, and shall also surcharge the amount of any illegal payment on the person making or authorising it, and charges against any person responsible for the amount of any deficiency or loss incurred by the negligence or misconduct of such person or any amount which ought to have been, but is not, brought into account by such person, and shall, in every such case, certify the amount due from such person.
- It may reduce the amount of holding tax on the recommendation of the Municipal Commissioner or the EO.
- The Municipal Commissioner or the EO impose a consolidated tax, at such rate as it deems fit, assessed on the annual value of holdings situated within the municipality with the previous approval of the standing committee.
- The Municipal Commissioner or the EO entrust the work of operation and maintenance of waterworks, sewerage in the municipal area and the work of billing and collection of water charges to any agency governed under any law for the time being in force, or any private agency with the previous approval of the standing committee.

² **Standing Committee** shall consist of (a) in the case of M Corp, the Mayor, the Deputy Mayor and the Chairpersons of Zonal Committees (b) in the case of MC, the Chairperson, the Vice-Chairperson and five elected councillors to be elected by the Council (c) in the case of NP, the Chairperson; the Vice-Chairperson, and three elected councillors to be elected by the Council.

- The standing committee may approve framing of regulations for markets and slaughterhouses by the Municipal Commissioner or EO.
- The standing committee shall examine the report on services provided at subsidised rate to be appended by the Municipal Commissioner or the EO with the budget estimate.

Mayor/Chairperson

- Presiding officer of the Standing Committee.
- Present the budget estimate to the Standing Committee before the fifteenth day of February in each year.

Municipal Commissioner/Executive Officer

- Implement the resolutions of the council and carrying out the functions and the administration of ULBs.

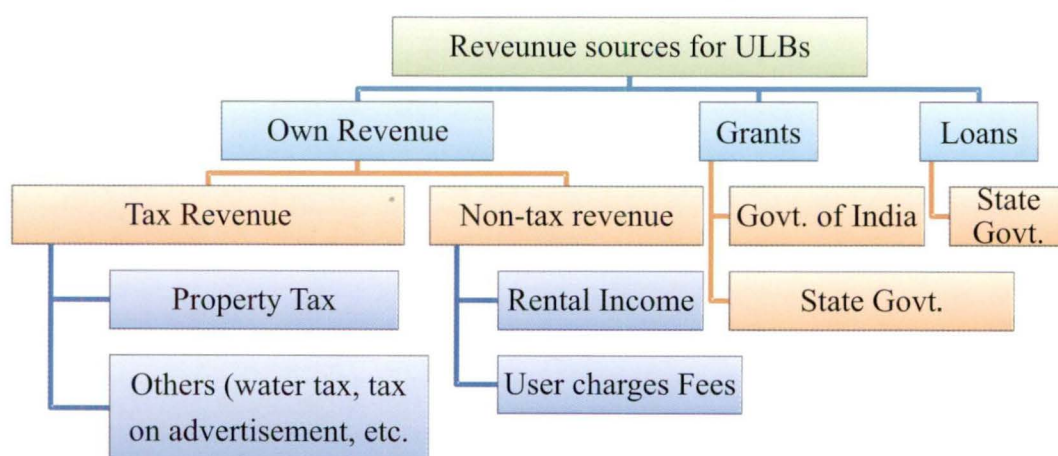
In addition to Standing Committee, ULBs may constitute other committees (*Appendix-4.1*) for discharging of functions as per provision of act.

4.5 Financial profile

4.5.1 Resources of ULBs

The finances of ULBs comprise receipts from own sources, grants and loans from State Government and financial assistance from Government of India (GoI). The property tax on land and buildings is the mainstay of ULBs' revenues. The own non-tax revenue of ULBs comprise fee for sanction of plans/mutations, user charges, etc. Grants and assistance released by the State Government /GoI are utilised for development activities and execution of various schemes. Flow chart of finances of ULBs is shown in **Chart 4.3**:

Chart-4.2: Resources of Receipts



(Source: JM Act, 2011)

4.5.2 Releases to ULBs

The details of grants released by the State Government to ULBs during the period from 2009-14 are shown in **Table 4.2**:

Table-4.2: Statement showing release of grants to ULBs

(₹ in crore)				
Year	Particulars	Name of schemes	Budget	Grant released
2009-10	Plan	Earmarked Scheme/ CSS/CS	143.45	143.00
		State Plan Scheme/ others	198.55	133.50
	Non-plan	Grant/Loan for Salary, Honorarium, Thirteenth FC Grant, etc.	116.48	116.48
	Total		458.48	392.98
2010-11	Plan	Earmarked Scheme/ CSS/CS	21.50	6.94
		State Plan Scheme/ others	200.50	178.93
	Non-plan	Grant/Loan for Salary, Honorarium, Thirteenth FC Grant, etc.	73.20	71.13
	Total		295.20	257.00
2011-12	Plan	Earmarked Scheme/ CSS/CS	190.98	150.42
		State Plan Scheme/ others	304.96	250.36
	Non-plan	Grant/Loan for Salary, Honorarium, Thirteenth FC Grant, etc.	97.31	97.31
	Total		593.25	498.09
2012-13	Plan	Earmarked Scheme/ CSS/CS	497.00	135.59
		State Plan Scheme/ others	501.00	382.57
	Non-plan	Grant/Loan for Salary, Honorarium, Thirteenth FC Grant, etc.	135.95	72.12
	Total		1133.95	590.28
2013-14	Plan	Earmarked Scheme/ CSS/CS	668.15	150.73
		State Plan Scheme/ others	420.80	255.05
	Non-plan	Grant/Loan for Salary, Honorarium, Thirteenth FC Grant, etc.	182.41	104.15
	Total		1271.36	509.93

(Source: State Budget Estimates)

CSS- Central Sponsored Scheme; CS-Central-State Share, FC-Finance Commission
Others include Grants under recommendation of 12th/13th Central Finance Commission, Modernisation and Strengthening of Urban Administration, Land Acquisitions for institutional development in Ranchi, etc.

It could be observed from the table above that grants released by the State Government to ULBs decreased by 35 per cent in 2010-11 and 14 per cent in 2013-14 while it increased by 94 per cent in 2011-12 and 19 per cent in 2012-13 when compared to the release in immediate preceding year. The decrease in grants was primarily attributable to less release of grants under Jawaharlal Nehru National Urban Renewal Mission (JnNURM), Central Sponsored Scheme/ Central-State Share/State Plan Schemes etc.

Further, percentage release of grants against allocation had fallen from 87 per cent to 40 per cent during the years 2010-11 to 2013-14, which was attributable to less release of grants by the Central Government for the entire period and also due to short release by the State Government.

4.5.3 Thirteenth Central Finance Commission (XIII FC) Grants

The position of grants released by the GoI and further releases by the State Government to ULBs under XIII FC is given in **Appendix 4.2**.

Audit noticed that against the entitlement for ₹ 348.89 crore only ₹ 167.83 crore was released. Thus, there was a short release of ₹ 181.06 crore by GoI against the

entitlement. The reason(s) for short release of ₹ 181.06 crore by the GoI was not furnished (January 2015).

4.5.4 Revenue and expenditure of test-checked ULBs

The details of receipts and expenditure of the test checked ULBs during the years 2009-10 to 2013-14 are shown in the *Appendix 4.3*.

Audit noticed that the revenue of ULBs through own sources against total receipts during 2009-10 to 2013-14 ranged from 8 to 12 *per cent* which inferred that ULBs were dependent mainly on grants and loans from the State Government.

Further, the percentage of expenditure against total funds³ available during 2009-14 ranged between 27 and 44 *percent* that reflect sub-optimal utilization of available funds thereby preventing the fulfilment of the intended objectives.

The capital expenditure made by ULBs was ranged between 21 and 39 *percent* of the total funds available during 2009-10 to 2013-14. This showed slow completion of projects/schemes resulting into failure in early fulfilment of the intended benefits.

Recommendation: The State Government should have proper vigil over optimal utilization of the available funds by the ULBs.

4.5.5 Short realisation of own revenue

Section 152 of JM Act, 2011, empowers ULBs to collect the taxes, user charges, advertisement tax (other than advertisement published in newspaper) *etc.* The Property tax on land and buildings is the mainstay of ULBs' own revenues. While power to collect certain taxes is vested with the ULBs, power pertaining to the rates and revision thereof is vested with the State Government. The status of collection of own revenue against outstanding dues of taxes/rent in 14 test-checked ULBs⁴ is given in **Table 4.3**:

Table 4.3: Collection of own revenue against outstanding demand

(₹ in crore)

Period	Total Property Tax		Offensive and Dangerous Tax		Shop Rent	
	Total Demand (Previous + Current Years)	Collection	Total Demand (Previous + Current Years)	Collection	Total Demand (Previous + Current Years)	Collection
2009-10	10.35	2.50 (24.16)	0.11	0.01(11.01)	1.45	0.80(55.36)
2010-11	11.27	3.28(29.07)	0.11	0.01(10.75)	1.53	0.81(52.95)
2011-12	11.65	3.10(26.64)	0.08	0.01(10.74)	1.39	1.19(85.64)
2012-13	12.53	3.92(31.29)	0.09	0.01(12.65)	1.61	1.60(99.40)
2013-14	13.26	3.78(28.54)	0.10	0.01(10.53)	1.62	1.44(88.78)

(Source: Data provided by ULBs)

Note: Total demands include outstanding amount of previous and current year.

³ Funds include total receipts and opening balances of the respective years.

⁴ Chas, Chatra, Deoghar, Dumka, Godda, Hazaribagh, Jugsalai, Latehar, Lohardaga, Madhupur, Mango, Medininagar, Pakur and Simdega,

The above position indicates that:

- The ULBs failed to achieve the collection efficiency of 85 *per cent* recommended by the Planning Commission (10th Five Year Plan) as the percentage of collection of property tax ranged from 24 to 31 *per cent* during 2009-10 to 2013-14. The, acute shortfall in realisation of property tax reduced the revenues of ULBs.
- Poor percentage of collection of dangerous and offensive trade tax ranging from 11 to 13 *per cent* was noticed against the demand in the respective years.
- However, optimal realization of 99 *per cent* of the total demand of shop rent was noticed in the year during 2012-13. For other year realisation ranged between 53 and 89 *per cent*.

4.5.6 Non-revision of rate of tax on holdings

As per section 152 (8) of JM Act, 2011, ULBs are required to revise the rate of taxes⁵ on Annual Rental Value every five years or earlier with prior approval of the State Government. However, none of the 18 test-checked ULBs had revised the rate of taxes for last several years, ranging from 11 to 34 years (*Appendix-4.4*). Clearly, the ULBs in Jharkhand are foregoing huge revenues every year on account of non-revision of holding tax.

4.6 State Finance Commission

According to the Article 243 I of the Constitution, every State has to constitute a State Finance Commission (SFC) to recommend principles governing distribution of the net proceeds of taxes, duties *etc.* between the State and the Local Bodies in awarding taxes, duties, tolls or grants-in-aid and to suggest measures to strengthen their financial position.

First SFC constituted by the Jharkhand Government in January 2004 recommended (April 2009) a “*Core Municipal Services Provision Grant*”⁶ of ₹375 per capita in 2009-10 with annual growth rate of 10 *per cent* for four subsequent years in lieu of taxes not assigned/ shared with ULBs.

Information in respect of acceptance/implementation of the recommendation and devolution of funds to ULBs in accordance with the prescribed formula has not been furnished by the State Government (February 2015).

Further, as per the XIII FC report, action taken on the recommendation of the SFC is to be laid in the Legislature but information in this regard is awaited (February 2015).

The recommendations of second SFC constituted by the State Government in December 2009 are awaited (February 2015).

⁵ Holding tax, water tax, latrine tax *etc.*

⁶ Water Supply, Sanitation, Street Lights, Primary Education, Health and Municipal Roads

4.7 Devolution of Fund, Functions and Functionaries

4.7.1 Transfer of functions

Twelfth Schedule (Article-243 W) of the Constitution of India envisages that the State Government may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to function as institutions of self-government.

All the 18 functions envisaged in the Twelfth Schedule have been inserted in Section 70 of JM Act, 2011, to be performed by the ULBs to enable them to function as institutions of self-government.

However, scrutiny revealed that one to 15 functions are actually being executed by the test checked ULBs (*Appendix-4.5*).

4.7.2 Transfer of funds

Devolution of funds to ULBs is required for the implementation of transferred functions. The State Government releases funds directly for specific functions such as water supply, civic amenities, transport system, sanitation, street lighting *etc.* entrusted to ULBs. In addition, grants are released to the ULBs for implementation of State and Centrally Sponsored Schemes.

4.7.3 Exclusive use of fund for particular purpose

Ministry of Urban Development (MoUD), GoI, suggested earmarking of funds for basic services to the urban poor within local body budgets as a mandatory reform under JnNURM. Accordingly, State Government made provision in section 105(2) of JM Act, 2011, for creation of a separate fund called Basic Services to the Urban Poor Fund⁷, in every municipality for which a minimum of 25 *per cent* of the funds within the municipality's budget shall be earmarked and credited to the said fund on yearly basis. For this purpose, the municipality shall prepare a separate budget known as P-budget⁸ along with the municipal budget, every year depicting the details of income and expenditure of fund.

However, as of 31 March 2014, neither the funds were earmarked/created nor separate budget was prepared by any of the test checked ULBs except in MC, Chas, Mango NAC and Jugsalai Municipality as detailed in *Appendix 4.6*. This defeated the reform measures and intent of upliftment of urban poor as envisaged in the Act.

4.7.4 Transfer of functionaries

An efficient discharge of devolved powers and functions by local bodies requires availability of qualified and trained personnel at all levels which would include employment of staff with regard to the functions already being executed by the ULBs.

⁷ Municipality's own sources of revenue *e.g.* taxes, fees, user charges and rent *etc.* sale of municipal asset, assigned revenues, allocation from Central and SFC, *etc.*

⁸ The municipality shall prepare a separate budget along with the municipal budget, every year, which shall furnish the details of income and expenditure under fund created for the Basic Services to Urban Poor for the purposes of delivery of basic services of the urban poor, including the inhabitants of slum areas.

Audit observed in 15 out of 23 test-checked ULBs that 66 *percent* of sanctioned posts were vacant (*Appendix-4.7*) as of 31 March 2014, as indicated in the **Table-4.4** below. Eight test-checked ULBs⁹ did not furnish details of sanctioned strength and men-in-position.

Table 4.4: Sanctioned Strength vis-à-vis Men-in-position in selected ULBs

Sanction Strength	Men-in-position	Vacancy
1774	609	1165

(Source: Data provided by ULBs)

Thus, ULBs were facing acute shortage of staff resulting in non-maintenance of basic records, short collection of revenues *etc.* thereby affecting the compliance to Acts/Provisions/Orders.

In the light of recommendations of the first SFC, the State Government passed a resolution in May 2010 for restructuring the staffing pattern in ULBs and accordingly created the posts. However, even after lapse of more than four years of passing the resolution no information regarding concrete action such as preparation of service rules and process for recruitment of municipal staff *etc.* was furnished by the State Government (February 2015).

The State Government passed a resolution in July 2012 and made arrangements for transfer of only junior staff of Drinking Water and Sanitation Department for maintenance of existing Urban Water Supply schemes and general administrative control of concerned officers/staff to ULBs.

Apart from transfer of functionaries for maintenance of Urban Water Supply Schemes, the State Government had failed to delineate and recommend actual devolution of funds/functionaries to the ULBs.

Recommendation: The operationalisation of the staffing pattern in the ULBs as per resolution of the State Government in order to strengthen the ULBs may be ensured.

4.8 Accountability framework

The Act governing ULBs entrust the State Government with the following powers so as to enable them to monitor proper functioning of the ULBs. Details of powers of the State Government are given in the *Appendix 4.8*.

4.9 Internal Control and Vigilance mechanism

4.9.1 Vigilance Control mechanism

Internal controls provide reasonable assurance to the management that financial interests and resources of the organisation are safeguarded and reliable information is available.

⁹ Bundu, Chas, Chatra, Deoghar, Koderma, Lohardaga, Ranchi and Simdega

Audit observed weakness in the internal control mechanism as the ULBs did not maintain important basic records, registers *etc.* and non-preparation of Annual accounts and Budget estimates as detailed in paragraph 4.11.1 and 4.11.2 of the report.

4.9.2 Ombudsman

As per Section 63 of JM Act, 2011, the State Government may appoint one or more persons to be known as Municipal Ombudsman to carry out the functions¹⁰ or State Government if considers it necessary, then recommend such deeds to State Ombudsman. In lieu of appointment of Local Body Ombudsman, UDD had issued notifications in January 2014 that powers and functions of Local Body Ombudsman shall be vested in State *Lokayukta*.

4.9.3 Internal Audit

As per Section 123 of JM Act, 2011, State Government of the Municipal Authorities provide for Internal Audit of day to day accounts of ULBs. None of the 23 test-checked ULBs had an Internal Audit wing for keeping a regular check on the functioning of the ULBs.

4.10 Response to Audit observations

4.10.1 Status of Inspection Reports (IRs)

For early settlement of audit observations, Administrative Department were required to take effective steps to remove defects and irregularities brought to their notice during the course of audit and/or pointed out through IRs.

Out of 225 IRs containing 3168 paragraphs raised during 2003-14, 58 paragraphs were settled during 2013-14. Therefore, as on 31 March 2014, 225 IRs containing 3110 paragraphs pertaining to previous years were still outstanding.

Lack of response to audit observations on the part of ULBs resulted in recurrence of the deficiencies/lapses pointed out earlier.

4.11 Accounting framework

4.11.1 Non-preparation of Annual Accounts

Preparation of Annual Accounts contributes towards ensuring accountability in the ULBs. As per section 112 of JM Act, 2011, the Municipal Commissioner or the EO shall prepare and maintain accounts of income and expenditure of the MC by way of Accrual Based Double Entry Accounting System. Further, the State Government has framed (October 2012) Jharkhand Municipal Accounts Manual on the basis of National Municipal Accounts Manual that also advocates for preparation of accounts on accrual based system.

Audit scrutiny revealed that none of the 23 test-checked ULBs (except Simdega and Basukinath) was preparing their annual accounts.

¹⁰ Receive complaints from any person relating to the provisions of municipal services, consider the complaints and facilitate their settlement or satisfactory by agreement through conciliation and mediation between the municipality and the aggrieved person by passing an award in this behalf and look into complaints of corruption of officials and Mayor, Deputy Mayor, Chairperson or Sub-Chairperson and councillors.

It was also noticed that even after one year of framing of JMAM, only Basukinath Nagar Panchayat had adopted the accrual mode of accounting system. Thus, in absence of non-maintenance of accrual based accounts by majority of ULBs, true picture of the financial position of ULBs alongwith their Assets and Liabilities could not be ascertained.

4.11.2 Non-maintenance of basic records

Maintenance of records, registers and accounts is one of the important tools of the internal control mechanism to bring in transparency and accountability. The State Government framed JMAM in October 2012, prescribes to ULBs to keep and maintain Forms and Accounts.

Scrutiny of the records of the test-checked ULBs revealed that following ULBs failed to maintain even the prescribed basic records as detailed in **Table 4.5**:

Table 4.5: Non-maintenance of Basic records

Sl. No.	Records/ Registers	Name of the ULBs	Implications
1	Grant Register ¹¹	Garhwa, Jugsalai, Koderma, Lohardaga, Medininagar	Grant/loan received, purpose & date of receipt, appropriation made from time to time and amount lying unutilised in respect of a particular grant/loan could not be ascertained.
2	Loan Register ¹²	Garhwa, Jugsalai, Koderma, Lohardaga, Medininagar	The date of receipt, amount, condition attached and overdue instalment of loan with interest could not be ascertained.
3	Asset Register	Deoghar, Dumka, Fushro, Hazaribagh, Jugsalai, Koderma, Medininagar, Mango, Pakur	Identification and valuation of assets, proper record of all lands, sites of buildings, tanks, ponds, ferries etc. could not be ascertained.
4	Budget Estimates	Godda, Khunti,	Planning of expenditure on the basis of estimated receipts could not be made.

(Source: Information provided by the ULBs)

4.11.3 Non-maintenance of database formats on finances of ULBs

MoUD, GoI had issued (April 2011) formats on database of finances of ULBs to the State Government to be adopted by the ULBs as prescribed by the Thirteenth Finance Commission.

The State Government forwarded (January 2013) the same to all the ULBs in the State for adoption and implementation. Most of the test-checked ULBs were not maintaining data in the prescribed database formats.

Recommendation: The maintenance of formats of database on finances by the ULBs and their consolidation at the State level may be ensured.

4.12 Conclusion

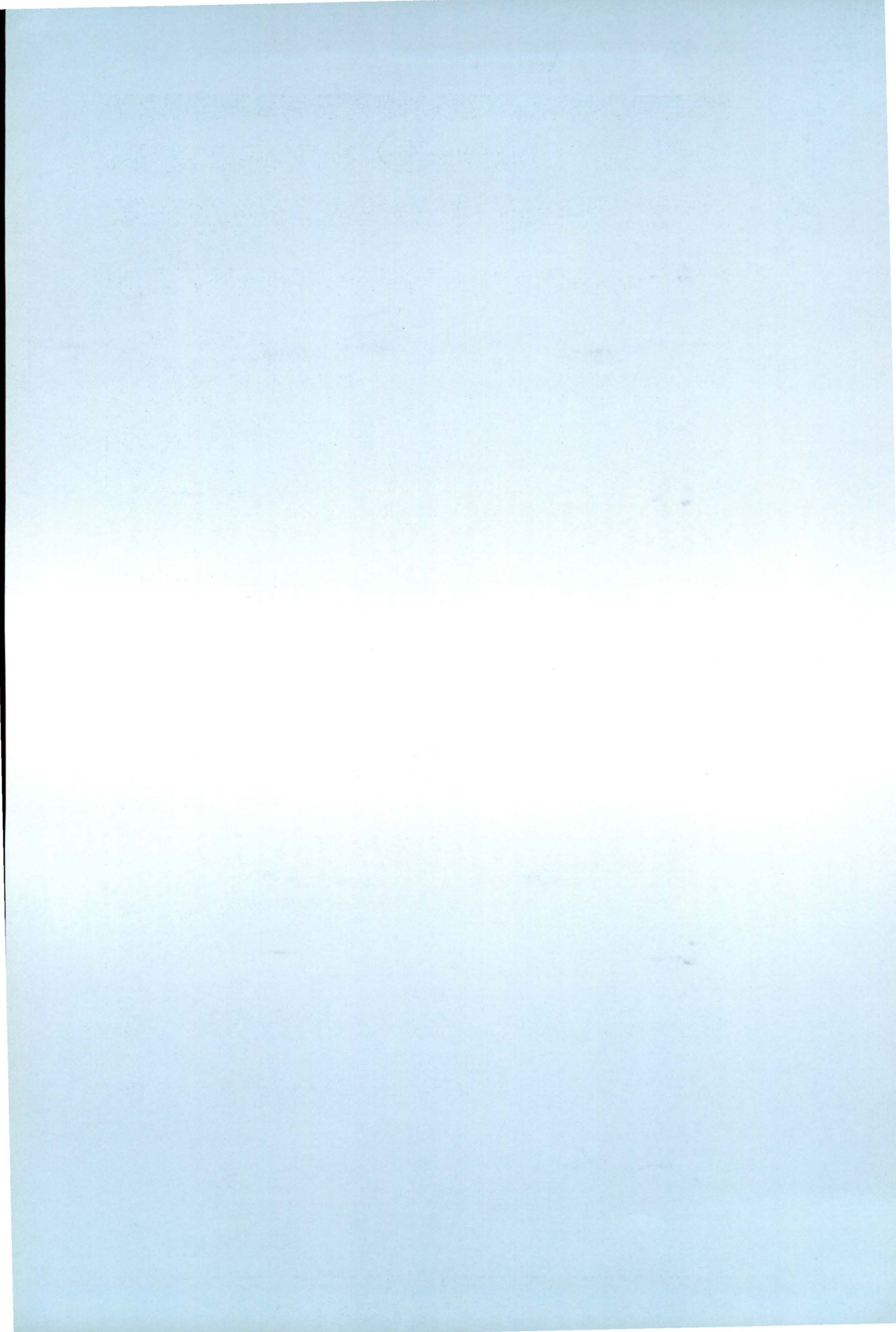
- Own resources of ULBs were not adequate and they were largely dependent on grants and loans from Central/State Government;
- No separate funds were earmarked in budget by ULBs for Basic Services to Urban Poor;

¹¹ Jharkhand Municipal Accounts Preparation Guidelines (JMAPG) Format G-1

¹² JMAPG Format BR-1

- Formats of database on finances of ULBs as prescribed by the CAG had not been operationalised in the test checked ULBs;
- There was a severe shortfall in realisation of revenues *vis-à-vis* the targets set by ULBs; and
- The huge pendency of audit observations and delay in their settlement are fraught with the risk of continuance of irregularities/ deficiencies.

CHAPTER-5
PERFORMANCE AUDIT-ULBs



CHAPTER- 5

PERFORMANCE AUDIT

URBAN DEVELOPMENT DEPARTMENT

5.1 Performance Audit on 'Functioning of Municipal Councils'

Executive summary

The Seventy fourth amendment provided constitutional status to Urban Local Bodies (ULBs) and empowered them to function as autonomous entities to deliver services for economic development and social justice. For carrying out these functions, ULBs are empowered to levy, collect and appropriate taxes, duties, tolls and fees. There are 14 Municipal Councils (MCs), out of a total of 39 ULBs in Jharkhand. The performance audit on **Functioning of Municipal Councils** covering four MCs revealed the following deficiencies:

Dumka Municipal Council

- In absence of proper planning, the schemes were taken up for execution by the MC without any prioritisation.

[Paragraph 5.1.7.1]

- MC was financially dependent on grants and loans received from Central/State Government.

[Paragraph 5.1.7.2]

- Non-commencement of Solid Waste Management projects resulted in unscientific disposal of solid waste by the MC.

[Paragraph 5.1.7.6]

- In absence of 100 per cent metering of water connections and non-recovery of user charges, MC was unable to meet the operation and maintenance cost.

[Paragraph 5.1.7.6]

- As general assessment was not done for the last 21 years in the MC, 48 per cent of holdings remained outside the tax net.

[Paragraph 5.1.7.7]

- The collection efficiency of property tax was much lower than the benchmark of 85 per cent as emphasised by XIIIFC.

[Paragraph 5.1.7.8]

- Non-adoption of new staffing pattern and continuation of significant vacancies in all the posts adversely affected functioning of MC.

[Paragraph 5.1.7.10]

- Poor maintenance of records as well as non-observance of all the prescribed supervisory checks reflected weak internal control in the MC.

[Paragraph 5.1.7.11]

Giridih Municipal Council

- In absence of proper planning, the schemes were taken up for execution by the MC without any prioritisation.

[Paragraph 5.1.8.1]

- MC was financially dependent on grants and loans received from Central/State Government.

[Paragraph 5.1.8.2]

- Delayed implementation of Integrated Housing and Slum Development Programme resulted in non-completion of 50 *per cent* of targeted dwelling units and cost escalation of ₹ 5.36 crore.

[Paragraph 5.1.8.5]

- Non-commencement of Solid Waste Management projects resulted in unscientific disposal of solid waste by the MC.

[Paragraph 5.1.8.7]

- In absence of 100 *per cent* metering of water connections and non-recovery of user charges, MC was unable to meet the operation and maintenance cost.

[Paragraph 5.1.8.7]

- As general assessment was not done for the last 16 years in the MC, 10 *per cent* of holdings remained outside the tax net.

[Paragraph 5.1.8.8]

- The collection efficiency of property tax was much lower than the benchmark of 85 *per cent* as emphasised by XIIIFC.

[Paragraph 5.1.8.9]

- Non-adoption of new staffing pattern and continuation of significant vacancies in all the posts adversely affected functioning of MC.

[Paragraph 5.1.8.11]

- Poor maintenance of records as well as non-observance of all the prescribed supervisory checks reflected weak internal control in the MC.

[Paragraph 5.1.8.12]

Hazaribagh Municipal Council

- In absence of proper planning, the schemes were taken up for execution by the MC without any prioritisation.

[Paragraph 5.1.9.1]

- MC was financially dependent on grants and loans received from Central/State Government.

[Paragraph 5.1.9.2]

- Non-commencement of Solid Waste Management projects resulted in unscientific disposal of solid waste by the MC.

[Paragraph 5.1.9.5]

- A sum of ₹ 70.87 lakh paid to the consultant was infructuous as the detailed project reports prepared for water supply scheme and construction of ring road were faulty.

[Paragraph 5.1.9.6]

- In absence of 100 *per cent* metering of water connections and non-recovery of user charges, MC was unable to meet the operation and maintenance cost.

[Paragraph 5.1.9.5]

- As general assessment was not done for the last 19 years in the MC, 28 *per cent* of holdings remained outside the tax net.

[Paragraph 5.1.9.7]

- The collection efficiency of property tax was much lower than the benchmark of 85 *per cent* as emphasised by XIIIIFC.

[Paragraph 5.1.9.8]

- Non-adoption of new staffing pattern and continuation of significant vacancies in all the posts adversely affected functioning of MC.

[Paragraph 5.1.9.10]

- Poor maintenance of records as well as non-observance of all the prescribed supervisory checks reflected weak internal control in the MC.

[Paragraph 5.1.9.11]

Lohardaga Municipal Council

- In absence of proper planning, the schemes were taken up for execution by the MC without any prioritisation.

[Paragraph 5.1.10.1]

- MC was financially dependent on grants and loans received from Central/State Government.

[Paragraph 5.1.10.2]

- Non-commencement of Solid Waste Management projects resulted in unscientific disposal of solid waste by the MC.

[Paragraph 5.1.10.5]

- Construction of bye-pass road could not be completed due to non-acquisition of land resulted in unfruitful expenditure of ₹ 24.35 lakh.

[Paragraph 5.1.10.6]

- In absence of 100 *per cent* metering of water connections and non-recovery of user charges, MC was unable to meet the operation and maintenance cost.

[Paragraph 5.1.10.5]

- As general assessment was not done for the last 24 years in the MC, 50 *per cent* of holdings remained outside the tax net.

[Paragraph 5.1.10.7]

- The collection efficiency of property tax was much lower than the benchmark of 85 *per cent* as emphasised by XIIIIFC.

[Paragraph 5.1.10.8]

- Non-adoption of new staffing pattern and continuation of significant vacancies in all the posts adversely affected functioning of MC.

[Paragraph 5.1.10.10]

- Poor maintenance of records as well as non-observance of all the prescribed supervisory checks reflected weak internal control in the MC.

[Paragraph 5.1.10.11]

5.1.1 Introduction

The Seventy fourth amendment provided constitutional status to Urban Local Bodies (ULBs) and empowered them to function as autonomous entities to deliver services for economic development and social justice. For carrying out these functions, ULBs are empowered to levy, collect and appropriate taxes, duties, tolls and fees.

5.1.2 Organisational set-up

As per Jharkhand Municipal Act (JM Act), 2011 the municipal authorities for the purposes of giving effect to the provisions of the Act shall be:

- Municipal Council (MC)
- Standing Committee
- Chairperson
- Executive Officer (EO)

The Urban Development Department (UDD), Government of Jharkhand (GoJ) coordinates functioning of ULBs in the State.

5.1.3 Audit objectives

The main objectives of the Performance Audit (PA) were to assess and evaluate whether:

- i) MCs ensured adequate planning and financial management for performing 18 functions specified under twelfth schedule of the constitution, efficiently and effectively;
- ii) man-power management was effective for implementation of the JM Act, 2011;
- iii) projects taken up under Central/State sponsored schemes were being executed efficiently, economically and achieved their intended objectives;
- iv) efficient and adequate system exists in the MCs to ensure correct assessment, prompt raising of demands and collection of revenue; and
- v) Internal control and grievance redressal mechanisms were appropriate and effective.

5.1.4 Audit criteria

The audit was conducted with reference to:

- JM Act, 2000 and 2011;
- Jharkhand Municipal (Accounts & Finance) Rules, 2012;
- Bihar & Orissa Municipal Accounts Rules, 1928;
- The Municipal Water Works, Maintenance & Levy of Water Charges and House Connection Rules, 2006;
- Recommendations of State Finance Commission and Resolutions of MCs;
- Circulars, notifications, bylaws, orders and scheme guidelines issued by State Government; and
- Jharkhand Public Works Department Code, Jharkhand Treasury Code and Jharkhand Financial Rules

5.1.5 Scope and methodology of audit

A PA on 'Functioning of Municipal Councils' for the period 2009-14 was conducted during April 2014 to August 2014 in four out of 14 MCs of Jharkhand as well as of UDD, GoJ.

The entry conference was held with the Secretary, UDD, GoJ in April 2014 in which audit objectives, methodology and criteria adopted for the PA were explained. Records such as cash books, bank/treasury passbooks, budget, scheme files, assessment files, record related to collection of municipal revenues, general correspondence files *etc.* were test-checked during PA. The important audit findings were discussed with the Joint Secretary (JS), UDD, GoJ in the exit conference held in October 2014. The replies of audit observations are included in concerned paragraphs.

5.1.6 Devolution of Funds, Functions and Functionaries

Under JM Act, 2011, every MC should provide the 18 functions enshrined in Twelfth Schedule of Constitution of India.

Audit observed that due to non-devolution of funds and functionaries, seven¹ out of 18 functions transferred to ULBs through Municipal Acts were not being performed by the MCs. As a result, the objective of Local Self-governance in urban areas could not be achieved fully.

Audit Findings

There are 14 MCs in Jharkhand, out of which four MCs were test-checked during PA and audit findings are being discussed in succeeding paragraphs of concerned MC.

5.1.7 Dumka Municipal Council

The MC, Dumka is situated in Dumka district, covering 24.30 Sq. Kms. with a population of 47,584. It consists of Chairman and councillors elected from its 23 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the Act.

5.1.7.1 Planning

As per JM Act 2011, all ULBs are required to prepare a comprehensive master plan for submission to State Government along with perspective five-year plan and annual development plan in relation to matters enumerated in Constitution of India.

Audit noticed that master plan, perspective five-year plan and annual development plans were not prepared during 2009-14 by the MC. As a result schemes were taken up for execution by the MC without any prioritisation and were executed in an *ad-hoc* manner on the recommendations of Ward Councillors.

The JS, UDD accepted (October 2014) the observations and stated that tenders have been finalised for appointment of consultants.

Recommendation: UDD should take immediate steps to prepare the master plan for the MC and direct it to prepare the perspective five-year plan and annual development plans.

5.1.7.2 Financial profile

The financial profile of the MC during 2009-14 is shown in **Table 5.1:**

Table 5.1: Financial Profile of MC

(₹ in crore)

Year	Receipt				Own source to total receipt (Per cent)	Expenditure		
	Grants (Central and State)	Loans (State)	Own sources	Total		Recurring	Non-recurring	Total
2009-10	3.61	4.80	0.22	8.63	3	0.53	5.47	6.00
2010-11	16.86	0.33	0.35	17.54	2	0.64	6.43	7.07
2011-12	21.63	0.24	0.66	22.53	3	2.46	11.26	13.72
2012-13	11.15	0.33	0.63	12.11	5	1.60	6.19	7.79
2013-14	5.96	0.20	1.59	7.75	21	2.02	10.40	12.42
Total	59.21	5.90	3.45	68.56		7.25	39.75	47.00

(Source: Information furnished by the MC)

¹ (i) Planning for economic and social development (ii) Fire Services (iii) Urban Forestry (iv) Promotion of Cultural, Educational and Aesthetic Aspects (v) Establishment and maintenance of burial and burning grounds (vi) Cattle pounds and prevention of cruelty to animals and (vii) Regulation of slaughter houses and tanneries.

As is evident from the **Table 5.1**, the MC was financially dependent on grants and loans received from Central/State Governments, as receipts from their own sources were merely two to 21 *per cent* of their total receipts during 2009-14.

The reasons for meagre own sources were non-conduct of general assessment, poor collection of municipal revenues *etc.* as discussed in paragraph 5.1.7.7 and 5.1.7.8.

5.1.7.3 Budgeting

Jharkhand Municipal Accounts Manual (JMAM), 2012 prescribes the preparation of a budget calendar by every MC indicating the dates/deadlines for preparation, submission and approval of the budget.

Audit noticed that budget calendar was not prepared by the MC during 2009-14 and there were delays of 37 and 73 days in approval of budget estimates for the years 2012-13 and 2013-14. Further, the budgets prepared by the MC were unrealistic as there were variances from 53 to 95 *per cent* in receipts and from 46 to 97 *per cent* in expenditure between the budgeted figures and the actuals.

The JS, UDD accepted (October 2014) the observation and stated that the budget was not prepared on a realistic basis due to vacancies in the concerned posts and steps are being taken for appointment of Chartered Accountants.

Recommendation: The budget estimates should be prepared timely and in a realistic manner.

Services provided by the MC

5.1.7.4 Urban poverty alleviation

The Swarna Jayanti Sahari Rojgar Yojna (SJSRY) was launched (December 1997) by the GoI to provide gainful self employment or wages to urban people living below the poverty line.

However, out of a total available fund of ₹ 1.49 crore (2009-14), the MC utilised ₹ 0.42 crore only and the balance fund remained in bank account as neither the survey for identification of beneficiaries was conducted nor action plan for implementation of the scheme was prepared by the MC. As no records were maintained regarding vocational training and placement provided by the MC to urban poor beneficiaries during 2009-14, the validity of expenditure of ₹ 0.35 crore for training could not be ascertained in audit.

The JS, UDD accepted (October 2014) the audit observation and stated that the scheme was closed (March 2013) and replaced with a new scheme by GoI.

5.1.7.5 Construction of public toilets

Under JM Act 2011, the MC should provide and maintain in proper and convenient places a sufficient number of toilets for use by the public. Sulabh International Social Service Organisation (SISSO) was selected (February 2002) by the UDD, GoJ for construction of community toilets and conversion of dry toilets into Sulabh toilets.

Audit scrutinised the list of 161 cases of construction of toilets by SISSO during 2009-14. It was observed that 56 cases costing ₹ 14.67 lakh were having different names in the list maintained by the MC.

On this being pointed out, the JS, UDD replied (October 2014) that the matter would be examined.

5.1.7.6 Solid Waste Management, sanitation and water supply

As per JM Act, 2011 the MC should provide services such as Solid Waste Management (SWM), sanitation and water supply *etc.*

- **Non-achievement of Service Level Benchmarks**

As per the recommendations of XIIIFC, UDD, GoJ notified annual service level benchmarks (SLB) for all the ULBs in respect of water supply, sewage, storm water drainage and SWM services for achievement during 2011-14.

However, the projects for sewage, SWM and storm water drainage were not started till August 2014.

- **Solid Waste Management and Sanitation**

SWM project, for which ₹ 42.99 lakh was released (February 2007 and February 2009) by GoJ for the MC, was not initiated due to resistance of villagers to provide land for the project. As the SWM project was not started, the MC continued to collect and dispose of solid waste during 2009-14 in an unscientific manner. Further, the MC failed to impart Information, Education and Communication activities to increase awareness about SWM among the public.

On this being pointed out, the EO stated (July 2014) that efforts would be made to involve elected representatives for increasing awareness about SWM and community participation.

Recommendation: The process of land acquisition for SWM project should be expedited to enable scientific disposal of municipal solid wastes by the MC.

- **Water supply system**

UDD, GoJ directed (January 2012) all ULBs to prepare a work plan for providing regular water connection to the consumers and recovery of user charges to meet the Operation and Maintenance (O&M) cost of the water supply scheme.

Audit noticed that no work plan was prepared by the MC. Further, it was noticed that 87 *per cent* of the assessed holdings in the MC were provided with water connection till March 2014. However, 70 *per cent* of the connections were not metered resulting in loss of user charges to that extent. As the recovery of user charges was only ₹ 1.44 lakh during 2009-14, this created a significant resource gap in the MC.

The JS, UDD accepted (October 2014) the observation and stated that house to house water connections with 24 hours regular water supply would be provided and user charges would be recovered.

Recommendation: Efforts should be made to ensure 100 per cent metered regular water connections to raise accurate demand and recover the user charges.

Assessment, collection and account of revenue

Property tax is a major source of tax revenue for MC. For augmentation of internal revenue, it was imperative on the part of the MC to bring all households liable to pay holding taxes under its tax ambit.

5.1.7.7 Deficiencies in assessment

As per JM Act, 2000 the MC was required to prepare new valuation and assessment list of holdings every five year.

- Audit noticed that general assessment was not done for the last 21 years. As a result, 48 *per cent* (4670 out of 8995 holdings) remained outside the tax net till March 2014.
- As per JM Act, 2011, Annual Rental Value (ARV) of a holding shall be the aggregate of internal dimension of rooms and covered *verandah* in full along with 50 *per cent* of balcony/corridor, kitchen, store and one fourth of garage. However, in test-checked 50 cases, the carpet area was not supported by the approved map of the holdings and the accuracy of fixation of ARV could not be ascertained in audit.

Accepting the observation the JS, UDD stated (October 2014) that new assessment rules have been framed and process of assessment would be regulated accordingly.

5.1.7.8 Irregularities in collection

(A) Property tax

XIIIFC observed that property tax revenues could increase considerably merely by bringing all cities to an 85 *per cent* coverage level. The observations noticed in collection of property tax are as follows:

- The MC failed to maintain Demand and Collection register of property tax.
- The position of outstanding property taxes is tabulated in **Table 5.2**.

Table 5.2: Position of Property Tax arrears and Tax Collection

(₹ in lakh)						
Year	Arrear	Current	Total	Collection	Balance	Year-wise percentage of collection with respect to total demand
2009-10	26.03	13.63	39.66	5.54	34.12	14
2010-11	34.12	13.79	47.91	5.10	42.81	11
2011-12	42.81	13.79	56.60	5.10	51.50	09
2012-13	51.50	13.82	65.32	10.18	55.14	16
2013-14	55.14	13.82	68.96	9.04	59.92	13

(Source: Information provided by the MC)

As is evident from **Table 5.2**, the collection with respect to total demand ranged between 9 and 16*per cent* during 2009-14 which was much lower than 85 *per cent* as emphasised by XIIIFC due to non-adherence to the prescribed provisions for recovery of taxes and non-initiation of deterrent penal action against the defaulters (**Appendix 5.1**).

The JS, UDD stated (October 2014) that directions would be issued to ULB for issuing notices, distress warrants etc.

- As per the judgement² of the Hon'ble High Court, Patna, house tax being the first charge on the premises on which it is levied; the period of limitation for realisation of dues would be 12 years as provided under Article 62 of the Limitation Act, 1963.

Audit noticed that in three test-checked wards, property tax arrears amounting to ₹3.98 lakh was outstanding against 69 assesses for more than 12 years (till March 2014). This amount being barred by limitation of time could not be recovered by filing a civil suit in a court of competent jurisdiction. Thus, the MC sustained a loss of ₹ 3.98 lakh on account of non-recoverable property tax.

The reply (October 2014) of JS, UDD was silent about the loss of revenue due to limitation of time.

(B) Shop rent and other revenues

Rent realised from lease of municipal shops, markets and advertisement in the municipal area are the sources of revenue for MC.

Audit noticed that:

- No shop rent register was maintained by the MC during 2009-14.
- An amount of ₹ 17.07 lakh was outstanding as shop rent for a period from one month to eight years in respect of 118 shops till March 2014.
- Municipal revenue on account of advertisement in the municipal area and collection of toll from municipal sites amounting to ₹ 7.73 lakh was outstanding against five bidders (*Appendix 5.2*). The MC neither recovered the outstanding amount nor abrogated the rights awarded to the bidders as per terms of notice inviting tender (NIT).

Recommendation: To augment municipal revenue, the system of assessment, demand and collection of municipal revenues as prescribed in the Act should strictly be adhered to.

5.1.7.9 Outstanding advances

Rule 611 of Jharkhand Treasury Code Vol.-I envisages that advance may be granted to government servant for departmental or allied purposes, subject to adjustment by submission of detailed accounts supported by vouchers or by refund as may be necessary.

Scrutiny of Advance Ledger and Cash Book revealed that advances³ of ₹ 60.41 lakh was outstanding against 15 officials/persons/ agencies due to laxity in adjustment of advances, grant of second and subsequent advances for the same purpose without adjustment of previous ones etc.

The JS, UDD stated (October 2014) that directions would be issued to ULB for adjustment/recovery of outstanding advances.

² In the case of "Raj Kumar Prasad Vs State of Bihar and Others" on 28/10/1998 (AIR 1999 Pat 61,1997(2) ALT Cri 3)

³ Sanctioned for purposes of construction of toilets, deep boring, repairing/extension of HYDT pipelines, sanitation work etc.

5.1.7.10 Manpower management

The UDD, GoJ created (May 2010) a new staffing pattern in different wings under common municipal cadre and directed to outsource all services rendered by meter readers, tax collectors, peons *etc.* on contract basis. Audit noticed that though Jharkhand Municipal Service Cadre Rules (JMSCR), 2014 was notified by UDD in July 2014, the MC did not implement the new staffing pattern. It was also observed that 82 *per cent* (184 against sanctioned post of 224) of the posts were vacant as on March 2014.

Non-adoption of new staffing pattern and existence of significant vacancies in different posts adversely affected the functioning of MC as discussed in paragraph 5.1.7.3.

The JS, UDD stated (October 2014) that steps would be taken for recruitment of staff.

5.1.7.11 Internal control and grievance redressal

(A) Internal control

- The Municipal Account Committee (MAC) for examining the accounts of the municipality and auditor's report thereon was not constituted till March 2014.
- The MC failed to maintain accounts of income and expenditure in accrual based double entry accounting system till March 2014.
- The MC did not maintain records such as Demand and Collection register, property/asset register and stock register.

(B) Grievance redressal

Though directed (May 2011) by UDD, GoJ, no suitable mechanism existed in the MC for recording of complaints by the public and redressal of grievances.

The JS, UDD stated (October 2014) that:

- Efforts are being taken for appointment of Chartered Accountants for maintenance of account on accrual basis.
- Tender for e-governance would be invited to address public grievances.

Recommendation: Proper maintenance of records as well as observance of all the supervisory checks prescribed in the Municipal Act and Rules should strictly be followed to ensure effective internal control.

5.1.8 Giridih Municipal Council

The MC, Giridih is situated in Giridih district, covering 38.07Sq.Kms. with a population of 1,14,533. It consists of Chairman and councillors elected from its 30 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the Act.

5.1.8.1 Planning

As per provisions discussed in paragraph 5.1.7.1 *ante*, audit noticed that master plan, perspective five-year plan and annual development plans were not prepared during 2009-14 by the MC. As a result schemes were taken up

for execution by the MC without any prioritisation and were executed in an *ad-hoc* manner on the recommendations of Ward Councillors.

The JS, UDD accepted (October 2014) the observations and stated that tenders have been finalised for appointment of consultants.

Recommendation: *UDD should initiate immediate steps to prepare the master plan for the MC and direct it to prepare the perspective five-year plan and annual development plans.*

5.1.8.2 Financial profile

The financial profile of the MC during 2009-14 is shown in **Table 5.3**.

Table-5.3: Financial profile of MC

Year	Receipt					Expenditure		
	Grants (Central/ State)	Loans (State)	Own sources	Total	Own source to total receipt (Per cent)	Recurring	Non- recurring	Total
2009-10	2.43	4.19	0.67	7.29	9	1.96	3.16	5.12
2010-11	3.12	0.44	0.88	4.44	20	1.26	9.27	10.53
2011-12	3.76	Nil	1.15	4.91	23	2.65	1.62	4.27
2012-13	24.98	1.43	1.24	27.65	4	3.58	3.26	6.84
2013-14	5.84	0.93	1.67	8.44	20	3.88	16.72	20.60
Total	40.13	6.99	5.61	52.73		13.33	34.03	47.36

(Source: Information furnished by the MC)

As is evident from the **Table 5.3**, the MC was financially dependent on grants and loans received from Central/State Governments, as receipts from their own sources were merely four to 23 *per cent* of their total receipts during 2009-14.

The reasons for meagre own sources were non-conduct of general assessment, poor collection of municipal revenues *etc.* as discussed in paragraph 5.1.8.8 and 5.1.8.9

5.1.8.3 Budgeting

As per provisions discussed in paragraph 5.1.7.3 *ante*, audit noticed that budget calendar was not prepared by the MC during 2009-14 and there were delays of 41 to 131 days in approval of budget estimates. Further, the budgets prepared by the MC were unrealistic as there were variances from 90 to 98 *per cent* in receipts and from 92 to 98 *per cent* in expenditure between the budgeted figures and the actuals.

The JS, UDD accepted (October 2014) the observation and stated that the budget was not prepared on a realistic basis due to vacancies in the concerned posts and steps are being taken for appointment of Chartered Accountants.

Recommendation: *The budget estimates should be prepared timely and in a realistic manner.*

Services provided by the MC

5.1.8.4 Urban poverty alleviation

As per provisions discussed in paragraph 5.1.7.4 *ante*, audit noticed that out of total available funds of ₹1.41 crore (2009-14), the MC utilised ₹0.56 crore only and the balance fund remained in bank account as neither the survey for

identification of beneficiaries was conducted nor action plan for implementation of the scheme was prepared by the MC. As no records were maintained regarding vocational training and placement provided by the MC to urban poor beneficiaries during 2011-14, the validity of expenditure of ₹ 31.13 lakh for training could not be ascertained in audit. No training was organised during 2009-11.

The JS, UDD accepted (October 2014) the audit observation and stated that the scheme was closed (March 2013) and replaced with a new scheme by GoI.

5.1.8.5 Slum improvement

Integrated Housing and Slum Development Programme was launched by GoI in 2005 for holistic slum development by providing adequate shelter and basic infrastructure facilities to the slum dwellers of identified urban areas.

Audit observed that:

- As on June 2014, the MC spent only 50 *per cent* of the funds allocated under the scheme;
- The MC submitted the DPR after the delay of three years;
- The discrepancies in the beneficiaries list provided by the consultant led to re-verification of the list and consequent delays;
- The MC could complete only 50 *per cent* of the targeted dwelling units (536 out of 1132 dwelling units) due to the delay;
- The delay also resulted in cost escalation of ₹ 5.36 crore;
- Additionally, the delay also caused non-release of Central share of ₹ 6.12 crore.

The JS, UDD accepted (October 2014) the observation and stated that the scheme has now been closed and a new scheme Rajiv Awas Yojna has been introduced.

5.1.8.6 Construction of public toilets

As per provisions discussed in paragraph 5.1.7.5 *ante*, audit scrutinised the list of 106 cases of construction of toilets by SISSO during 2009-14. It was observed that 51 cases costing ₹15.55 lakh were having different names in the list maintained by the MC.

On this being pointed out, the JS, UDD replied (October 2014) that the matter would be examined.

5.1.8.7 SWM, sanitation and water supply

• Non-achievement of service level benchmarks

As per provisions discussed in paragraph 5.1.7.6 *ante*, audit noticed that the projects for sewage, SWM and storm water drainage were not started till August 2014.

• SWM and sanitation

SWM project, for which ₹ four crore was released (March 2009) by the GoJ for the MC, was not initiated due to non-acquisition of land by the MC. Though, the land was made available by the State Government free of cost in

February 2013, the MC failed to initiate action except tendering (August 2014) for construction of boundary wall. As the SWM project was not started, the MC continued to collect and dispose of solid waste during 2009-14 in an unscientific manner. Further, the MC failed to impart Information, Education and Communication activities to increase awareness about SWM among the public.

On this being pointed out, the EO stated (August 2014) that efforts would be made to involve elected representative for increasing awareness about SWM and community participation.

Recommendation: Initiation of the SWM projects should be expedited to enable scientific disposal of municipal solid waste by the MC.

• Water Supply System

As per provisions discussed in paragraph 5.1.7.6 *ante*, audit noticed that no work plan was prepared by the MC. Further, it was noticed that 29 *per cent* of assessed holdings in the MC were provided with water connections till March 2014 which were not metered resulting in loss of user charges to that extent. As the recovery of user charges was nil during 2009-14, this created a significant resource gap in the MC.

The JS, UDD accepted (October 2014) the observation and stated that house to house water connections with 24 hours regular water supply would be provided and user charges would be recovered.

Recommendation: Efforts should be taken to ensure 100 per cent metered regular water connections to raise accurate demand and recover the user charges.

Assessment, collection and accountal of revenue

5.1.8.8 Deficiencies in assessment of Property Tax

As per provisions discussed in paragraph 5.1.7.7 *ante*, audit noticed that:

- General assessment was not done for the last 16 years. As a result, 10 *per cent* (17496 out of 19467 holdings) remained outside the tax net till March 2014.
- In 188 out of 200 cases only the gross carpet area was mentioned without mentioning the full dimensions. Further, in the balance 12 cases, even the gross carpet area was not mentioned.

Accepting the observation the JS, UDD stated (October 2014) that new assessment rules have been framed and process of assessment would be regulated accordingly.

5.1.8.9 Irregularities in collection

(A) Property tax

As per provision discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- The MC failed to maintain Demand and Collection register of property tax. As a result, the MC failed to reconcile the differences between the closing balance of property tax for the year with the opening balances for the next year;

- The position of outstanding property taxes is tabulated in **Table 5.4**.

Table- 5.4: Position of Property Tax arrears and Tax Collection

(₹ in lakh)

Year	Arrear	Current	Total	Collection	Balance	Year-wise percentage of collection with respect to total demand
2009-10	94.08	42.73	136.81	32.91	103.90	24
2010-11	49.82	48.35	98.17	49.11	49.06	50
2011-12	67.23	61.07	128.30	58.27	70.03	45
2012-13	117.03	79.67	196.70	76.91	119.79	39
2013-14	132.06	82.49	214.55	108.97	105.58	51

(Source: Information provided by the MC)

As is evident from **Table 5.4**, the percentage of collection with respect to total demand ranged between 24 and 51 during 2009-14 which was much lower than 85 per cent as emphasised by XIII FC due to non-adherence to the prescribed provisions for recovery of taxes and non-initiation of deterrent penal action against the defaulters.

The JS, UDD stated (October 2014) that directions would be issued to ULB for issuing notices, distress warrants *etc.*

- Audit noticed that in 10 test-checked wards, property tax arrears amounting to ₹ 0.59 lakh was outstanding against 107 assesses for more than 12 years (till March 2014). This amount being barred by limitation of time could not be recovered by filing a civil suit in a court of competent jurisdiction. Thus, the MC sustained a loss of ₹ 0.59 lakh on account of non-recoverable property tax.

The reply (October 2014) of JS, UDD was silent about the loss of revenue due to limitation of time.

(B) Shop rent and other revenues

As per provisions discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- No shop rent register was maintained by the MC during 2009-14.
- An amount of ₹ 23.64 lakh was outstanding as shop rent for a period from one month to nine years from 337 shops till March 2014.
- Municipal revenue on account of advertisement in the municipal area and collection of toll from municipal sites amounting to ₹ 2.26 lakh was outstanding against three bidders (**Appendix 5.3**). The MC neither recovered the outstanding amount nor abrogated the rights awarded to the bidders as per terms of NIT.

Recommendation: *To augment municipal revenue, the system of assessment, demand and collection of municipal revenues as prescribed in the Act should be adhered to.*

5.1.8.10 Outstanding advances

As per provisions discussed in paragraph 5.1.7.9 *ante*, audit noticed that ₹ 35.09 lakh was outstanding against 30 officials/persons/agencies due to laxity in adjustment of advances, grant of second and subsequent advances for the same purpose without adjustment of previous ones *etc.*

The JS, UDD stated (October 2014) that directions would be issued to ULB for adjustment/recovery of outstanding advances.

5.1.8.11 Manpower management

As per provisions discussed in paragraph 5.1.7.10 *ante*, audit noticed that though JMSCR, 2014 was notified by UDD in July 2014, the MC did not implement the new staffing pattern. It was also observed that 72 per cent (224 against sanctioned posts of 310) of the posts were vacant as on March 2014.

Non-adoption of new staffing pattern and existence of significant vacancies in different posts adversely affected the functioning of MC as discussed in paragraphs 5.1.8.3.

The JS, UDD stated (October 2014) that steps would be taken for recruitment of staff.

5.1.8.12 Internal control and grievance redressal

(A) Internal control

- The MAC for examining the accounts of the municipality and auditor's report thereon was not constituted till March 2014.
- The MC failed to maintain accounts of income and expenditure in accrual based double entry accounting system till March 2014.
- The MC did not maintain records such as Demand and Collection register, property/asset register and stock register.

(B) Grievance redressal

- Though directed (May 2011) by UDD, GoJ, no suitable mechanism existed in the MC for recording of complaints by the public and redressal of grievances.

The JS, UDD stated (October 2014) that:

- Efforts are being taken for appointment of Chartered Accountants for maintenance of account on accrual basis.
- Tender for e-governance would be invited to address public grievances.

Recommendation: Proper maintenance of records as well as observance of all the supervisory checks prescribed in the Municipal Act and Rules should strictly be followed to ensure effective internal control.

5.1.9 Hazaribagh Municipal Council

The MC, Hazaribagh is situated in Hazaribagh district, covering 26.35 Sq. Kms. with a population of 1,42,489. It consists of Chairman and councillors elected from its 32 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the Act.

5.1.9.1 Planning

As per provisions discussed in **paragraph 5.1.7.1** *ante*, audit noticed that master plan, perspective five-year plan and annual development plans were not prepared during 2009-14 by the MC. As a result schemes were taken up for execution by the MC without any prioritisation and were executed in an ad-hoc manner on the recommendations of Ward Councillors.

The JS, UDD accepted (October 2014) the observations and stated that tenders have been finalised for appointment of consultants.

Recommendation: UDD should take up immediate steps to prepare the master plan for the MC and direct it to prepare the perspective five-year plan and annual development plans.

5.1.9.2 Financial Profile

The financial profile of the MC during 2009-14 is shown in **Table 5.5**.

Table-5.5: Financial Profile of the MC for the period 2009-14

(₹ in crore)

Year	Receipt					Expenditure		
	Grants (Central and State)	Loans (State)	Own sources	Total	Own source to total receipt (Per cent)	Recurring	Non- recurring	Total
2009-10	15.38	1.98	1.49	18.85	8	13.35	4.50	17.85
2010-11	16.63	1.26	2.36	20.25	12	23.34	7.32	30.66
2011-12	9.22	0.85	1.38	11.45	12	4.79	4.84	9.63
2012-13	18.59	1.56	2.27	22.42	10	5.38	3.47	8.85
2013-14	7.26	1.09	2.58	10.93	24	8.85	8.32	17.17
Total	67.08	6.74	10.08	83.90		55.71	28.45	84.16

(Source: Information furnished by the MC)

As is evident from the **Table 5.5**, the MC was financially dependent on grants and loans received from Central/State Governments, as receipts from its own sources were merely eight to 24 *per cent* of their total receipts during 2009-14. The reasons for meagre own sources were non-conduct of general assessment, poor collection of municipal revenues *etc.* as discussed in *paragraph 5.1.9.7* and *5.1.9.8*.

5.1.9.3 Budgeting

As per provisions discussed in *paragraph 5.1.7.3 ante*, audit noticed that budget calendars were not prepared by the MC during 2009-14 and there were delays of 11 to 43 days in approval of budget estimates for the years 2010-11 to 2012-13. Further, the budgets prepared by the MC were unrealistic as there were variances from 82 to 93 *per cent* in receipts and from 84 to 93 *per cent* in expenditure between the budgeted figures and the actuals.

The JS, UDD accepted (October 2014) the observation and stated that the budget was not prepared on a realistic basis due to vacancies in the concerned posts and steps would be taken for appointment of Chartered Accountants.

Recommendation: The budget estimate should be prepared timely and in a realistic manner.

Services provided by the MC

5.1.9.4 Urban Poverty Alleviation

As per provisions discussed in *paragraph 5.1.7.4 ante*, audit noticed that out of total available funds of ₹1.78 crore (2009-14), the MC utilised ₹1.64 crore and the balance fund remained in the treasury. Further, neither the survey for identification of beneficiaries was conducted nor action plan for implementation of the scheme was prepared by the MC. As no records were

maintained regarding vocational training and placement provided by the MC to urban poor beneficiaries in 2013-14, the validity of expenditure of ₹ 78.47 lakh for training could not be ascertained in audit. No training was organised during 2009-13.

The JS, UDD accepted (October 2014) the audit observation and stated that the scheme was closed (March 2013) and replaced with a new scheme by GoI.

5.1.9.5 SWM, sanitation and water supply

- **Non-achievement of Service Level Benchmarks**

As per provision discussed in paragraph 5.1.7.6 *ante*, audit noticed that the targets fixed by the UDD could not be achieved by the MC as projects for sewage, SWM and storm water drainage could not be started in the MC, till August 2014.

- **SWM and sanitation**

SWM Project in Hazaribagh under Jawaharlal Nehru National Urban Renewal Mission (JnNURM), for which ₹2.65 crore was released (April 2008 and September 2009) by Central and State Governments for the MC, was not initiated due to non-acquisition of land till September 2014. As the project was not started, the MC continued to collect and dispose of solid waste during 2009-14 in an unscientific manner. Further, the MC failed to impart Information, Education and Communication activities to increase awareness about SWM among the public.

No suitable reason for unscientific waste management was furnished by the MC.

- **Water supply system**

As per provision discussed in paragraph 5.1.7.6 *ante*, audit noticed that no work plan was prepared by the MC. Further, it was noticed that 39 per cent of the assessed holdings were provided with water connection till March 2014 which were not metered resulting in loss of user charges to that extent. As the recovery of user charges was nil during 2009-14, this created a significant resource gap in the MC.

The JS, UDD accepted (October 2014) the observation and stated that house to house water connections with 24 hours regular water supply would be provided and user charges would be recovered.

Recommendation: *Efforts should be taken to ensure 100 per cent metered water connections to raise accurate demand and recover the user charges.*

5.1.9.6 Other services

Infructuous expenditure on preparation of DPR

Audit noticed that an amount of ₹70.87 lakh paid to consultants⁴, as fee for preparation of DPR for construction of Ring road and water supply scheme, resulted in infructuous expenditure as the DPR prepared by the consultant was faulty and the consultant did not correct the defects pointed out by technical committee of UDD. The work of construction of ring road was transferred to Jharkhand State Highway Authority along with funds of ₹70 crore and the

⁴

M/s Gherzi Eastern Ltd, Kolkata and M/s Smeatons Project Pvt. Ltd, Ranchi

balance amount remained with Road Construction Division, Hazaribagh (₹ 25.63 crore) and the MC (₹ 0.02 crore) and the water supply scheme not yet commenced.

On these being pointed out, the EO stated (August 2014) that certificate case was initiated (August 2014) for recovery of ₹ 18.87 lakh from the agency and recovery of ₹ 52 lakh was not done due to non-issue of any direction from the higher authorities.

Recommendation: Recovery may be effected under intimation to audit.

Assessment, collection and accountal of revenue

5.1.9.7 Deficiencies in assessment

As per provision discussed in paragraph 5.1.7.7 *ante*, audit noticed following irregularities:

- General assessment was not done for the last 19 years. As a result, 28 *per cent* (18466 out of 25689 holdings) remained outside the tax net till March 2014.
- In 50 test-checked assessment cases only the gross carpet area was mentioned in the survey report without mentioning full dimensions of holdings.

Accepting the observation the JS, UDD stated (October 2014) that new assessment rules have been framed and process of assessment would be regulated accordingly.

5.1.9.8 Irregularities in collection

(A) Property tax

As per provision discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- The MC failed to maintain Demand and Collection register of property tax. As a result, MC failed to reconcile the closing balance of property tax for the year 2012-13 with the opening balance for the year 2013-14.
- The position of outstanding property taxes is tabulated in **Table 5.6**.

Table-5.6: Position of Property Tax arrears and Tax Collection

(₹ in crore)						
Year	Arrear	Current	Total	Collection	Balance	Percentage of collection with respect of total demand
2009-10	1.00	0.72	1.72	0.69	1.03	40
2010-11	1.03	0.72	1.75	0.91	0.84	52
2011-12	0.84	0.74	1.58	0.73	0.85	46
2012-13	0.85	0.76	1.61	0.88	0.73	55
2013-14	0.77	0.80	1.57	0.92	0.65	59

(Source: Information provided by the MC)

As is evident from **Table 5.6**, the percentage of collection with respect to total demand ranged between 40 and 59 during 2009-14 which was much lower than 85 *per cent* as emphasised by XIII FC due to non-adherence to the

prescribed provisions for recovery of taxes and non-initiation of deterrent penal action against the defaulters.

The JS, UDD stated (October 2014) that directions would be issued to ULB for issuing notices, distress warrants *etc.*

- Audit noticed that in 32 test-checked wards, property tax arrears amounting to ₹19.64 lakh was outstanding against 222 assesses for more than 12 years (till March 2014). This amount being barred by limitation of time could not be recovered by filing a civil suit in a court of competent jurisdiction. Thus, the MC sustained a loss of ₹19.64 lakh on account of non-recoverable property tax.

The reply (October 2014) of JS, UDD was silent about the loss of revenue due to limitation of time.

(B) Shop rent and other revenues

As per provisions discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- No shop rent register was maintained by the MC during 2009-14.
- An amount of ₹6.78 lakh was outstanding as shop rent from 844 shops till March 2014.
- Municipal revenue on account of collection of toll from municipal sites amounting to ₹ 1.64 lakh was outstanding against two bidders (*Appendix 5.4*). The MC neither recovered the outstanding amount nor abrogated the rights awarded to the bidders as per terms of NIT.

Recommendation: To augment municipal revenue, the system of assessment, demand and collection of municipal revenues as prescribed in the Act should strictly be adhered to.

5.1.9.9 Outstanding advances

As per provision discussed in paragraph 5.1.7.9 *ante*, audit noticed that ₹ 4.29 crore was outstanding against 160 officials/persons/agencies due to laxity in adjustment of advances, grant of second and subsequent advances for the same purpose without adjustment of previous ones *etc.*

The JS, UDD stated (October 2014) that directions would be issued to ULB for adjustment/recovery of outstanding advances.

5.1.9.10 Manpower management

As per provisions discussed in paragraph 5.1.7.10 *ante*, audit noticed that though JMSCR, 2014 was notified by UDD in July 2014, the MC did not implement the new staffing pattern. It was also observed that 42 *per cent* (124 against sanctioned posts of 292) of the posts were vacant as on March 2014.

Non-adoption of new staffing pattern and existence of significant vacancies in different posts adversely affected the functioning of MC as discussed in paragraphs 5.1.9.3.

The JS, UDD stated (October 2014) that steps would be taken for recruitment of staff.

5.1.9.11 Internal control and grievance redressal

(A) Internal control

- The MAC for examining the accounts of the municipality and auditor's report thereon was not constituted till March 2014.
- The MC failed to maintain accounts of income and expenditure in accrual based double entry accounting system till March 2014.
- The MC did not maintain records such as Demand and Collection register, property/asset register and stock register.

(B) Grievance redressal

- Though directed (May 2011) by UDD, GoJ, no suitable mechanism existed in the MC for recording of complaints by the public and redressal of grievances.

The JS, UDD stated (October 2014) that:

- Efforts are being taken for appointment of Chartered Accountants for maintenance of account on accrual basis.
- Tender for e-governance would be invited to address public grievances.

Recommendation: Proper maintenance of records as well as observance of all the supervisory checks prescribed in the Municipal Act and Rules should be strictly followed to ensure effective internal control.

5.1.10 Lohardaga Municipal Council

The MC, Lohardaga is situated in Lohardaga district, covering 35.20 Sq.Kms. with a population of 57,411. It consists of Chairman and Councillors elected from its 22 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the Act.

5.1.10.1 Planning

As per provision discussed in paragraph 5.1.7.1 *ante*, audit noticed that master plan, perspective five-year plan and annual development plans were not prepared during 2009-14 by the MC. As a result, schemes were taken up for execution by the MC without any prioritisation and were executed in an ad-hoc manner on the recommendations of Ward Councillors.

The JS, UDD accepted (October 2014) the observations and stated that tenders have been finalised for appointment of consultants.

Recommendation: UDD should take up immediate steps to prepare the master plan for the MC and direct it to prepare the perspective five-year plan and annual development plans.

5.1.10.2 Financial Profile

The financial profile of the MC during 2009-14 is shown in **Table 5.7**.

Table- 5.7: Financial Profile of the MC

(₹ in crore)

Year	Receipt					Expenditure		
	Grants (Central and State)	Loans (State)	Own sources	Total	Own source to total receipt (Per cent)	Recurring	Non- recurring	Total
2009-10	11.83	0.51	0.33	12.67	3	0.93	2.84	3.77
2010-11	2.98	0.23	0.38	3.59	11	0.86	9.26	10.12
2011-12	5.78	0.18	0.66	6.62	10	0.70	6.88	7.58
2012-13	12.63	0.19	1.11	13.93	8	0.76	11.02	11.78
2013-14	11.83	0.35	0.77	12.95	6	1.21	9.27	10.48
Total	45.05	1.46	3.25	49.76		4.46	39.27	43.73

(Source: Information furnished by the MC)

As is evident from the **Table 5.7**, the MC was financially dependent on grants and loans received from Central/State Governments, as receipts from its own sources were merely three to 11 *per cent* of their total receipts during 2009-14.

The reasons for meagre own sources were non-conduct of general assessment, poor collection of municipal revenues *etc.* as discussed in paragraphs 5.1.10.7 and 5.1.10.8.

5.1.10.3 Budgeting

As per provisions discussed in paragraph 5.1.7.3 *ante*, audit noticed that budget calendar was not prepared by the MC during 2009-14 and there were delays of 41 to 138 days in approval of budget estimates. Further, the budgets prepared by the MC were unrealistic as there were variances from 86 to 96 *per cent* in receipts and from 88 to 96 *per cent* in expenditure between the budgeted figures and the actuals.

The JS, UDD accepted (October 2014) the observation and stated that the budget was not prepared on a realistic basis due to vacancies in the concerned posts and steps are being taken for appointment of Chartered Accountants.

Recommendation: *The budget estimate should be prepared timely and in a realistic manner.*

Services provided by the MC**5.1.10.4 Urban poverty alleviation**

As per provision discussed in paragraph 5.1.7.4 *ante*, audit noticed that out of a total available fund of ₹62.93 lakh (2009-14) for SJSRY the MC utilised ₹52 lakh and the balance fund remained in bank account as neither the survey for identification of beneficiaries was conducted nor action plan for implementation of the scheme was prepared by the MC. No records were maintained regarding vocational training and placement provided by the MC during 2011-12 and 2013-14 to urban poor beneficiaries, the validity of expenditure of ₹19.13 lakh for training could not be ascertained in audit.

The JS, UDD accepted (October 2014) the audit observation and stated that the scheme was closed (March 2013) and replaced with a new scheme by GoI.

5.1.10.5 SWM, sanitation and water supply

- **Non-achievement of Service Level Benchmarks**

As per provision discussed in paragraph 5.1.7.6 *ante*, audit noticed that the targets fixed by the UDD could not be achieved by the MC as projects for sewage, SWM and storm water drainage could not be started in the MC, till August 2014.

- **SWM and sanitation**

SWM Project in Lohardaga under JnNURM, for which ₹ 2.08 crore was released (March 2008 and January 2009) by Central and State Governments for the MC, was not initiated due to non-acquisition of land till September 2014. As the project was not started, the MC continued to collect and dispose of solid waste during 2009-14 in an unscientific way. Further, the MC failed to impart Information, Education and Communication activities to increase awareness about SWM among the public.

No suitable reason for unscientific waste management was furnished by the MC.

- **Water supply system**

As per provision discussed in paragraph 5.1.7.6 *ante*, audit noticed that no work plan was prepared by the MC. Further, it was noticed that only 13 *per cent* of the assessed holdings in the MC were provided with water connections till March 2014 which were not metered resulting in loss of user charges to that extent. As the recovery of user charges was only ₹ 23.95 lakh during 2009-14, this created a significant resource gap in the MC.

The JS, UDD accepted (October 2014) the observation and stated that house to house water connections with 24 hours regular water supply would be provided and user charges would be recovered.

Recommendation: Efforts should be taken to ensure 100 per cent metered regular water connections to raise accurate demand and recover the user charges.

5.1.10.6 Other services

- **Unfruitful expenditure of ₹ 24.35 lakh**

According to Jharkhand Public Works Department Code (JPWD), 2012, except in case of emergent work no work should be started on land which has not been duly made over by a responsible civil officer.

Audit noticed that a sum of ₹ two crore was released (September 2008 and June 2012) by the MC to Rural Works Department (RWD), Lohardaga for construction of Bypass road from Gangupara to Oyna More. But the work could not be completed due to non-acquisition of land despite incurring an expenditure of ₹ 24.35 lakh as on October 2010. Thus, start of work without acquisition of land resulted in unfruitful expenditure of ₹ 24.35 lakh and ₹ 1.76 crore remained blocked with RWD, Lohardaga.

The EO, Lohardaga replied (August 2014) that the work could not be completed due to non-acquisition of land and steps would be taken to get back the balance amount.

Assessment, collection and accountal of revenue

5.1.10.7 Deficiencies in assessment

As per provision discussed in paragraph 5.1.7.7 *ante*, audit noticed that:

- General assessment was not done for last 24 years. As a result, 50 *per cent* of holdings (7466 out of 14785 holdings) remained outside the tax net till March 2014.
- In 32 out of 37 test-checked cases only the gross carpet area was mentioned without mentioning the full dimensions. Further, in the balance five cases even the gross carpet area was not mentioned.

Accepting the observation the JS, UDD stated (October 2014) that new assessment rules have been framed and process of assessment would be regulated accordingly.

5.1.10.8 Irregularities in collection

(A) Property Tax

As per provision discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- The MC failed to maintain the Demand and Collection register of property tax
- The position of outstanding property taxes is tabulated in **Table 5.8**.

Table-5.8: Position of Property Tax arrears and Tax Collection

(₹ in lakh)				
Year	Total outstanding demand*	Collection	Balance	Percentage of collection with respect of total demand
2009-10	24.22	2.65	21.57	11
2010-11	23.10	4.71	18.39	20
2011-12	26.90	11.70	15.20	43
2012-13	29.50	14.75	14.75	50
2013-14	32.11	10.89	21.22	34

(Source: Information provided by the MC)

*Note: In absence of Demand and Collection Register the arrear and current demand could not be bifurcated in audit.

As is evident from **Table 5.8**, the collection with respect to total demand ranged between 11 and 50 *per cent* during 2009-14 which was much lower than 85 *per cent* as emphasised by XIII FC due to non-adherence to the prescribed provisions for recovery of taxes and non-initiation of deterrent panel action against the defaulters.

The JS, UDD stated (October 2014) that directions would be issued to ULB for issuing notices, distress warrants etc.

- As per provision discussed in paragraph 5.1.7.8 *ante*, audit noticed that in 22 wards property tax arrears amounting to ₹ 0.88 lakh was outstanding against 34 assesseees for more than 12 years (till March 2014). This amount being barred by limitation of time could not be recovered by filing a civil suit in a court of competent jurisdiction. Thus, the MC sustained a loss of ₹ 0.88 lakh on account of non-recoverable property tax.

The reply (October 2014) of JS, UDD was silent about the loss of revenue due to limitation of time.

(B) Shop rent and other revenues

As per provision discussed in paragraph 5.1.7.8 *ante*, audit noticed that:

- No shop rent register was maintained by the MC during 2009-14.
- An amount of ₹ 31.71 lakh was outstanding as shop rent for a period from five months to 22 years in respect of 235 shops till March 2014.
- Municipal revenue on account of collection of toll from municipal sites amounting to ₹ 5.51 lakh was outstanding against five bidders (*Appendix-5.5*). The MC neither recovered the outstanding amount nor abrogated the rights awarded to the bidders as per terms of NIT.
- Audit noticed that ₹ 0.98 lakh collected (between March 2013 and May 2014) on account of municipal revenues was not deposited by four tax collectors for credit into the municipal funds.

Recommendation: To augment municipal revenue, the system of assessment, demand and collection of municipal revenues as prescribed in the Act should strictly be adhered to.

5.1.10.9 Outstanding advances

As per provision discussed in paragraph 5.1.7.9 *ante*, audit noticed that ₹ 2.88 crore was outstanding against 44 officials/persons/agencies due to laxity in adjustment of advances, grant of second and subsequent advances for the same purpose without adjustment of previous ones etc.

The JS, UDD stated (October 2014) that directions would be issued to ULB for adjustment/recovery of outstanding advances.

5.1.10.10 Manpower management

As per provisions discussed in paragraph 5.1.7.10 *ante*, audit noticed that though JMSCR, 2014 was notified by UDD in July 2014, the MC did not implement the new staffing pattern. It was also observed that 40 *per cent* (25 against sanctioned posts of 63) of the posts were vacant as on March 2014.

Non-adoption of new staffing pattern and existence of significant vacancies in different posts adversely affected the functioning of MC as discussed in paragraphs 5.1.10.3.

The JS, UDD stated (October 2014) that steps would be taken for recruitment of staff.

5.1.10.11 Internal control and grievance redressal**(A) Internal control**

- The MAC for examining the accounts of the municipality and auditor's report thereon was not constituted till March 2014.
- The MC failed to maintain accounts of income and expenditure in accrual based double entry accounting system till March 2014.
- The MC did not maintain records such as Demand and Collection register, property/asset register and stock register.

(B) Grievance redressal

- Though directed (May 2011) by UDD, GoJ, no suitable mechanism existed in the MC for recording of complaints by the public and redressal of grievances.

The JS, UDD stated (October 2014) that:

- Efforts are being taken for appointment of Chartered Accountants for maintenance of account on accrual basis.
- Tender for e-governance would be invited to address public grievances.

Recommendation: Proper maintenance of records as well as observance of all the supervisory checks prescribed in the Municipal Act and Rules should be strictly followed to ensure effective internal control.

5.1.11 Conclusion

Dumka Municipal Council

- Due to non-devolution of funds and functionaries, seven out of 18 functions transferred to the MC through Municipal Act were not being performed;
- The MC failed to prepare master plan, perspective five years plan and annual development plans resulting in works being executed in an *ad-hoc* manner on the recommendation of the ward councillors;
- As the receipts from own sources were meagre, the MC was financially dependent on Central/State grants;
- Unrealistic budgets were prepared by the MC resulting in wide variation between estimates and actuals;
- The construction of SWM projects are yet to commence resulting in disposal of solid wastes in an unscientific manner; and
- There were significant shortfalls in revenue collection due to failure of the MC to implement the provisions of the Act regarding levy and collection of revenues, non-maintenance of records and shortage of manpower.

Giridih Municipal Council

- Due to non-devolution of funds and functionaries, seven out of 18 functions transferred to the MC through Municipal Act were not being performed;
- The MC failed to prepare master plan, perspective five years plan and annual development plans resulting in works being executed in an *ad-hoc* manner on the recommendation of the ward councillors;
- As the receipts from own sources were meagre, the MC was financially dependent on Central/State grants;
- Unrealistic budgets were prepared by the MC resulting in wide variation between estimates and actuals;

- The MC failed to complete 50 *per cent* of the dwelling units to be constructed under IHSDP resulting in cost escalation and non-release of Central share; and
- There were significant shortfalls in revenue collection due to failure of the MC to implement the provisions of the Act regarding levy and collection of revenues, non-maintenance of records and shortage of manpower.

Hazaribagh Municipal Council

- Due to non-devolution of funds and functionaries, seven out of 18 functions transferred to the MC through Municipal Act were not being performed;
- The MC failed to prepare master plan, perspective five years plan and annual development plans resulting in works being executed in an *ad-hoc* manner on the recommendation of the ward councillors;
- As the receipts from own sources were meagre, the MC was financially dependent on Central/State grants;
- Unrealistic budgets were prepared by the MC resulting in wide variation between estimates and actuals;
- The faulty DPR prepared for construction of ring road and water supply scheme resulted in infructuous payment towards fee to the consultant and
- There were significant shortfalls in revenue collection due to failure of the MC to implement the provisions of the Act regarding levy and collection of revenues, non-maintenance of records and shortage of manpower.

Lohardaga Municipal Council

- Due to non-devolution of funds and functionaries, seven out of 18 functions transferred to the MC through Municipal Act were not being performed;
- The MC failed to prepare master plan, perspective five years plan and annual development plans resulting in works being executed in an *ad-hoc* manner on the recommendation of the ward councillors;
- As the receipts from own sources were meagre, the MC was financially dependent on Central/State grants;
- Unrealistic budgets were prepared by the MC resulting in wide variation between estimates and actuals;
- Non-acquisition of land for construction of bye-pass road resulted in unfruitful expenditure and
- There were significant shortfalls in revenue collection due to failure of the MC to implement the provisions of the Act regarding levy and collection of revenues, non-maintenance of records and shortage of manpower.

5.2 Performance Audit on 'Asset Management by Municipal Councils (including planning and acquisition)'

Executive summary

Asset management for Municipal Councils (MCs) includes planning, procurement, deployment, maintenance, upgradation, development, leasing out and management of service delivery and/or disposal of assets. The assets owned by MCs include movable and immovable assets acquired or created by them. The performance audit on **Asset Management by Municipal Councils (including planning and acquisition)** covering five MCs revealed the following deficiencies:

Adityapur Municipal Council

- MC acquired/purchased assets without planning as they did not make data base of assets, perspective plan, annual development plan and procurement plan for creation of assets.
[Paragraph 5.2.5.1]
- Two buildings constructed by the MC at a cost of ₹ 23.62 lakh remained unutilised since their construction and two buildings constructed at a cost of ₹ 10.11 lakh each were irregularly occupied/ utilised by others.
[Paragraph 5.2.5.5]
- MC could not departmentally collect revenue from *Baalu Ghats* for the period for which they remained unsettled resulting in a loss of revenue of ₹ 3.36 crore during 2008-14 to the MC.
[Paragraph 5.2.5.7]

Chaibasa Municipal Council

- MC acquired/purchased assets without planning as they did not make data base of assets, perspective plan, annual development plan and procurement plan for creation of assets.
[Paragraph 5.2.6.1]
- Non-submission/non-approval of DPRs led to non-initiation of projects besides blockade of fund of ₹ 3.15 crore.
[Paragraph 5.2.6.4]
- Two projects (SWM and construction of Bus Stand) could not be initiated due to non-availability of land resulting in blocking of fund of ₹ 5.25 crore.
[Paragraph 5.2.6.4]
- Two plots of municipal land measuring 3.02 acres were encroached.
[Paragraph 5.2.6.5]
- Shop rent and bid amount of ₹ 10.26 lakh was outstanding as of March 2014 against the allottees/bidders.
[Paragraph 5.2.6.7]

Chas Municipal Council

- MC acquired/purchased assets without planning as they did not make data base of assets, vision documents, perspective plan, annual development plan and procurement plan for creation of assets.
[Paragraph 5.2.7.1]
- Grant of ₹ 1.61 crore for SWM could not be utilised due to non-availability of landfill site.
[Paragraph 5.2.7.4]

- MC irregularly allotted rights for Childrens' Park and boating at Solagidih Talab which were developed by the MC at a total cost of ₹ 69 lakh, to the lessee along with Shopping Complex.
[Paragraph 5.2.7.5]
- Twelve buildings constructed by the MC remained unutilised since their construction and three buildings were irregularly occupied/utilised by others, indicating poor planning and loss of revenue to the MC.
[Paragraph 5.2.7.5]
- Non-revision of shop rent by the MC, resulted in a loss of ₹ 30.09 lakh.
[Paragraph 5.2.7.7]

Medininagar Municipal Council

- MC acquired/purchased assets without planning as they did not make database of assets, vision documents, perspective plan, annual development plan and procurement plan for creation of assets.
[Paragraph 5.2.8.1]
- Two DPRs prepared at the cost of ₹ 8.15 lakh became unfruitful due to non-approval/failure to provide reply by UDD.
[Paragraph 5.2.8.4]
- Due to non-submission of inspection report by UDD, construction of a Bus Stand remained incomplete after expenditure of ₹ 45 lakh.
[Paragraph 5.2.8.4]
- MC was not aware about details of 38 plots of their land as no survey was conducted.
[Paragraph 5.2.8.5]
- Shop rent and bid amounts amounting to ₹ 39.61 lakh was outstanding as of March 2014 against the allottees/bidders. Further, non-revision of shop rent resulted in a loss of ₹ 2.42 crore.
[Paragraph 5.2.8.7]

Sahibganj Municipal Council

- MC acquired/purchased assets without planning as they did not make database of assets, perspective plan, annual development plan and procurement plan for creation of assets.
[Paragraph 5.2.9.1]
- MC irregularly constructed two community toilets in Government buildings at a cost of ₹ 39.56 lakh.
[Paragraph 5.2.9.4]
- A park constructed for ₹ 11.94 lakh proved unfruitful as town hall was constructed on the land later.
[Paragraph 5.2.9.4]
- Two community centres were under unauthorised occupation, Three Government buildings were constructed on the municipal land without their approval.
[Paragraph 5.2.9.5]
- Shop rent amounting to ₹ 18.72 lakh was outstanding against the allottees.
[Paragraph 5.2.9.7]

5.2.1 Introduction

Asset management is a systematic process of deploying, operating, maintaining, upgrading and disposing of assets cost-effectively. Asset management for Municipal Councils (MCs) includes planning, procurement, deployment, maintenance, upgradation, development, leasing out and management of service delivery and/or disposal of assets. Assets for the purpose of performance audit include movable and immovable assets, remunerative and non-remunerative assets owned/acquired or created from time to time by the MCs.

5.2.2 Audit objectives

The audit objectives were to examine whether:

- the acquisition/creation of assets was properly planned and executed;
- the assets were efficiently and effectively utilised;
- there was a system for proper upkeep and periodical maintenance of assets; and
- an effective mechanism of documenting, monitoring and disposal of assets was in practice.

5.2.3 Audit criteria

The criteria used to assess the effectiveness of the MCs in asset management were sourced from Jharkhand Municipal Act, 2000 & 2011 and rules made thereunder, Jharkhand Financial Rules; Circulars, notifications, orders, instructions, resolutions issued by Central and State Government.

5.2.4 Scope of audit and methodology

A Performance Audit on 'Asset Management by Municipal Councils (including planning and acquisition)' was conducted during April 2014 to August 2014 in five Municipal Councils (Adityapur, Chaibasa, Chas, Medininagar and Sahibganj) and Urban Development Department (UDD), Government of Jharkhand (GoJ), Ranchi for the period 2009-10 to 2013-14. The scope of the audit did not include management of consumables, cash and bank balances in the MCs. During the PA, records such as cash books, bank pass books, grants sanctioning letters, purchase files, stocks registers, land register, tender documents, agreements, settlement files, correspondence files, etc. were test checked.

An entry conference was held with Secretary, UDD, GoJ in April 2014 to discuss audit objectives, scope, sample and methodology of the performance audit. The audit findings were discussed with the Joint Secretary (JS), UDD, GoJ in the exit conference held in October 2014.

Audit findings

There are 14 MCs in Jharkhand out of which five MCs were test-checked during PA and audit findings are being discussed in succeeding paragraphs.

5.2.5 Adityapur Municipal Council

MC, Adityapur is situated in Saraikela-Kharsawan district, covering 49 Sq. Kms. with a population of 1,74,355. It consists of Chairman and councillors elected from its 32 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the JM Act, 2011.

5.2.5.1 Planning

As per provisions of JM Act, 2011 and JMAM, the MC shall prepare a master plan, comprehensive infrastructure database, perspective five year plan, annual development plans and procurement plan for fixed assets.

Audit noticed that the MC did not prepare perspective five year plan/ annual development plans, infrastructure database and procurement plan. Consequently, assets were being planned and created without any long term vision/ assessment. Further, UDD provided (March 2006) ₹ 10 lakh to the MC for preparation of master plan, the amount remained unutilised (February 2015).

The JS, UDD accepted (October 2014) the audit observation and stated that the Directorate had been instructed to prepare draft master plan of MC.

Recommendation: MC should have a systematic planning process for acquisition/creation of assets.

5.2.5.2 Financial management

Assets in MC were created and maintained through grants and assistance released by GoI, State Government and from their own resources. The fund position of the MC during 2009-14 is indicated in the **Table-5.9** below:

Table-5.9: Capital expenditure vis-a-vis total available fund

(₹ in crore)

Period	Opening Balance	Receipt	Total available fund	Capital Expenditure (per cent of total available fund)	Revenue Expenditure	Total expenditure
2009-10	5.11	1.36	6.47	0.86 (13)	0.48	1.34
2010-11	5.13	2.44	7.57	1.19 (16)	0.74	1.93
2011-12	5.64	3.69	9.33	1.36 (15)	1.14	2.50
2012-13	6.83	7.63	14.46	2.77 (19)	2.30	5.07
2013-14	9.39	9.89	19.28	4.86 (25)	2.18	7.04

(Source: Data provided by MC)

From the above table, it is evident that the capital expenditure varied from ₹0.86 crore to ₹ 4.86 crore during 2009-14 and the MC could utilise only 13 to 25 per cent of available funds for acquisition/creation of assets.

5.2.5.3 Non-receipt of Development Grant

As per Backward Region Grant Fund (BRGF) guidelines, a High Power Committee (HPC)⁵ was to finalise a formula for inter-se allocation of BRGF funds between PRIs and ULBs within the districts. ULBs received BRGF development grants only after HPC finalised (May 2011) the formula for distribution of funds between ULBs and PRIs after four years of its constitution (March 2007). This resulted in non-receipt of ₹ 4.94 crore by the MC as development grants under BRGF during 2008-11.

The JS, UDD stated (October 2014) that the Department was pursuing the matter with concerned DCs.

5.2.5.4 Acquisition of assets

As per Rule 132 of JPWD Code no work should be started on land which was not duly made over by the responsible Civil Officers.

Audit noticed that construction of four community *shauchalayas* undertaken (October 2010) were remained incomplete as the MC started the work on the land of Housing Board without obtaining NOC and one community *shauchalayas* left midway due to failure of borewell resulting in unfruitful expenditure of ₹ 18.36 lakh.



(A community latrine lying unutilised)

The JS, UDD accepted (October 2014) the audit observation.

5.2.5.5 Utilisation of assets

- As per JM Act, 2000 and 2011, every ULB should maintain a register to keep record of land under its possession, but MC neither maintained records of land under its possession nor did a survey to identify its land.
- As per Section 62 of JM Act, 2000 read with Section 130(1) of JM Act, 2011, MC may sell, lease, exchange or otherwise dispose of any land and immovable property with the prior approval of the State Government. Audit noticed that two community centres constructed (2006) at a cost of ₹ 10.11 lakh each by the MC were used in unauthorised way for godown and *Anganwari* centre. Further, it was also noticed that two other buildings constructed (March 2007 and March 2012) at a cost of ₹23.62 lakh remained unutilised since their construction.

Thus, the MC lost the rental income on unutilised buildings and expenditure incurred on construction of those buildings also became unfruitful.

The JS, UDD accepted (October 2014) the audit observation and stated that directions would be issued to MC to utilise the community halls for meeting purposes of ward sabha and ward office.

⁵ HPC is a strategy and oversight committee headed by Chief Secretary of State Government and consisting of secretaries of various departments and representatives of Gol

- Rule 126 of Jharkhand Financial Rule prescribes that every authority delegated with financial powers of procuring goods in public interest shall have the responsibility to bring efficiency and economy in matters relating to public procurement. Further, the procuring authority while making procurement should be satisfied that the selected offer adequately meets the requirement in all respect.

Audit noticed that a road sweeper machine purchased at a cost of ₹ 2.50 lakh was never put to use due to shortage of technical manpower and remained unutilised for over 12 years.

The JS, UDD accepted the audit observation and stated (October 2014) that MC should ascertain the requirement and specification of equipment before purchase.

Recommendation: *MC should procure the assets after proper assessment of need and ensure their optimum utilisation.*

5.2.5.6 Disposal of assets

As per JMAM, MC have to maintain sinking funds to invest an amount equivalent to depreciation provision for the year which shall be transferred from the main bank account to Asset Replacement Bank Account for replacement of assets and an Asset Replacement Register in Form GEN-35 shall be maintained.

Audit noticed that the MC neither maintained sinking fund nor made provision for depreciation of equipment. Also, they did not have a system of physical verification/provision of depreciation of store items and disposal of unserviceable equipment and consequently, unserviceable and obsolete equipment such as tractor, scavenger and 25 community dust bins were lying in municipal premises/open places for long periods.

The MC assured that action would be taken for disposal of assets.

Recommendation: *A system of asset replacement and disposal should be put in place by the MC.*

5.2.5.7 Realisation of revenue from assets

- As per agreement executed between MC and shopkeepers, the shop rent was to be enhanced by 10 per cent after every five years. Audit noticed that the MC revised the rent after a delay of 73 months resulting in loss of rent of ₹ 2.53 lakh.

- State Government handed over the right to settle 'Baalus⁶ situated in urban area to ULBs in November 2007. Scrutiny revealed that during 2008 to 2014, out of six available Baalus for settlement, two Baalus for July 2008 to June 2009, four Baalus for October 2009 to October 2010 and all six Baalus for remaining periods (except 7.10.2012 to 6.10.2013) could not be settled by the MC either due to non-participation of bidders or non invitation of bids. Further, it was noticed that although DC, Saraikela-Kharsawan ordered (August 2008) MC to departmentally collect the revenue till the settlement of Baalus, departmental collection of only one Ghat was done during 23 September 2008 to 4 October 2008 and ₹ 2.65 lakh was collected.

⁶ Sand quarry

Thus, due to non-collection of revenue (cost of sand) departmentally, for the period for which the *Baalu Ghats* remained unsettled, the MC sustained a minimum loss of ₹ 3.36 crore during 2008-14 (*Appendix-5.6*).

Recommendation: The MC should revise the rent periodically and ensure collection of revenue through department, if not done by bids.

5.2.5.8 Non-maintenance of Asset Register

Once the assets have been identified, listed and valued by the MC, their record needs to be maintained and continually updated. This is achieved through the Fixed Asset Registers (FARs) which forms the basis for further planning and maintenance of assets.

Audit noticed that the MC had not maintained a single register and forms out of 15 forms and three registers of fixed assets prescribed under JMAM (*Appendix-5.7*). Further, Physical verification of assets was not done. Due to failure of the MC to conduct periodical verification of assets, damages to assets and non-utilisation went unnoticed. In the absence of FAR, the efficacy of the asset identification, valuation and management could not be ascertained in audit.

Recommendation: MC should have a proper asset accounting system.

5.2.5.9 Internal Control Mechanism

Non-maintenance of Asset Registers by the MC coupled with non-verification of assets periodically, non-preparation of Balance Sheet and data-base of assets, absence of planning process and internal audit led to weak and ineffective internal control system greatly affecting the asset management. Non-maintenance of assets, improper utilisation/non-utilisation of assets, encroachment of property by others, *etc.*, were attributed to the weak internal control system.

5.2.6 Chaibasa Municipal Council

The MC, Chaibasa, situated in West Singhbhum district, covering 9.50 Sq. Kms. with a population of 69,565. It consists of Chairman and councillors elected from its 26 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the JM Act, 2011.

5.2.6.1 Planning

As per provisions discussed in **paragraph 5.2.5.1 ante**, the MC did not prepare perspective five year plan/ annual development plans, infrastructure database and procurement plan. Consequently, assets were being planned and created without any long term vision/ assessment.

Audit noticed that the Consultant appointed (December 2006) by the MC, submitted (2008) the master plan to UDD and got (February-December 2007) payment of ₹ 4.61 lakh. But, approval of the same was not received as yet (July 2014).

Thus, due to non-approval of master plan, the MC was not in a position to assess the requirement of assets for socio-economic development of their inhabitants.

The JS, UDD accepted (October 2014) the audit observation and stated that the Directorate had been instructed to prepare master plan.

Recommendation: MC should have a systematic planning process for acquisition of assets.

5.2.6.2 Financial management

Assets in MC were created and maintained through grants and assistance released by GoI, State Government and from their own resources. The fund position of the MC during 2009-14 is indicated in **Table-5.10**:

Table 5.10: Capital expenditure vis-a-vis total available fund

(₹in crore)

Period	Opening Balance	Receipt	Total available fund	Capital Expenditure(per cent of total available fund)	Revenue Expenditure	Total Expenditure
2009-10	10.62	3.98	14.60	1.92 (13)	1.70	3.62
2010-11	10.98	4.56	15.54	1.06 (7)	1.81	2.87
2011-12	12.67	5.55	18.22	1.80 (10)	1.80	3.60
2012-13	14.62	11.70	26.32	1.56 (6)	2.90	4.46
2013-14	21.86	4.58	26.44	3.56 (13)	6.87	10.43

(Source: Data provided by MC)

From the above table, it is evident that the capital expenditure varied from ₹1.06 crore to ₹3.56 crore during 2009-14 and the MC could utilise only 6 to 13 per cent of available funds for acquisition/creation of assets.

5.2.6.3 Non-receipt of Development Grant

As per provisions discussed in paragraph 5.2.5.3 *ante*, the MC lost ₹ 2.69 crore due to non-receipt of development grants under BRGF during 2008-11.

The JS, UDD stated (October 2014) that the Department was pursuing the matter with concerned DCs.

5.2.6.4 Acquisition of assets

- DPR should depict scientifically calculated stage wise completion time, work programme, required machinery, equipment, materials required for the project, photographs of the site depicting important topographical details *etc.* as per guidelines issued by the Department from time to time.

MC appointed (October 2009) a Consultant to prepare the DPR for modern commercial-cum-shopping complex at *Gudri Bazar* and paid ₹ 2.07 lakh for preparation of Preliminary Project Report. However, the preparation of DPR was stopped by MC as financial position of MC was not sound.

- Fund provided (August 2012) to MC under XIII FC grants for construction of electric crematorium (₹ 15 lakh) and renovation of bus stand (₹ 3 crore) remained unutilised as DPR had not been submitted by the consultant as of February 2015.

- As per provision discussed in paragraph 5.2.5.4 *ante*, audit noticed that due to non-acquisition of land, ₹ 5.25 crore received for construction of a bus stand (₹ 25 lakh) and SWM (₹ 5 crore) could not be utilised.

Thus, not only the planned services could be offered by the MC but also the grants released for creation of assets remained blocked.

MC stated that actions were being taken for selection of another land.

The JS, UDD accepted (October 2014) the audit observation and stated that acquisition/non-availability of land is major reason for not initiating the projects and in future, projects would be initiated after acquisition/purchase of land.

5.2.6.5 Utilisation of assets

- As per provisions discussed in paragraph 5.2.5.5 *ante*, the MC did not make survey to identify their land. As a result, MC was unaware about details of their land (*Appendix-5.8*).
- MC is responsible for ensuring sufficient protection of their fixed assets so as to avoid irregular possession/ encroachment on their lands. Audit noticed that two land plots (Trenching ground in Meritola, Town KhasMahal, Village-Deliamarcha-1.52 acre and land for Town Hall at Madhu Bazar-1.50 acre) measuring 3.02 acre alongwith an incomplete *sulabh shauchalaya* (construction cost: ₹ 2.08 lakh) were encroached.



(Municipal land encroached by people)



(A Municipal land along with incomplete Sulabh Shouchalaya encroached by people)

The JS, UDD accepted (October 2014) the audit observations.

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that a drain cleaning machine and a road sweeper purchased (March 2006) at a cost of ₹ 7.27 lakh and ₹ 3.50 lakh respectively were never put to use due to mismatch between drain size and machine capability and uneconomical operation indicating injudicious purchases.

The JS, UDD accepted (October 2014) the audit observation and stated that MC should have ascertained the requirement and specification of equipment before purchase.

Recommendation: MC should procure the assets after proper need assessment and ensure their optimum utilisation.

5.2.6.6 Disposal of assets

As per provisions discussed in paragraph 5.2.5.6 *ante*, audit noticed that the MC neither maintained sinking fund nor made provision for depreciation of equipment. Also, it did not have a system of physical verification/provision of depreciation of store items and disposal of unserviceable equipment and consequently, a large number of unserviceable and obsolete equipment/vehicles such as suction machine, fogging machine, water tanker, truck, tractor and community bins were lying unused in municipal premises/open places for long periods ranging from one to 15 years.

Recommendation: A system of asset replacement and disposal should be put in place by the MC.

5.2.6.7 Realisation of revenue from assets

The MC should construct and maintain shops, stalls and *sairats*, town/community halls *etc.* and lease them to increase their income.

- As per information furnished by the MC, shop rent amounting to ₹ 7.71 lakh was outstanding against 326 shops as of March 2014.

- The MC settled the *sairats* to bidders for realisation of revenue, but full bid amount was not realised resulting in loss of ₹ 2.55 lakh as of 31 March 2014.

The JS, UDD accepted (October 2014) the audit observation.

Recommendation: The MC should ensure the realisation of outstanding dues.

5.2.6.8 Non-maintenance of Asset Register

As per provisions discussed in paragraph 5.2.5.8 *ante*, audit noticed that the MC had not maintained a single register and forms out of 15 forms and three registers of fixed assets prescribed under JMAM (*Appendix-5.7*). Further, Physical verification of assets was not done. In the absence of FAR, the efficacy of the asset identification, valuation and management was affected poorly.

Recommendation: MC should have a proper asset accounting system.

5.2.6.9 Internal Control Mechanism

Non-maintenance of Asset Registers by the MC coupled with non-verification of assets periodically, non-preparation of Balance Sheet and database of assets, absence of planning process and internal audit led to weak and ineffective internal control system greatly affecting the asset management. Non-maintenance of assets, improper utilisation/non-utilisation of assets encroachment of property by others *etc.*, were attributed to the weak internal control system.

5.2.7 Chas Municipal Council

The MC, Chas, situated in Bokaro district, covering 24.20 sq.kms with a population of 1,41,618 (Census 2011). It consists of Chairman and Councillors elected from its 30 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the JM Act, 2011.

5.2.7.1 Planning

As per provisions discussed in paragraph 5.2.5.1 *ante*, the MC did not prepare perspective five year plans/ annual development plans, infrastructure database and procurement plan. Consequently, assets were being planned and created without any long term vision/ assessment.

Audit noticed that the Consultant prepared master plan and got payment of ₹ 1.26 crore. However, the master plan approved (October 2010) by MC and submitted to UDD (December 2010) was not approved by UDD as yet (July 2014).

The JS, UDD accepted (October 2014) the audit observation and stated that the Directorate had been instructed to prepare master plan.

Recommendation: MC should have a systematic planning process for acquisition of assets.

5.2.7.2 Financial management

The fund position of the MC during 2009-14 is indicated in **Table-5.11**:

Table-5.11: Capital expenditure vis-a-vis total available fund

(₹ in crore)						
Period	Opening Balance	Receipt	Total available fund	Capital Expenditure(per cent of total available fund)	Revenue Expenditure	Total expenditure
2009-10	2.08	3.11	5.19	2.08 (40)	0.28	2.36
2010-11	2.83	2.37	5.20	2.45 (47)	0.07	2.52
2011-12	2.68	3.17	5.85	1.48 (25)	0.56	2.04
2012-13	3.81	6.61	10.42	2.16 (21)	0.64	2.80
2013-14	7.62	1.01	8.63	5.80 (67)	0.80	6.60

(Source: Data provided by MC)

From the above table, it is evident that the capital expenditure varied from ₹ 1.48 crore to ₹ 5.80 crore during 2009-14 and the MC could utilise only 21 to 67 per cent of available funds for acquisition/creation of assets.

5.2.7.3 Non-receipt of Development Grant

As per provisions discussed in paragraph 5.2.5.3 *ante*, the MC lost ₹ 2.18 crore due to non-receipt of development grants under BRGF during 2008-11.

The JS, UDD stated (October 2014) that the Department was pursuing the matter with concerned DCs.

5.2.7.4 Acquisition of assets

- As per provisions discussed in paragraph 5.2.5.4 *ante*, audit noticed that grants of ₹ 1.61 crore provided (March 2006 to February 2012) for implementation of SWM could not be utilised due to non-availability of landfill site.

MC stated that action was being taken for selection of another land fill site. The JS, UDD accepted (October 2014) the audit observation and stated that acquisition/non-availability of land is major reason for not initiating the projects and in future projects would be initiated after acquisition/purchase of land.

- The MC diverted ₹ 39.59 lakh out of the grant of *Nagrik Suvidha* for Office Building, Furniture, *etc.* against the provisions of grant sanctioning letter.

- Rule 94 (7) and (13) of Jharkhand Municipal (Accounts and Finance) Rules, 2012 prescribes that the specifications of the required goods should be clearly stated in the bid document without any ambiguity so that the prospective bidders can send meaningful bids and contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per the terms and conditions incorporated in the corresponding

bidding document. Also, Rule 78, *ibid*, provides that the procurement of goods should have been finalised by Procurement Committee.

The MC invited (May 2013) tender for purchase of one Fogging Machine and two Auto tippers and the bid was opened and finalised in June 2013 by the Standing Committee instead of Procurement Committee. Scrutiny revealed that specification of machine quoted by the lowest bidder for supply of 1.2 cum body capacity and 8 bhp power of Auto Tipper, whereas MC tendered for 1.5 cum body capacity and 8.5 bhp power of Auto Tipper. Further, the MC required one medium size Fogging Machine with output of more than 65 litres/hour fuel consumption of about 2.5 litres/hour, whereas, the bidder quoted for equipment with output of more than 70 litres/hour fuel consumption of 3 to 3.5 litres/hour.

Thus, the MC vitiated the tendering process by favouring an ineligible supplier while procuring Fogging machine and Auto tipper with specifications different from those notified in NIT.

5.2.7.5 Utilisation of assets

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that MC neither maintained records of land under their possession nor did a survey to identify their land.

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that a drain cleaning machine purchased (September 2006) at the cost of ₹ 7.70 lakh was not used due to frequent breakdown of machine and mismatch between drain size and machine capability indicating injudicious purchase decision.



(Drain cleaning machine lying abandoned in the MC's premises)

The JS, UDD accepted the audit observation and stated (October 2014) that MC should ascertain the requirement and specification of equipment before their purchase.

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that due to inaction on the part of MC, three community centres constructed (December 2005 to November 2010) at the cost of ₹ 20.22 lakh were under unauthorised occupation.

The MC replied that action would be taken for vacating the buildings.

The JS, UDD accepted (October 2014) the audit observation.

- MC constructed (March 2010) a shopping complex at Solagidih with a total cost of ₹ 1.92 crore. Audit noticed that the MC allotted (October 2010) the shopping complex to a firm with ₹ 11,000 as monthly rent (*five per cent* to be enhanced after every three years) and ₹ 51 lakh as one-time fee for a period of 33 years. However, in addition to the shopping complex, the MC also allotted the revenue realisation from a nearby Children's Park and boating at Solagidih *Talab* to the lessee in the same agreement in return for maintenance and beautification of the park and the *talab*, which were developed (June

2010) by the MC at a total cost of ₹ 69 lakh. It also handed over six boats belonging to the MC to the lessee. This resulted in undue benefit to the contractor.

The MC replied that allotment was done as per the decision of the Board. The reply could not justify the allotment of *Talab* and Park against its NIT which invited proposals for allotment of Shopping Complex only.

The JS, UDD accepted (October 2014) the audit observation. However, the reply was silent about the undue benefit still being accrued to the contractor.

- Eleven Community Centres and a Cafeteria constructed (between 2005 to 2012) at the cost of ₹ 60.99 lakh by the MC remained unutilised since their construction. This not only indicated poor planning but also lackadaisical attitude of MC in utilisation of their assets.

The JS, UDD accepted (October 2014) the audit observation and stated that directions would be issued to MCs to utilise the community halls for meeting purposes of ward *sabha* and ward office.

It was further noticed that although 11 community halls were already lying idle since construction, MC had started construction of another nine community halls from Government grants.

- Audit noticed that a suction machine, a tractor with trailer and a fogging machine were not being used for want of repair since period ranging between one and four years. Thus, equipment were lying idle and losing their value in the absence of repairs.

Recommendation: MC should procure the assets after proper need assessment and ensure their optimum utilisation.

5.2.7.6 Disposal of assets

As per provisions discussed in paragraph 5.2.5.6 *ante*, audit noticed that the MC neither maintained sinking fund nor made provision for depreciation of equipment. Also, they did not have a system of physical verification/provision of depreciation of store items and disposal of unserviceable equipment and consequently, a water tanker and a front loader attachment were lying idle in municipal premises/open places.

Recommendation: A system of asset replacement and disposal should be put in place by the MC.

5.2.7.7 Realisation of revenue from assets

The MC construct and maintain shops, stalls and *sairats*, town/ community halls *etc.* and lease them to increase their income.

- As per information furnished by the MC, shop rent amounting to ₹ 4.38 lakh against 276 shops was outstanding as of March 2014.

- MC sustained losses due to non-fixation of rent for old Town Hall allotted (August 1999) to Zila Parishad (ZP), Civil Surgeon cum Chief Medical Officer and Zila Andhapan Society for running their offices. MC replied that action would be taken.

- MC sustained a minimum loss of ₹ 3.95 lakh due to non-allotment of 84 stalls to retailers of vegetable/ fish/ meat *etc.*
The MC replied that repair and arrangement of electricity was being done and allotment would be done thereafter.
- Joint physical verification revealed that 12 shopkeepers subletted their shops, thereby violating the agreement under which they were allotted the shops by MC. EO replied that action would be taken after verification.
- The shop rents were to be revised upwards by the MC either as per the agreement (to be enhanced five *per cent* every year) or as per Board's decision. Due to non-revision of shop rents resulted in loss of approximately ₹ 30.09 lakh. EO assured that action would be taken for revision of rents. Thus, poor management of rent fixation/collection defeated the augmentation of revenue of MC.

Recommendation: The MC should revise the rent periodically and ensure the realisation of outstanding dues.

5.2.7.8 Non-maintenance of Asset Register

As per provisions discussed in paragraph 5.2.5.8 *ante*, audit noticed that the MC had not maintained a single register and forms out of 15 forms and three registers of fixed assets prescribed under JMAM (*Appendix-5.7*). In the absence of FAR, the efficacy of the asset identification, valuation and management was affected poorly.

Recommendation: MC should have a proper asset accounting system.

5.2.7.9 Internal Control Mechanism

Non-maintenance of Asset Registers by the MC coupled with non-verification of assets periodically, non-preparation of Balance Sheet and data-base of assets, absence of planning process and internal audit led to weak and ineffective internal control system greatly affecting the asset management. Non-maintenance of assets, improper utilisation/non-utilisation of assets, encroachment of property by others *etc.*, were attributed to the weak internal control system.

5.2.8 Medininagar Municipal Council

The MC, Medininagar, situated in Palamu district, covering 14.90 sq.kms with a population of 78,396 (Census 2011). It consists of Chairman and Councillors elected from its 26 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the JM Act, 2011.

5.2.8.1 Planning

As per provisions discussed in paragraph 5.2.5.1 *ante*, the MC did not prepare master plan, perspective five year plans/annual development plans, infrastructure database and procurement plan. Consequently, assets were being planned and created without any long term vision/ assessment.

The JS, UDD accepted (October 2014) the audit observations and stated that the Directorate had been instructed to prepare master plan.

5.2.8.2 Financial management

The fund position of the MC during 2009-14 is indicated in the **Table 5.12**:

Table 5.12: Capital expenditure vis-a-vis total available fund

(₹ in crore)

Period	Opening Balance	Receipt	Total available fund	Capital Expenditure (per cent of total available fund)	Revenue Expenditure	Total Expenditure
2009-10	3.09	4.54	7.63	1.03 (13)	1.19	1.22
2010-11	5.41	4.39	9.80	1.50 (15)	2.26	3.76
2011-12	6.04	3.77	9.81	0.52 (5)	2.57	3.09
2012-13	6.72	35.69	42.41	2.13 (5)	3.52	5.65
2013-14	36.76	3.95	40.71	14.68 (36)	2.61	17.29

(Source: Data provided by MC)

From the above table, it is evident that the capital expenditure varied from ₹ 0.52 crore to ₹ 14.68 crore during 2009-14 and the MC could utilise only 5 to 36 per cent of available funds for acquisition/creation of assets.

5.2.8.3 Non-receipt of Development Grant

As per provisions discussed in paragraph 5.2.5.3 *ante*, the MC lost ₹ 2.02 crore due to non-receipt of development grants under BRGF during 2008-11. Further, despite decision of HPC no BRGF fund was released to the MC against its due share of ₹ 43.32 lakh during 2011-14.

The JS, UDD stated (October 2014) that the Department was pursuing the matter with concerned DCs.

5.2.8.4 Acquisition of assets

- As per provisions discussed in paragraph 5.2.6.4 *ante*, audit noticed that expenditure of ₹ 4.16 lakh incurred on preparation of DPR for SWM became unfruitful as the consultant failed to revise the DPR as per the requirements of UDD. Also, identified land could not be acquired for want of NOC from Forest Department. The payment of ₹ 3.99 lakh made to the Consultant for preparation of DPR for construction of electric crematorium at *Raja Harischandra Ghat* also became unfruitful as final DPR submitted (February 2008) by the consultant, was yet to be approved by the UDD.

- Rupees 3.42 crore received for construction of drainage and sewage system was refunded (March 2014) to the State Government after retaining for 12 years as the DPR was not approved by the DC, Palamu.

- Grant of ₹ 18.50 lakh provided for Computerisation and Strengthening of MC during 2011-12 under State Plan was remained unutilised till date (February 2015).

- Audit noticed that grant of ₹ 1.50 crore received (February 2007) for 'Land acquisition for urban infrastructure and expansion' remained unutilised (February 2015) as UDD did not release the grant of ₹ 3.72 crore demanded by the District Land Acquisition Officer (DLAO) for land acquisition. MC also did not explore the possibilities for acquisition of another land.

- Due to non-submission of inspection report by the team of UDD, work of construction of Bus stand at Baria remained incomplete since June 2007 after incurring an expenditure of ₹ 45 lakh. As a result, a *sulabh shauchalaya* constructed at a cost of ₹ 21.15 lakh also remained idle for more than two years.

5.2.8.5 Utilisation of assets

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that MC did not make survey to identify its land. As a result the MC was unaware about details of their land (**Appendix-5.9**).
- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that a drain cleaning machine purchased (September 2009) at the cost of ₹ 7.70 lakh was not put to use due to shortage of technical manpower. The JS, UDD accepted the audit observation and stated (October 2014) that MC should ascertain the requirement and specification of equipment before their purchase.
- Audit noticed that a tractor with pay loader was not being used for want of repair since two years.

Recommendation: MC should procure the assets after proper need assessment and ensure their optimum utilisation.

5.2.8.6 Disposal of assets

As per provisions discussed in paragraph 5.2.5.6 *ante*, audit noticed that the MC neither maintained sinking fund nor made provision for depreciation of equipment. Also, they did not have a system of physical verification/provision of depreciation of store items and disposal of unserviceable equipment and consequently, a large number of unserviceable and obsolete equipment/vehicles such as water tankers, truck, tractor, trailing wheel barrow, double wheel barrow and containers were lying unused in municipal premises/open places.

Recommendation: A system of asset replacement and disposal should be put in place by the MC.

5.2.8.7 Realisation of revenue from assets

- As per information furnished by the MC, shop rent amounting to ₹ 22.16 lakh against 425 shops was outstanding as of March 2014.
- Due to delay in implementation of municipal board's decision (May 2009) to enhance rent of Market Shops from ₹ one to ₹ six per square feet and rent of road side shops from ₹ one to ₹ four per square feet MC suffered a loss of ₹ 2.42 crore.
- The MC settled the *sairats* to bidders for realisation of revenue, but full bid amount was not realised resulted in loss of ₹ 17.45 lakh as of 31 March 2014.

The JS, UDD accepted (October 2014) the audit observation.

Recommendation: The MC should revise the rent periodically and ensure the realisation of outstanding dues.

5.2.8.8 Non-maintenance of Asset Register

As per provisions discussed in paragraph 5.2.5.8 *ante*, audit noticed that the MC had not maintained a single register (except land register) and forms out of 15 forms and three registers of fixed assets prescribed under JMAM (*Appendix-5.7*). Further, Physical verification of assets was not done. In the absence of FAR, the efficacy of the asset identification, valuation and management was affected poorly.

5.2.8.9 Internal Control Mechanism

Non-maintenance of Asset Registers by the MC coupled with non-verification of assets periodically, non-preparation of Balance Sheet and database of assets, absence of planning process and internal audit led to weak and ineffective internal control system greatly affecting the asset management. Non maintenance of assets, improper utilisation/non-utilisation of assets *etc.*, were attributable to the weak internal control system.

5.2.9 Sahibganj Municipal Council

The MC, Sahibganj, situated in Sahibganj district, covering 9.50 sq.kms with a population of 88,214 (Census 2011). It consists of Chairman and Councillors elected from its 28 wards. The EO appointed by the State Government, carries out the administration of MC, subject to the provisions of the JM Act, 2011.

5.2.9.1 Planning

As per provisions discussed in paragraph 5.2.5.1 *ante*, the MC did not prepare perspective five year plans/ annual development plans, infrastructure database and procurement plan. Consequently, assets were being planned and created without any long term vision/ assessment.

Further, UDD provided (October 2012) ₹one crore to the MC for preparation of master plan, city development plan and DPR for other schemes was remained unutilised (July 2014).

The JS, UDD accepted (October 2014) the audit observations and stated that the Directorate had been instructed to prepare master plan.

Recommendation: MC should have a systematic planning process for acquisition of assets.

5.2.9.2 Financial management

The fund position of the MC during 2009-14 is indicated in **Table-5.13**:

Table-5.13: Capital expenditure vis-a-vis total available fund

(₹ in crore)

Period	Opening Balance	Receipt	Total available fund	Capital Expenditure(per cent of total available fund)	Revenue Expenditure	Total Expenditure
2009-10	9.86	3.03	12.89	2.21 (17)	1.76	3.97
2010-11	8.92	11.03	19.95	2.07 (10)	1.72	3.79
2011-12	16.16	3.67	19.83	10.31 (52)	2.14	12.45
2012-13	7.38	16.19	23.57	5.04 (21)	1.88	6.92
2013-14	16.65	19.68	36.33	15.26 (42)	2.23	17.49

(Source: Data provided by MC)

From the **Table 5.13**, it is evident that the capital expenditure varied from ₹ 2.07 crore to ₹34.89 crore during 2009-14 and the MC could utilise only 10 to 52 per cent of available funds for acquisition/creation of assets.

5.2.9.3 Non-receipt of Development Grant

As per provisions discussed in paragraph 5.2.5.3 *ante*, the MC lost ₹ 2.18 crore due to non-receipt of development grant under BRGF during 2008-11.

The JS, UDD stated (October 2014) that the Department was pursuing the matter with concerned DCs.

5.2.9.4 Acquisition of assets

- Rupees 30 lakh provided to MC by UDD for Construction of Market complex cum Marriage hall cum Community hall was refunded to State Government after retaining it for more than six years as the MC failed to arrange fund from own sources as directed by UDD.

- As per provisions discussed in paragraph 5.2.5.4 *ante*, the MC could not implement the SWM project due to non-acquisition of land and ₹16.70 lakh was remained blocked for more than five years.

- As per section 70 (A) (xvii) of JM Act 2011, community toilet complexes are to be constructed at public places, *i.e.* where large scale congregation of people takes place. Against the provisions of act, the MC incurred irregular expenditure of ₹ 39.56 lakh on construction of Community toilet complex in Government buildings (Jail Campus and College Campus).

The JS, UDD accepted (October 2014) the audit observation.

- The MC constructed town hall at land where ₹ 11.94 lakh were already spent by it for construction of Nehru Park, thereby shelving the Nehru park scheme and rendering the expenditure on the park wasteful. Though the proposal for construction of town hall in Bharatiya Colony, a more centrally located vacant municipal land was considered. No reason was available on record for not selecting the same land.

- Two generators purchased in January 2011 for ₹ 8.24 lakh were installed in October 2011 after 10 months of purchase, due to non-approval of estimates by municipal board. Out of which, one generator was not being used since January 2013 and a septic tank cleaner purchased in October 2006 was remained idle from February 2010 for want of repair.

5.2.9.5 Utilisation of assets

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that MC neither maintained records of land under their possession nor did a survey to identify their land.

- Audit further noticed that Government buildings such as Zila Hospital, Navodaya Vidyalaya and Stadium were constructed in MC's land without approval. MC, Sahibganj replied that buildings were constructed on municipal land as per verbal orders of the then DC, Sahibganj.

The JS, UDD accepted (October 2014) the audit observations. The MC may obtain *post-facto* approval of the UDD for the said allotments.

- As per provisions discussed in paragraph 5.2.5.5 *ante*, audit noticed that due to inaction on the part of MC, two community centres were under unauthorised occupation.

The JS, UDD accepted (October 2014) the audit observation and stated that directions would be issued to MC to utilise the community halls for meeting purposes of ward sabha and ward office.

Recommendation: *MC should procure the assets after proper need assessment and ensure their optimum utilisation.*

5.2.9.6 Disposal of assets

As per provisions discussed in paragraph 5.2.5.6 *ante*, audit noticed that the MC neither maintained sinking fund nor made provision for depreciation of equipment. Also, they did not have a system of physical verification/provision of depreciation of store items and disposal of unserviceable equipment and consequently a large number of unserviceable and obsolete equipment/vehicles such as three water tankers, two scavengers, three tractors and one road roller were lying unused in municipal premises/open places since 28 years.

Recommendation: *A system of asset replacement and disposal should be put in place by the MC.*

5.2.9.7 Realisation of revenue from assets

- As per information furnished by the MC, shop rent amounting to ₹ 18.72 lakh against 268 shops was outstanding as of March 2014.

- As per information furnished by the MC, 35 shops were under illegal possession. EO replied that action would be taken to vacate the shops from unauthorised occupants.

The JS, UDD accepted (October 2014) the audit observation.

Recommendation: *The MC should revise the rent periodically and ensure the realisation of outstanding dues.*

5.2.9.8 Non-maintenance of Asset Register

As per provisions discussed in paragraph 5.2.5.8 *ante*, audit noticed that the MC had not maintained a single register and forms out of 15 forms and three registers of fixed assets prescribed under JMAM (*Appendix-5.7*). Further, Physical verification of assets was not done. In the absence of FAR, the efficacy of the asset identification, valuation and management was affected poorly.



(Unserviceable articles at the MC premises)

Recommendation: MC should have a proper asset accounting system.

5.2.9.9 Internal Control Mechanism

Non-maintenance of Asset Registers by the MC coupled with non-verification of assets periodically, non-preparation of Balance Sheet and database of assets, absence of planning process and internal audit led to weak and ineffective internal control system affecting the asset management to a greater extent. Encroachment of property by others, non maintenance of assets, improper utilisation/non-utilisation of assets *etc.* were attributable to the weak internal control system.

5.2.10 Conclusion

Adityapur Municipal Council

- The acquisition of assets was not properly planned and executed leading to abandonment of the projects and unfruitful expenditure to that extent.
- Improper maintenance and non-disposal of assets resulted in assets lying idle for over 12 years.
- Non-leasing of rights for *Baalu ghats* resulted in loss of revenue to the MC.
- Non-maintenance of asset register and failure to conduct physical verification indicated weak internal controls in the MC.

Chaibasa Municipal Council

- The acquisition/renovation of assets was not properly planned as the necessary land/DPRs were not obtained resulting in blocking of funds with MC/DLAO.
- Failure to upkeep the assets resulted in encroachment of MCs land and idle equipment.
- Non-maintenance of asset register and failure to conduct physical verification indicated weak internal controls in the MC.

Chas Municipal Council

- Non-acquisition of land for SWM projects resulted in blocking of funds.
- The absence of planning prior to construction resulted in the assets remaining unutilised for over 10 years.
- Non-revision of shop rent since 1996 resulted in loss of revenue.
- Non-maintenance of asset register and failure to conduct physical verification indicated weak internal controls in the MC.

Medininagar Municipal Council

- The acquisition of assets was not properly planned as the necessary land/DPRs were not obtained resulting in blocking of funds with MC/DLAO.
- The MC was unaware about the details of land under them.
- The MC failed to revise the shop rent in time resulted in loss of revenue.
- Non-maintenance of asset register and failure to conduct physical verification indicated weak internal controls in the MC.

Sahibganj Municipal Council

- The MC failed to construct market complex despite availability of fund which was refunded after a lapse of over six years.
- The MC failed to upkeep the land under their possession resulting in encroachment.
- Non-maintenance of asset register and failure to conduct physical verification indicated weak internal controls in the MC.

CHAPTER-6
COMPLIANCE AUDIT-ULBs

CHAPTER –6

COMPLIANCE AUDIT

URBAN DEVELOPMENT DEPARTMENT

6.1 *Infructuous expenditure*

The MC, Sahibganj failed to commence SWM project initiated in 2007 and surrendered ₹ three crore to the government as it failed to get BoQ and tender documents from the consultant appointed for preparation of DPR despite paying ₹ 13.74 lakh.

The UDD appointed (February 2007) Regional Centre for Urban and Environmental Studies, Lucknow (Consultant) for preparation of Detailed Project Report (DPR) for Solid Waste Management (SWM) under twelfth Finance Commission (TFC) grants. As directed by UDD, the MC, Sahibganj executed (December 2007) a Memorandum of Understanding (MoU) with the Consultant for preparation of DPR within six months including preparation of Bill of Quantities (BoQ), Detailed cost estimates *etc.* for a Consultancy fee of 1.5 *per cent* of the project cost of ₹ 11.31 crore. However, the MoU was devoid of any penal provision for delayed submission/ non-submission of DPR and other documents. The UDD gave administrative approval (March 2009) and accorded technical sanction of ₹ 11.22 crore for the project and released (March 2009) ₹ three crore for execution of initial work of SWM.

Scrutiny (December 2013 and June 2014) of records of MC, Sahibganj revealed that the Consultant submitted DPR to MC, Sahibganj in November 2008 only after 11 months of execution of agreement. Moreover, the DPR submitted by the consultant neither included BOQ/Cost Estimates nor these details were submitted on a future date. However, the MC, Sahibganj continued to make payments to the Consultant and an amount of ₹ 13.74 lakh¹ was paid till January 2010. As the UDD reduced the project cost to ₹ 887.70 lakh and directed (December 2010) MC to pay ₹ 13.31 lakh² as the consultancy fee, it resulted in overpayment of ₹ 0.43 lakh to the contractor also.

As requested by the EO, the UDD directed (December 2011) the Consultant to submit BoQ and Cost Estimates to MC, Sahibganj within a month failing which security money shall be forfeited. The UDD also ordered MC, Sahibganj to take action for recovery of excess paid amount of consultancy fee. As the Consultant failed to submit the BoQ/ Cost Estimate, the tender for

¹ 30/5/2008-₹ 2.01 lakh, 1/7/2009-₹ 3.98 lakh and 14/1/2010-₹ 7.75 lakh

² 1.5 *per cent* of ₹ 887.70 lakh

the work could not be called for. The MC, Sahibganj also failed to recover the over payment. Further, as per the orders of the Finance Department, MC Sahibganj surrendered (June 2014) the fund of ₹ three crore to the State Government.

Thus, the project of SWM under TFC grant could not be implemented due to non- submission of BoQ/ Cost Estimate by the Consultant. As the MoU executed with the Consultant did not contain any provisions for levy of penalty for delayed/ incomplete submission of documents by the Consultant, both the UDD and NP Sahibganj could not invoke the same against the Consultant. This resulted in wasteful expenditure of ₹ 13.74 lakh on the incomplete DPR. As the project was failed to commence, the intended beneficiaries were deprived of the benefits of SWM in their locality.

The EO, MC Sahibganj replied (June 2014) that due to non-submission of tender documents by Consultants and non transfer of land by District Land Acquisition Officer, tender was not invited and fund was surrendered to as per directions of UDD. However, the EO did not provide a reply for making full payment to the Consultant despite not submitting complete documents. The EO also failed to recover the over payment.

The matter was reported (February 2015) to the Government; their reply had not been received.

6.2 Non recovery of VAMBAY fund

Inadequate monitoring of VAMBAY by DMC led to non-recovery of ₹ 36.50 lakh from executing agency. This also resulted in blocking of funds of ₹ 61.90 lakh for over nine years and denied the intended benefits to the urban poor.

Valmiki Ambedkar Malin Basti Awaas Yojana (VAMBAY), a centrally sponsored scheme was launched (December 2001) with an objective to provide shelter to all by constructing and upgrading the shelters of people living below the poverty line in urban slums. The scheme funded by the Central and State Governments equally with a financial limit of ₹ 40,000/- per dwelling unit (DU) including infrastructure and common facilities.

UDD released (June 2004) ₹ 70 lakh for construction of 350 DUs under Dhanbad Municipal Corporation (DMC) during 2004-05 and an equal central share was released by UDD in January 2006. Subsequently, UDD released ₹ 60 lakh for construction of another 300 units³ under the scheme during 2005-06.

However, the matching Central share of ₹ 60 lakh was not released by UDD (January 2015). It was noticed during audit (December 2013) that the DMC nominated (November 2006) Forestation and Urban Rural Integrated

³ Chhattatand-50 units, Dhanbad -150 units, Jharia- 50 units and Katras- 50 units

Development Agency, Jamshedpur, (FURIDA), a non-governmental organisation for executing the scheme with construction cost of ₹ 40,000 per unit. An agreement was executed (March 2007) with FURIDA binding them to complete the work to the satisfaction of DMC failing which FURIDA would be liable to refund the entire loss determined by DMC or face legal action. Without prior approval of the Government, work orders were issued (December 2006 to August 2008) by DMC for construction of 426 units in five phases⁴ to be completed by September 2008 at an agreed cost of ₹ 1.70 crore. FURIDA was paid (December 2006 to August 2008) ₹ 1.38 crore as advance in 15 instalments without any bank guarantee as security. However, FURIDA could construct only 204 DUs at a cost of ₹ 81.60 lakh despite lapse of more than six years from commencement of the work.

It was also noticed that Municipal Commissioner, DMC intimated (September 2011) Secretary, UDD, that only 204 dwelling units have been completed till date although FURIDA falsely reported (December 2009) the completion of 381 DUs. Though Municipal Commissioner, DMC directed (June 2013) the concerned engineers to submit physical verification report about the status of completion of construction of DUs, no such report was submitted by them. FURIDA expressed (June 2013) its inability to complete the remaining work because of increased cost of construction material, non-availability of vacant land for construction of DUs and non-cooperation of officers of DMC to make available the vacant land and refunded ₹ 20 lakh to DMC. The balance amount of ₹ 36.50 lakh was not refunded by FURIDA as on January 2015, however, neither the loss was determined by DMC for the incomplete nor any legal action was contemplated for violation of agreement terms.

Thus, the grant of successive advances by DMC without adjustment of previous ones, issue of work order without ensuring availability of vacant land and failure of DMC authorities to properly supervise the execution of work resulted in deprivation of intended benefits to the beneficiaries, blockage of ₹ 61.90 lakh⁵ for more than nine years and non-recovery of outstanding amount of ₹ 36.50 lakh from executing agency.

The matter was reported (February 2015) to the Government; their reply had not been received.

⁴ Completion period of each units was three months

⁵ ₹ 200.00 lakhs (released by UDD to DMC) – ₹ 138.10 lakhs (released as advance by DMC to FURIDA)

6.3 Unfruitful expenditure

Tendering of work by the Special Officer without ensuring availability of land resulted in unfruitful expenditure of ₹ 13.38 lakh on works executed which remained incomplete as on January 2015.

According to Jharkhand Public Works Department (JPWD) Code 2012, except in the case of emergent works, no work should be started on land which was not duly made over by responsible civil officers. JPWD Code 2012 further provides that when land which is not already in the possession of Government is required for public purposes, it should be acquired through the agency specified under Land Acquisition Act, which alone could confer the indefensible title.

Audit observed (December 2013) that a total sum of ₹ 26.34 lakh was sanctioned (February 2007) by Urban Development Department, Government of Jharkhand (UDD) for Construction of *Chhath Ghat* and Drain in Khargeshwar Dham (₹ 18.84 lakh) and beautification of Khargeshwar Dham and Construction of park (₹ 7.50 lakh) under Jugsalai Municipality in 2007-08 and 2008-09 respectively. Technical sanctions for the works were accorded by Executive Engineer, Technical Cell, UDD and Executive Engineer Rural Development Special Division, Jamshedpur in September 2006 and January 2009. However, the estimates for construction of *Chhath Ghat* was revised by JM as per new schedule of rates implemented with effect from July 2007 and ₹ 23.50 lakh was technically sanctioned (March 2008).

Subsequently, an agreement was executed with a contractor at 10 per cent above the amount of BoQ of ₹ 18.67 lakh and work order was issued by Special Officer (SO), Jugsalai Municipality. The scheduled date of completion was 30 May 2009.

However, work was stopped after submission of third Running Account bill by contractor (September 2012) with ₹ 9.18 lakh value of work done till date. The Contractor was also allotted the work of beautification of Khargeshwar Dham and construction of park costing ₹ 5.59 lakh⁶ by SO on 27 February 2009 with scheduled date of completion as 30 May 2009. However, work was stopped (June 2012) due to obstructions created by priest of Baba Ramgiri Naga Ashram located at the site of construction and value of work done up to submission of last bill by contractor on (June 2012) was ₹ 4.20 lakh. Thus, both the works were lying incomplete even after passage of four years of scheduled completion of the projects.

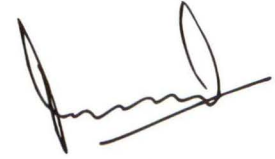
⁶ Administrative Approval was received from SO, Jugsalai Municipality on 22/1/09 for ₹ 5.59 lakh only.

On being pointed out in audit (December 2013), it was stated by the JM that work of Construction of *Chhath Ghat* and Drain in Khargeshwar Dham and beatification of Khargeshwar Dham and Construction of park could not be completed due to obstruction by the priest of the Baba Ramgiri Naga Ashram located at the site of construction as the title of land for above works was not in the name of the Municipality. Thus, the commencement of works by the Jugsalai Municipality without ensuring availability of land resulted in unfruitful expenditure of ₹ 13.38 lakh on the above two projects.

The matter was reported (February 2015) to the Government; their reply had not been received.

Ranchi

Date: 01 JUL 2015




(Narottam Moyal)
Deputy Accountant General
Social Sector-II
Jharkhand, Ranchi

Countersigned

Ranchi

Date: 01 JUL 2015



(Manoj Sahay)
Accountant General (Audit)
Jharkhand, Ranchi



APPENDICES

Appendix-1.1

(Reference to paragraph 1.4; Page 4)

Statement showing the details of powers and functions of Standing Committees of ZP, PS and GP

Name of the committee	Members	Powers and functions	Chairman	Secretary
ZILA PARISHAD AND PANCHAYAT SAMITI				
General Administration Committee	<ul style="list-style-type: none"> All the chair-persons of the standing committees. MP and MLA for ZP and PS respectively, who shall be <i>ex-officio</i> member Adhyaksha of ZP and Pramukh of PS shall be <i>ex-officio</i> member respectively. 	The business of the standing committees shall be such as may be prescribed by the competent authority.	Adhyaksha of ZP and Pramukh of PS shall be chairperson as the case may be.	CEO of ZP and EO of PS shall be <i>ex-officio</i> secretary for ZP and PS respectively.
Health & Education Committee	<ul style="list-style-type: none"> Consist of at least six members who shall be elected in the prescribed manner by the members of the PS or ZP, as the case may be, from amongst them. MP and MLA for ZP and PS respectively, who shall be <i>ex-officio</i> member. Adhyaksha of ZP and Pramukh of PS shall be <i>ex-officio</i> member respectively. 			
Women, children and social welfare committee	<ul style="list-style-type: none"> Consist of at least six members who shall be elected in the prescribed manner by the members of the PS or ZP, as the case may be, from amongst them, but include at least one woman and one person belonging to scheduled caste or scheduled tribe. MP and MLA for ZP and PS respectively, who shall be <i>ex-officio</i> member Up-Adhyaksha of ZP and Up-Pramukh of PS shall be <i>ex-officio</i> member for ZP and PS respectively. 		Up-Adhyaksha of ZP and Up-Pramukh of PS shall be Chairperson for ZP and PS respectively.	
Agriculture & Industries Committee	<ul style="list-style-type: none"> Consist of at least six members who shall be elected in the prescribed manner by the members of the PS or ZP, as the case may be, from amongst them. MP and MLA for ZP and PS respectively, who shall be <i>ex-officio</i> member. 		Chairperson elected amongst its members	
Finance, Audit and Planning & Development Committee				
Cooperative Committee				
Forest and environment committee				

Communication and works committee				
GRAM PANCHAYAT				
General Administration Committee	<ul style="list-style-type: none"> Five members of each of the Committees shall be elected by the members of the Gram Panchayat from amongst them in an especial meeting convened by it, provided that no members shall be member of more than two standing Committees simultaneously. The Mukhia and the up-Mukhia shall be <i>ex-officio</i> members of these committees. The Gram Sabha in its first meeting may elect by majority of votes and nominate an experienced and knowledgeable person of the particular field from amongst its members for each standing committee, provided that member so nominated shall have no voting right, provided further also that after the expiry of a period of one year, the Gram Sabha by a majority of votes may recall the so nominated member and may make a fresh nomination. 	The term of office of the members of the standing committees, the procedure of conduct of their business shall be such as may be prescribed.	Not mentioned in the Act	Secretary of the Gram Panchayat shall be <i>ex-officio</i> secretary of the standing committee.
Development Committee				
Women, children and social welfare Committee				
Health, education and environment Committee				
Village Defence Committee				
Government Estate Committee				
Infrastructure Committee				

(Source: JPR Act, 2001)

Appendix – 1.2

(Referred to paragraph 1.5.2; Page 5)

Statement showing the position of receipt and expenditure of schemes at PRIs level

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12		2012-13		2013-14	
		Receipts	Exp.	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.	Receipts	Exp.
1	MGNREGS	895.70	1379.70	1057.15	1283.46	1277.39	1248.91	929.17	1163.10	686.67	912.56
2	IWMP	7.64	0	25.16	5.45	21.84	12.87	52.77	17.85	32.77	40.63
3	IAY	360.65	249.18	867.66	546.45	674.7	511.37	635.02	434.2	688.27	382.08
4	AGY	0	0	20.00	0	60.00	59.97	40.00	40.00	40.00	12.60
5	MMVY	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00	82.00
6	LJSY	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00
7	13 CFC	0	0	0	0	67.5	67.5	67.5	67.5	67.5	67.5
8	SGSY/ NRLM	178.60	132.6	179.95	124.99	208.96	157.26	124.6	66.74	182.56	63.86
TOTAL		1565.59	1884.48	2272.92	2083.35	2433.39	2180.88	1972.06	1912.39	1820.77	1602.23

(Source: provided by RDD)

Exp.- Expenditure

MGNREGS - Mahatma Gandhi National Rural Employment Guarantee Scheme, **IWMP**- Integrated Watershed Management Programme, **IAY**- Indira Awas Yojna, **AGY**-Adarsh Gram Yojna, **MMVY**- Mukhya Mantri Vikas Yojna, **LJSY**- Lok Jal Samridhi Yojna, **SGSY**-Swarnajayanti Gram Swarozgar Yojna, **NRLM**- National Rural Livelihood Mission

Appendix – 1.3*(Referred to paragraph 1.5.3; page 5)***Statement showing position of receipt and expenditure of test-checked PRIs****(₹ in crore)**

Period	Test checked PRIs level	Receipts						Expenditure			Closing Balance
		Opening Balance	Grants		Loan	Own Revenue (per cent of total available fund)	Total	Estt.	Scheme	Total	
			Scheme	Estt.							
2009-10	ZP	100.50	46.12	1.09	1.11	6.27(11.48)	155.09	2.95	65.93	68.88	86.21
	PS	5.29	19.38	3.03	0.00	0.00	27.70	2.64	16.34	18.98	8.72
	GP	1.52	3.73	0.00	0.00	0.01	5.26	0.00	4.60	4.60	0.66
2010-11	ZP	86.21	279.49	0.77	1.08	2.97(1.04)	370.52	3.57	70.35	73.93	296.60
	PS	8.72	22.60	2.31	0.00	0.00	33.63	2.32	22.35	24.67	8.96
	GP	0.66	5.64	0.00	0.00	0.01	6.31	0.00	5.37	5.37	0.94
2011-12	ZP	296.60	305.04	2.21	1.10	5.19(1.65)	610.14	4.08	275.78	279.86	330.28
	PS	8.96	17.92	3.58	0.00	0.00	30.46	3.54	15.59	19.13	11.33
	GP	0.94	9.75	0.00	0.06	0.04	10.79	0.02	9.18	9.20	1.59
2012-13	ZP	330.28	347.93	3.18	1.24	14.07(3.84)	696.70	7.09	276.20	283.29	413.41
	PS	11.33	26.87	4.06	0.00	0.06	42.32	3.96	24.07	28.03	14.29
	GP	1.59	9.54	0.00	0.04	0.03	11.20	0.05	9.74	9.78	1.41
2013-14	ZP	413.41	233.33	1.39	1.48	9.81(4.00)	659.42	4.94	309.16	314.10	345.32
	PS	14.29	20.64	6.02	0.00	0.20	41.15	5.81	19.18	24.99	16.16
	GP	1.41	6.35	0.00	0.07	0.05	7.88	0.07	6.97	7.04	0.84
Total		1281.71	1354.33	27.64	6.18	38.71	2708.57	41.04	1130.81	1171.85	1536.72

*(Source: Data provided by test checked PRIs)**Estt.-- Establishment*

Appendix – 1.4

(Referred to paragraph 1.9; page 7)

Details of devolution of 29 functions to PRIs as envisaged in the 11th schedule of the Constitution

Sl. No.	29 functions	Status of devolution
1	Agriculture with agriculture extension.	Partial
2	Land development and land conservation.	No
3	Minor irrigation, water management and water shed development.	Yes
4	Animal husbandry, dairy and poultry.	Partial
5	Pisciculture	Yes
6	Social forestry and farm forestry.	No
7	Minor forest produce.	No
8	Small industry with food processing industry	Partial
9	Khadi, Village industry and cottage industry.	Yes
10	Rural housing.	No
11	Drinking water.	Yes
12	Fuel and fodder.	No
13	Roads, culverts, bridges, ferry, water - ways and other means of communication.	No
14	Rural electrification including electricity distribution	No
15	Non - conventional sources of energy.	No
16	Poverty alleviation programme.	No
17	Education including Primary and Secondary schools.	Yes
18	Technical training and professional education.	No
19	Adult and non-formal education.	Yes
20	Library.	No
21	Cultural activities.	No
22	Markets and fairs.	No
23	Health and hygiene with hospitals, primary health centres and dispensaries.	Yes
24	Family welfare.	Yes
25	Women and child development.	Yes
26	Social welfare with welfare of disabled and mentally retarded persons	Yes
27	Welfare of weaker sections particularly of the Scheduled Castes and the Scheduled Tribes.	No
28	Public Distribution system.	Yes
29	Maintenance of community asset	Partial

(Source: JPR Act, 2001)

Appendix – 1.5

(Referred to paragraph 1.9; page 7)

Statement showing sanctioned strength vis-à-vis men in position in test checked PRIs

(A) Sanctioned Strength/ Men in Position of test checked ZP

Sl. No.	Name of ZP	Sanctioned Strength	Men in Position	Vacancy
1	Bokaro	58	27	31
2	Chatra	38	08	30
3	Deoghar	50	6	44
4	Dumka	119	25	94
5	Garhwa	60	06	54
6	Giridih	93	20	73
7	Godda	4	4	0
8	Hazaribagh	73	28	45
9	Jamshedpur	79	9	70
10	Jamtara	41	3	38
11	Latehar	24	09	15
12	Lohardaga	24	5	19
13	Pakur	7	3	4
14	Palamu	79	17	62
15	Ranchi	39	18	21
TOTAL		788	188	600

(B) Sanctioned Strength/ Men in Position of test checked PS

Sl. No.	Name of PS	Sanctioned Strength	Men in Position	Vacancy
1	Chandrapura, Bokaro	11	05	06
2	Chandwa, Latehar	56	41	15
3	ChatraSadar	61	46	15
4	DeogharSadar	71	51	20
5	GarhwaSadar	54	26	28
6	Kanhachatti, Chatra	09	06	03
7	Kolebira, Simdega	49	35	14
8	LateharSadar	23	22	01
9	LohardagaSadar	01	01	0
10	Meral, Garhwa	75	49	26
11	SimdegaSadar	39	32	07
Total		449	314	135

(Source: Data provided by test checked PRIs)

Appendix -1.6
(Referred to paragraph 1.10; page 8)
Statement showing the name of sub-committees of DPC

Sl. No.	Sub-committee
1	Rural development programme Sub-committee
2	Agricultural development programme Sub-committee
3	Urban development Sub-committee
4	Irrigation development programme Sub-committee
5	Scheduled caste, scheduled tribe, other backward classes and weaker section development, women and child development programme persuasion Sub-committee
6	Employment generation and availability Sub-committee
7	Public health and family welfare Sub-committee
8	Education Sub-committee
9	Water supply Sub-committee.
10	Road and transport development Sub-committee.
11	Sub-Committee for determining use of land situated in investment area.
12	Sub-committee for persuasion of the development work of the MPs and legislators area development schemes.

(Source: JPR Act, 2001)

Appendix- 1.7
(Referred to paragraph 1.11; page 8)
Statement showing conditions/parameters of TGS

Sl. No.	TGS Parameters
1	The local fund auditor will prepare by the end of March every year, an annual audit plan for audit of LBs in the next financial year and forward it to the Accountant General (Audit) of the State.
2	The audit methodology and procedures for audit of LBs by the local fund auditor will be as per various Acts and statutes enacted by the State Government and guidelines prescribed by the CAG.
3	Copies of Inspection Reports (IRs) in respect of selected LBs shall be forwarded by the local fund auditor to the Accountant General (Audit) for advice on system improvements and the Accountant General (Audit) shall review the same with a view to make suggestions for improvement of existing systems being followed by the local fund audit department. The Accountant General (Audit) will also monitor the quality of IRs issued by the local fund auditor by scrutinising such IRs.
4	The local fund auditor will furnish returns in such format as may be prescribed by the CAG for advice and monitoring.
5	The Accountant General (Audit) would conduct test check of some of LBs in order to provide technical guidance. The report of the test check would be sent to the local fund auditor for pursuance of action to be taken by the Local Bodies. The local fund auditor will pursue the compliance of such paragraphs in the IRs of the Accountant General (Audit) in the same manner as if these are his own reports.
6	Irrespective of the money value of the objections, any serious irregularities such as system deficiencies, serious violation of rules and fraud noticed by local fund auditor will be intimated to the Accountant General (Audit).
7	The local fund auditor shall develop, in consultation with Accountant General (Audit), a system of internal control in his organisation.
8	The Accountant General (Audit) shall also undertake training and capacity building of the local fund audit staff.

Appendix-2.1

(Referred to paragraph 2.6; page 18)

(A) Statement showing sanction strength and Men in Position of Government Officials in the test checked PRIs

Sl. No.	Name of Post	Place of posting/ units	Applicable Section and Rule	Rank/Cadre	Present position in units		
					SS	MIP	Vacancy
1	Panchayat Secretary	GP (156)	Section 90 (1) of JPR Act, 2001 and Rule of 2002	Separate cadre of PS (Rule 2002)	156	100	56
2	Executive officer	PS (8)	Section 90 (2) of JPR Act, 2001	Not below the Rank of Deputy Collector	8	8	0
3	Assistant Secretary	PS (8)	Section 90 (2) of JPR Act, 2001 and Rule, 2008, 2012	Separate Cadre of Jharkhand Panchayat Seva 2012	8	5	3
4	Executive Officer	ZP (4)	Section 90 (3) of JPR Act, 2001 and Rule 2012	Separate Cadre of Jharkhand Panchayat Seva 2012	4	4	0
5	Assistant Director	Sub-divisions (6)	Jharkhand Panchayat Seva 2012	Separate Cadre of Jharkhand Panchayat Seva 2012	6	6	0
6	DPRO	District (4)	Section 2 of JPR Act, 2001	Separate Cadre of Jharkhand Panchayat Seva 2012	4	4	0
7	Chief Planning Officer	ZP (4)	Section 90 (3) of JPR Act, 2001		4	0	4
8	Chief Accounts Officer	ZP (4)	Section 90 (3) of JPR Act, 2001		4	0	4
9	CEO	ZP (4)	Section 90 (3) of JPR Act, 2001	Rank of DM)	4	4	0
Total					198	131	67

(B) Statement showing sanctioned strength and men-in-position of Non-Government Official in all the test checked PRIs

Sl. No.	Name of Post	Place of post/units	Applicable Rule	Details	SS	MIP	Vacancy
1.	Assistants/clerks	ZP (4)	Bihar Panchayat Samitis and Zila Parishads (Condition of Service) Rules 1964		54	11	43
2.	Stenographer	ZP (4)	Bihar Panchayat Samitis and Zila Parishads (Condition of Service) Rules 1964		5	2	3
3.	AE/JE	ZP (4)	Bihar Panchayat Samitis and Zila Parishads (Condition of Service) Rules 1964		14	4	10
4.	Medical Officer	ZP.Palamu	Bihar Panchayat Samitis and Zila Parishads (Condition of Service) Rules 1964	Includes vaidya/up-vaidya/hakim (MIP earlier five but one person retired during the period)	7	4	3
5.	Other Staff	ZP (4)	Bihar Panchayat Samitis and Zila Parishads (Condition of Service) Rules 1964	Includes Peon, Prarupak, Anurekhak, Amin, Daftri, Driver, Disinfector and Kupshodhak, sweeper, Karyadarshak etc.	225	32	193
Total					305	53	252

(Sources information provided by PRIs)

Appendix-2.2*(Referred to paragraph 2.7; page 18)***Statement showing details of PRIs selected for test check in ZP Palamu**

PanchayatSamitis		
SI No.	Name of the PanchayatSamiti selected	ZilaParishad
1	Padwa	Palamu
2	Patan	Palamu

Gram Panchayats		
SI No.	Name of the Gram Panchayats selected	PanchayatSamiti
1	Chhechhauri	Padwa
2	Gadikhas	Padwa
3	Kajari	Padwa
4	Lohara	Padwa
5	Manjhigaon	Padwa
6	Murma	Padwa
7	Pandwa	Padwa
8	Patra	Padwa
9	Janghasi	Patan
10	Kasawakhad	Patan
11	Kelhar	Patan
12	Kisunpur	Patan
13	Meral	Patan
14	Naudiha	Patan
15	Palhekala	Patan
16	Rajhara	Patan
17	Satauaa	Patan
18	Semri	Patan

Appendix-2.3

(Referred to paragraph 2.7.2.1; page 21)

Statement showing outstanding penal interest to be paid by the State Government for delayed credit of XIII Finance Commission grant fund in ZP Palamu account

Sl. No.	Head	Instalment	Share of XIII FC grant for PRIs in Jharkhand released by Government of India, New Delhi		District wise allotment of share of PRIs by Government of Jharkhand, Ranchi			Details of Bank/Treasury Account of ZP in which total share of PRIs of district credited		Total delay (B- A-10) in days	Total interest payable for delay up to ZP account (in ₹)
			Amount (₹ in lakh)	Release date (A)	Amount allotted (₹ in lakh)	Date of allotment	Total share of PRIs of District (in ₹)	Date of credit in Personal Ledger A/c (B)	Bank Name		
1	GABG	1st Inst. of 2011-12	8840.00	15/12/2011	8840.00	24/01/2012	11312322	03/03/2012	PL A/c 8448109	69	150004
				15/12/2011		24/01/2012	33936966	03/03/2012	PL A/c 8448109	69	450013
				15/12/2011		24/01/2012	11312322	03/03/2012	PL A/c 8448109	69	150004
2	GABG	2nd Inst. of 2011-12	9028.00	15/03/2012	8933.75	23/03/2012	11433891	30/03/2012	PL A/c 8448109	5	14880
				15/03/2012		23/03/2012	34293675	30/03/2012	PL A/c 8448109	5	44629
				15/03/2012		23/03/2012	11433891	30/03/2012	PL A/c 8448109	5	14880
3	GABG	Rest amount of 2011-12		15/03/2012	94.25	22/05/2012	119010	11/08/2012	PL A/c 8448109	139	4115
				15/03/2012		22/05/2012	365027	11/08/2012	PL A/c 8448109	139	12621
				15/03/2012		22/05/2012	119010	11/08/2012	PL A/c 8448109	139	4115
4	GAPG	1st Inst. of 2011-12	880.87	31/03/2012	880.87	10/04/2012	1127227	07/06/2012	PL A/c 8448109	58	16214
				31/03/2012		10/04/2012	3381680	07/06/2012	PL A/c 8448109	58	48641
				31/03/2012		10/04/2012	1127227	07/06/2012	PL A/c 8448109	58	16214
5	SABG	1st Inst. of 2011-12	1750.00	03/05/2012	1750.00	03/09/2012	33800	08/12/2012	PL A/c 8448109	209	1742
				03/05/2012		03/09/2012	101400	08/12/2012	PL A/c 8448109	209	5226
				03/05/2012		03/09/2012	33800	08/12/2012	PL A/c 8448109	209	1742
6	SABG	2nd Inst. of 2011-12	1750.00	08/03/2013	1750.00	13/03/2013	33800	30/03/2013	PL A/c 8448109	12	94
				08/03/2013		13/03/2013	101400	30/03/2013	PL A/c 8448109	12	283
				08/03/2013		13/03/2013	33800	30/03/2013	PL A/c 8448109	12	94

7	GABG	1st Inst. of 2012-13	9567.96	21/08/2012	9567.96	03/09/2012	12243874	04/06/2013	SBI 32517314072	277	816314
				21/08/2012		03/09/2012	36731621	04/06/2013	SBI 32517314072	277	2448942
				21/08/2012		03/09/2012	12243874	04/06/2013	SBI 32517314072	277	816314
8	GABG	2nd Inst. of 2012-13	10536.87	08/03/2013	9477.29	15/03/2013	12128486	31/03/2013	PL A/c 8448109	13	36718
				08/03/2013		15/03/2013	36382257	31/03/2013	PL A/c 8448109	13	110144
				08/03/2013		15/03/2013	12128486	31/03/2013	PL A/c 8448109	13	36718
9	GABG	Rest amount of 2012-13		08/03/2013	1059.60	04/04/2013	1355277	09/07/2013	PL A/c 8448109	113	35033
				08/03/2013		04/04/2013	4069032	09/07/2013	PL A/c 8448109	113	105182
				08/03/2013		04/04/2013	1355277	09/07/2013	PL A/c 8448109	113	35033
10	GAPG	1st Inst. of 2012-13	6566.38	31/01/2013	6566.38	08/02/2013	8402829	30/03/2013	PL A/c 8448109	48	95999
				31/01/2013		08/02/2013	25208486	30/03/2013	PL A/c 8448109	48	287998
				31/01/2013		08/02/2013	8402829	30/03/2013	PL A/c 8448109	48	95999
11	GAPG	2nd Inst. of 2012-13	7212.31	13/03/2013	5682.75	20/03/2013	7272070	31/03/2013	PL A/c 8448109	8	13548
				13/03/2013		20/03/2013	21816210	31/03/2013	PL A/c 8448109	8	40644
				13/03/2013		20/03/2013	7272070	31/03/2013	PL A/c 8448109	8	13548
12	GAPG	Rest amount of 2012-13		13/03/2013	1529.60	04/04/2013	1957339	09/07/2013	PL A/c 8448109	108	48317
				13/03/2013		04/04/2013	5872016	09/07/2013	PL A/c 8448109	108	144950
				13/03/2013		04/04/2013	1957339	09/07/2013	PL A/c 8448109	108	48317
13	SAPG	1st Inst. of 2012-13	1750.00	31/01/2013	1750.00	08/02/2013	33800	31/03/2013	PL A/c 8448109	49	394
				31/01/2013		08/02/2013	101400	31/03/2013	PL A/c 8448109	49	1182
				31/01/2013		08/02/2013	33800	31/03/2013	PL A/c 8448109	49	394
14	SAPG	2nd Inst. of 2012-13	1750.00	13/03/2013	1750.00	20/03/2013	33800	31/03/2013	PL A/c 8448109	8	63
				13/03/2013		20/03/2013	101400	31/03/2013	PL A/c 8448109	8	189
				13/03/2013		20/03/2013	33800	31/03/2013	PL A/c 8448109	8	63
15	SABG	1st Inst. of 2012-13	1750.00	31/05/2013	1750.00	08/07/2013	33800	10/09/2013	PL A/c 8448109	92	810
				31/05/2013		08/07/2013	101400	10/09/2013	PL A/c 8448109	92	2431
				31/05/2013		08/07/2013	33800	10/09/2013	PL A/c 8448109	92	810

16	GABG	1st Inst. of 2013-14	11847.86	15/07/2013	11847.86	20/07/2013	15161403	30/03/2014	PL A/c 8448109	248	950288
				15/07/2013		20/07/2013	45484210	30/03/2014	PL A/c 8448109	248	2850863
				15/07/2013		20/07/2013	15161403	30/03/2014	PL A/c 8448109	248	950288
17	GABG	2nd Inst. of 2013-14	11345.92	21/02/2014	9772.56	25/02/2014	12506335	30/03/2014	PL A/c 8448109	27	83261
				21/02/2014		25/02/2014	37515806	30/03/2014	PL A/c 8448109	27	249763
				21/02/2014		25/02/2014	12506335	30/03/2014	PL A/c 8448109	27	83261
Sub Total (1)										11339289	

Abstract

Name of ZP	Total interest accrued for delay in credit of share in ZP account (in ₹)	Penal interest paid by State Government (in ₹)	Balance interest due to be paid (in ₹)
Palamu	11339289	916021	10423268

(Sources: information provided by State Government and PRIs)

Appendix-2.4*(Referred to paragraph 2.7.3.2; page 22)***Statement showing details of incomplete works in ZP Palamu**

Sl. No.	Name of the works	Taken up in	Estimated cost/ Total release	Expenditure incurred	Other remarks
1	Construction of Bituminous road from Pindaha to BansidihPt-I Sch. No.-33/06-07	2006-07	24.18 /21.76	15.58	Work stopped midway due to disturbance by anti-social elements
2	Construction of Bituminous road from Bansidih to ChungapathPt-II, Sch. No.-34/06-07	2006-07	24.08 /21.67	12.53	
3	Construction of Bituminous road from Chungapath to KokadPt-III, Sch. No.-35/06-07	2006-07	24.46 /22.01	15.97	
4	Construction of Bituminous road from Kokad to Uteri path Pt-IV, Sch. No.-36/06-07	2006-07	24.69 /24.69	16.16	
5	Construction of Rajiv Gandhi Seva Kendra at Pokhrahakhurd Sch. No.10/10-11	2010-11	21.27 /6.88	2.51	Disturbances by villagers/ land disputes
6	Construction of Rajiv Gandhi Seva Kendra at Polpolkala Sch. No.11/10-11	2010-11	21.27 /6.88	3.18	
7	Construction of Rajiv Gandhi Seva Kendra at Chiyanki Sch. No.12/10-11	2010-11	21.27 /6.88	3.54	
8	Construction of Rajiv Gandhi Seva Kendra at Pansha Sch. No.5/10-11	2010-11	21.27 /6.88	3.91	
9	Construction of Rajiv Gandhi Seva Kendra at Kekargarh Sch. No.41/10-11	2010-11	21.27 /6.88	8.32	
10	Construction of Rajiv Gandhi Seva Kendra at Taal Sch. No.19/10-11	2010-11	21.27 /6.88	5.49	
Total			225.03/131.41	87.19	

Appendix-2.5*(Referred to paragraph 2.7.4; page 22)***Statement showing details of entry on *PRIAsoft* (in number) in Palamu**

Sl. No.	Particular	2010-11		2011-12		2012-13		2013-14		Remarks
		Receipt Voucher (RV)	Payment Voucher (PV)	RV	PV	RV	PV	RV	PV	
1	ZP Palamu	0	0	10	34	0	0	0	0	3
2	PS, Patan	0	0	0	0	0	0	0	0	4
3	PS, Padwa	0	0	2	2	0	0	0	0	3
4	10GP Patan	0	0	74	190	113	108	0	0	2
5	8 GP Padwa	0	0	101	145	97	91	0	0	2
Total		0	0	187	371	210	199	0	0	14

Appendix-2.6*(Referred to paragraph 2.8; page 23)***Statement showing details of PRIs selected for test check in ZP Ranchi**

Panchayat Samitis		
Sl. No.	Name of the Panchayat Samiti selected	Zila Parishad
1	Bero	Ranchi
2	Ormanjhi	Ranchi

Gram Panchayats		
Sl. No.	Name of the Gram Panchayats selected	Panchayat Samiti
1	Chachkapi	Bero
2	Doranda	Bero
3	Ghaghara	Bero
4	Hariharpurjamtoli	Bero
5	Jariya	Bero
6	Kanji	Bero
7	Kesa	Bero
8	Murato	Bero
9	Purio	Bero
10	Tutalo	Bero
11	Chadu	Ormanjhi
12	Chakla	Ormanjhi
13	Chandra	Ormanjhi
14	Chutupaloo	Ormanjhi
15	Hendewili	Ormanjhi
16	Irwa	Ormanjhi
17	Kuchu	Ormanjhi
18	Kute	Ormanjhi
19	Gagari	Ormanjhi
20	Pancha	Ormanjhi

Appendix- 2.7

(Referred to paragraph 2.8.2.1; page 25)

Statement showing outstanding penal interest to be paid by the State Government for delayed credit of XIII Finance Commission grant fund in ZP Ranchi account

Sl. No.	Head	Instalment	Share of XIII FC grant for PRIs in Jharkhand released by Government of India, New Delhi		District wise allotment of share of PRIs by Government of Jharkhand, Ranchi			Details of Bank/Treasury Account of ZP in which total share of PRIs of district credited		Total delay (B- A-10) in days	Total interest payable for delay up to ZP account (in ₹)
			Amount (in Lakh)	Release date (A)	Amount allotted (in Lakh)	Date of allotment	Total share of PRIs of District (in ₹)	Date of credit in Personal Ledger A/c (B)	Bank Name		
1	SABG	2nd Inst. of 2010-11	1750.00	22/03/2011	1750.00	25/03/2011	25604000	18/05/2011	PNB 0939001100000081	47	197817
2	GABG	1st Inst. of 2011-12	8840.00	15/12/2011	8840.00	24/01/2012	12111779	06/03/2012	Bank of Baroda 00170100016667	72	170063
				15/12/2011		24/01/2012	12111779	01/03/2012	PL A/c	67	154301
				15/12/2011		24/01/2012	36335338	06/03/2012	OBC 009932191025443	72	510188
3		2nd Inst. of 2011-12	9028.00	15/03/2012	8933.75	23/03/2012	12241940	31/03/2012	Bank of Baroda 00170100016667	6	19118
				15/03/2012		23/03/2012	36717256	31/03/2012	Central Bank 3168156820	6	57339
				15/03/2012		23/03/2012	12241940	27/03/2012	PL A/c	2	6373
4		Rest Amount of 2011-12	94.25	15/03/2012	94.25	22/05/2012	127420	06/08/2012	PL A/c	134	4248
				15/03/2012		22/05/2012	127420	28/08/2012	Bank of Baroda 00170100016667	156	4940
				15/03/2012		22/05/2012	390825	13/08/2012	Central Bank 3168156820	141	13706
5	GAPG	1st Inst. of 2011-12	880.87	31/03/2012	880.87	10/04/2012	3620668	18/06/2012	Central Bank 3168156820	69	61899
				31/03/2012		10/04/2012	1206889	14/06/2012	Bank of Baroda 00170100016667	65	19442
				31/03/2012		10/04/2012	1206889	25/06/2012	PL A/c	76	22716
6	SABG	1st Inst. of 2011-12	1750.00	03/05/2012	1750.00	03/09/2012	15362144	03/12/2012	Central Bank 3168156820	204	772737
				03/05/2012		03/09/2012	5120715	22/11/2012	Bank of Baroda 00170100016667	193	243690
				03/05/2012		03/09/2012	5120715	30/11/2012	OBC 09932011002043	201	253791
	SABG	2nd Inst. of	1750.00	08/03/2013	1750.00	13/03/2013	15362144	31/03/2013	OBC 03272011005504	13	46507

7		2011-12		08/03/2013		13/03/2013	5120715	31/03/2013	Bank of Baroda 00170100016667	13	15502
				08/03/2013		13/03/2013	5120715	31/03/2013	UCO Bank 01960110044667	13	15502
8	GABG	1st Inst. of 2012-13	9567.96	21/08/2012	9567.96	03/09/2012	13109165	09/10/2012	OBC 09932011002043	39	126063
				21/08/2012		03/09/2012	13109165	09/10/2012	OBC 09932011002043	39	126063
				21/08/2012		03/09/2012	39327496	08/10/2012	OBC 09932011002043	38	368493
9		2nd Inst. of 2012-13	10536.87	08/03/2013	9477.29	15/03/2013	38956867	30/03/2013	OBC 03272011005504	12	108866
				08/03/2013		15/03/2013	12985622	31/03/2013	Bank of Baroda 00170100016667	13	39313
				08/03/2013		15/03/2013	12985622	31/03/2013	OBC 03272011005504	13	39313
10		Rest Amount of 2012-13		08/03/2013	1059.60	04/04/2013	1451057	13/06/2013	Bank of Baroda 00170100016667	87	28981
				08/03/2013		04/04/2013	1451057	15/06/2013	Canara Bank 1873101025020	89	29637
				08/03/2013		04/04/2013	4356596	18/06/2013	OBC 03272011005504	92	91936
11	GAPG	1st Inst. of 2012-13	6566.38	31/01/2013	6566.38	08/02/2013	8996668	21/03/2013	Bank of Baroda 00170100016667	39	83928
				31/01/2013		08/02/2013	26990004	21/03/2013	OBC 03272011005504	39	251783
				31/01/2013		08/02/2013	8996668	21/03/2013	Canara Bank 1873101025020	39	83928
12		2nd Inst. of 2012-13	7212.31	13/03/2013	5682.75	20/03/2013	23357991	30/03/2013	OBC 03272011005504	7	38077
				13/03/2013		20/03/2013	7785997	31/03/2013	Bank of Baroda 00170100016667	8	14505
				13/03/2013		20/03/2013	7785997	02/04/2013	Canara Bank 1873101025020	10	18132
13		Rest Amount of 2012-13		13/03/2013	1529.60	04/04/2013	2095667	15/06/2013	Canara Bank 1873101025020	84	40363
				13/03/2013		04/04/2013	2095667	13/06/2013	Bank of Baroda 00170100016667	82	39416
				13/03/2013		04/04/2013	6287000	11/06/2013	OBC 03272011005504	80	115405
14	SAPG	1st Inst. of 2012-13	1750.00	31/01/2013	1750.00	08/02/2013	15362144	31/03/2013	OBC 03272011005504	49	179085
				31/01/2013		08/02/2013	5120715	31/03/2013	Bank of Baroda 00170100016667	49	59695
				31/01/2013		08/02/2013	5120715	31/03/2013	Canara Bank 1873101025020	49	59695
		2nd Inst. of	1750.00	13/03/2013	1750.00	20/03/2013	15362144	31/03/2013	OBC 03272011005504	8	28620

15		2012-13		13/03/2013		20/03/2013	5120715	31/03/2013	Bank of Baroda 00170100016667	8	9540
				13/03/2013		20/03/2013	5120715	02/04/2013	Canara Bank 1873101025020	10	11925
16	SABG	1st Inst. of 2012-13	1750.00	31/05/2013	1750.00	08/07/2013	15362144	28/03/2014	OBC 03272011005504	291	1120805
				31/05/2013		08/07/2013	5120715	28/03/2014	Bank of Baroda 00170100016667	291	373602
				31/05/2013		08/07/2013	5120715	29/03/2014	HDFC Bank 50100039036731	292	374864
17	GABG	1st Inst. of 2013-14	11847.86	15/07/2013	11847.86	20/07/2013	16232881	29/03/2014	HDFC Bank 50100039036731	247	1013443
				15/07/2013		20/07/2013	16232881	31/03/2014	Bank of Baroda 00170100016667	249	1021448
				15/07/2013		20/07/2013	48698642	29/03/2014	OBC 03272011005504	247	3040330
18		2nd Inst. of 2013-14	11345.92	21/02/2014	9772.56	25/02/2014	40167099	29/03/2014	OBC 03272011005504	26	257510
				21/02/2014		25/02/2014	13390175	31/03/2014	Canara Bank 1873101026322	28	92447
				21/02/2014		25/02/2014	13390175	02/04/2014	Canara Bank 1873101025020	30	99051
Sub Total (2)										11976141	

Abstract

Name of the ZP	Total interest accrued for delay in credit of share in ZP account (in ₹)	Penal interest paid by State Government (in ₹)	Balance interest due to be paid (in ₹)
ZP Ranchi	11976141	2703769	9272372

(Sources: information provided by State Government and PRIs)

Appendix-2.8

(Referred to paragraph 2.8.4; page 27)

Statement showing details of entry on *PRIAsoft* (in number) in Ranchi

Sl. No.	Particular	2010-11		2011-12		2012-13		2013-14		Remarks No entry in <i>PRIAsoft</i> in number of financial year
		Receipt Voucher (RV)	Payment Voucher (PV)	RV	PV	RV	PV	RV	PV	
1	ZP Ranchi	0	0	17	467	0	0	44	324	2
2	PS, Bero	0	0	0	0	0	0	10	0	3
3	PS, Oramanjhi	0	0	0	0	0	0	15	8	3
4	10 GP Bero	0	0	0	0	0	0	0	0	4
5	10 GP Oramanjhi	0	0	0	0	0	0	0	0	4
Total		0	0	17	467	0	0	69	332	16

(Sources information on website <https://accountingonline.gov.in/>)

Appendix-2.9

(Referred to paragraph 2.9; page 27)

Statement showing details of PRIs selected for test check in ZP Sahibganj

Panchayat Samitis		
Sl. No.	Name of the Panchayat Samiti selected	Zila Parishad
1	Barharwa	Sahibganj
2	Rajmahal	Sahibganj

Gram Panchayats		
Sl. No.	Name of the Gram Panchayats selected	Panchayat Samiti
1	Ahutgram	Barharwa
2	Barharwa West	Barharwa
3	Bindupara	Barharwa
4	Bishanpur	Barharwa
5	Madhuwapada	Barharwa
6	Mayurkola	Barharwa
7	Palasbona	Barharwa
8	Ratanpur	Barharwa
9	Rupaspur	Barharwa
10	Satgachhi	Barharwa
11	GadaiMaharajpurDiyara	Rajmahal
12	Jamnagar East	Rajmahal
13	Jamnagar West	Rajmahal
14	Kasawa	Rajmahal
15	Mahasingpur	Rajmahal
16	Mokimpur	Rajmahal
17	Narayanpur Middle	Rajmahal
18	Pranpur	Rajmahal
19	Tetuliya	Rajmahal
20	Tinpahar	Rajmahal

Appendix-2.10

(Referred to paragraph 2.9.2.1; page 29)

Statement showing outstanding penal interest to be paid by the State Government for delayed credit of XIII Finance Commission grant fund in ZP Sahibganj account

Sl. No.	Head	Instalment	Share of XIII FC grant for PRIs in Jharkhand released by Government of India, New Delhi		District wise allotment of share of PRIs by Government of Jharkhand, Ranchi			Details of Bank/Treasury Account of ZP in which total share of PRIs of district credited		Total delay (B- A-10) in days	Total interest payable for delay up to ZP account (in ₹)
			Amount (₹ in lakh)	Release date (A)	Amount allotted (₹ in lakh)	Date of allotment	Total share of PRIs of District (in ₹)	Date of credit in Personal Ledger A/c (B)	Bank Name		
1	GABG	1st Inst. of 2011-12	8840.00	15/12/2011	8840.00	24/01/2012	19906489	03/03/2012	PL A/c 8448109	69	263965
				15/12/2011		24/01/2012	6635496	03/03/2012	PL A/c 8448109	69	87988
				15/12/2011		24/01/2012	6635496	02/03/2012	PL A/c 8448109	68	86261
2	GABG	2nd Inst. of 2011-12	9028.00	15/03/2012	8933.75	23/03/2012	20115725	31/03/2012	PL A/c 8448109	6	31414
				15/03/2012		23/03/2012	6706805	31/03/2012	PL A/c 8448109	6	10474
				15/03/2012		23/03/2012	6706805	31/03/2012	PL A/c 8448109	6	10474
3	GABG	Rest Amount of 2011-12	94.25	15/03/2012	94.25	22/05/2012	214114	26/07/2012	PL A/c 8448109	123	6558
				15/03/2012		22/05/2012	69804	26/07/2012	PL A/c 8448109	123	2138
				15/03/2012		22/05/2012	69804	26/07/2012	PL A/c 8448109	123	2138
4	GAPG	1st Inst. of 2011-12	880.87	31/03/2012	880.87	10/04/2012	1983600	08/06/2012	PL A/c 8448109	59	29020
				31/03/2012		10/04/2012	661200	08/06/2012	PL A/c 8448109	59	9673
				31/03/2012		10/04/2012	661200	19/06/2012	PL A/c 8448109	70	11467
5	SABG	1st Inst. of 2011-12	1750.00	03/05/2012	1750.00	03/09/2012	8416224	26/03/2013	PL A/c 8448109	317	654102
				03/05/2012		03/09/2012	2805407	26/03/2013	PL A/c 8448109	317	218034
				03/05/2012		03/09/2012	2805407	26/03/2013	PL A/c 8448109	317	218034
6	SABG	2nd Inst. of 2011-12	1750.00	08/03/2013	1750.00	13/03/2013	8416224	26/03/2013	PL A/c 8448109	8	15680
				08/03/2013		13/03/2013	2805407	26/03/2013	PL A/c 8448109	8	5227
				08/03/2013		13/03/2013	2805407	26/03/2013	PL A/c 8448109	8	5227

7	GABG	2nd Inst. of 2012-13	10536.87	08/03/2013	9477.29	15/03/2013	21342706	31/03/2013	PL A/c 8448109	13	64613
				08/03/2013		15/03/2013	7114235	31/03/2013	PL A/c 8448109	13	21538
				08/03/2013		15/03/2013	7114235	31/03/2013	PL A/c 8448109	13	21538
8	GABG	Rest Amount of 2012-13		08/03/2013	1059.60	04/04/2013	2386782	01/08/2013	PL A/c 8448109	136	76459
				08/03/2013		04/04/2013	794969	01/08/2013	PL A/c 8448109	136	25466
				08/03/2013		04/04/2013	794969	01/08/2013	PL A/c 8448109	136	25466
9	GAPG	1st Inst. of 2012-13	6566.38	31/01/2013	6566.38	08/02/2013	14786603	26/03/2013	PL A/c 8448109	44	155158
				31/01/2013		08/02/2013	4928868	26/03/2013	PL A/c 8448109	44	51719
				31/01/2013		08/02/2013	4928868	26/03/2013	PL A/c 8448109	44	51719
10	GAPG	2nd Inst. of 2012-13	7212.31	13/03/2013	5682.75	20/03/2013	12796787	31/03/2013	PL A/c 8448109	8	23841
				13/03/2013		20/03/2013	4265596	31/03/2013	PL A/c 8448109	8	7947
				13/03/2013		20/03/2013	4265596	31/03/2013	PL A/c 8448109	8	7947
11	GAPG	Rest Amount of 2012-13		13/03/2013	1529.60	04/04/2013	3444363	01/08/2013	PL A/c 8448109	131	106327
				13/03/2013		04/04/2013	1148121	02/08/2013	PL A/c 8448109	132	35765
				13/03/2013		04/04/2013	1148121	01/08/2013	PL A/c 8448109	131	35442
12	SAPG	1st Inst. of 2012-13	1750.00	31/01/2013	1750.00	08/02/2013	8416224	31/03/2013	PL A/c 8448109	49	98112
				31/01/2013		08/02/2013	2805407	31/03/2013	PL A/c 8448109	49	32704
				31/01/2013		08/02/2013	2805407	31/03/2013	PL A/c 8448109	49	32704
13	SAPG	2nd Inst. of 2012-13	1750.00	13/03/2013	1750.00	20/03/2013	8416224	31/03/2013	PL A/c 8448109	8	15680
				13/03/2013		20/03/2013	2805407	31/03/2013	PL A/c 8448109	8	5227
				13/03/2013		20/03/2013	2805407	31/03/2013	PL A/c 8448109	8	5227
14	SABG	1st Inst. of 2012-13	1750.00	31/05/2013	1750.00	08/07/2013	8416224	21/11/2013	PL A/c 8448109	164	354346
				31/05/2013		08/07/2013	2805407	21/11/2013	PL A/c 8448109	164	118115
				31/05/2013		08/07/2013	2805407	21/11/2013	PL A/c 8448109	164	118115

15	GABG	1st Inst. of 2013-14	11847.86	15/07/2013	11847.86	20/07/2013	26679784	31/03/2014	PL A/c 8448109	249	1678816
				15/07/2013		20/07/2013	8893261	31/03/2014	PL A/c 8448109	249	559605
16	GABG	2nd Inst. of 2013-14	11345.92	21/02/2014	9772.56	25/02/2014	22005738	31/03/2014	PL A/c 8448109	28	151930
				21/02/2014		25/02/2014	7335871	31/03/2014	PL A/c 8448109	28	50648
Grand Total											5600048

Abstract

Name of the ZP	Total interest accrued for delay in credit of share in ZP account (in ₹)	Penal interest paid by State Government (in ₹)	Balance interest due to be paid (in ₹)
ZP Sahibganj	5600048	1481270	4118778

(Sources: information provided by State Government and PRIs)

Appendix-2.11

(Referred to paragraph 2.9.4; page 31)

Statement showing details of entry on *PRIAsoft* (in number) in *Sahibganj*

Sl. No.	Particular	2010-11		2011-12		2012-13		2013-14		Remarks No entry in <i>PRIAsoft</i> in number of financial year
		Receipt Voucher (RV)	Payment Voucher (PV)	RV	PV	RV	PV	RV	PV	
1	ZP Sahibganj	0	0	5	5	0	0	0	0	3
2	PS Badharwa	0	0	0	0	0	0	10	20	3
3	PS Rajmahal	0	0	0	0	0	0	0	0	4
4	10 GP Barharwa	0	0	0	0	10	0	56	182	2
5	10 GP Rajmahal	0	0	0	0	1	0	66	211	2
Total		0	0	5	5	11	0	132	413	14

Appendix-2.12

(Referred to paragraph 2.10; page 32)

Statement showing details of PRIs selected for test check in ZP West Singhbhum

Panchayat Samitis		
Sl. No.	Name of the Panchayat Samiti selected	Zila Parishad
1	Chakradharpur	West Singhbhum
2	Jagannathpur	West Singhbhum

Gram Panchayats		
Sl. No.	Name of the Gram Panchayats selected	Panchayat Samiti
1	Etihasa	Chakradharpur
2	Etor	Chakradharpur
3	Gulkeria	Chakradharpur
4	Jamid	Chakradharpur
5	Kera	Chakradharpur
6	Kolchokara	Chakradharpur
7	Nalita	Chakradharpur
8	Padampur	Chakradharpur
9	Silphori	Chakradharpur
10	Simidiri	Chakradharpur
11	Bada Nanda	Jagannathpur
12	Bhangaon	Jagannathpur
13	Danguwaposo	Jagannathpur
14	Jagannathpur	Jagannathpur
15	Kalaiya	Jagannathpur
16	Kansira	Jagannathpur
17	Maluka	Jagannathpur
18	Mongara	Jagannathpur
19	Mundai	Jagannathpur
20	Siyaljora	Jagannathpur

Appendix-2.13

(Referred to paragraph 2.10.2.1; page 34)

Statement showing outstanding penal interest to be paid by the State Government for delayed credit of XIII Finance Commission grant fund in ZP West Singhbhum account

Sl. No.	Head	Instalment	Share of XIII FC grant for PRIs in Jharkhand released by Government of India, New Delhi		District wise allotment of share of PRIs by Government of Jharkhand, Ranchi			Details of Bank/Treasury Account of ZP in which total share of PRIs of district credited		Total delay (B- A-10) in days	Total interest payable for delay up to ZP account(in ₹)
			Amount (₹ in lakh)	Release date (A)	Amount allotted (in Lakh)	Date of allotment	Total share of PRIs of District (in ₹)	Date of credit in Personal Ledger A/c (B)	Bank Name		
1	GABG	1st Inst. of 2011-12	8840	15/12/2011	8840	24/01/2012	8634140	28/02/2012	Treasury 8448109	65	105502
				15/12/2011		24/01/2012	8634140	28/02/2012	Treasury 8448109	65	105502
				15/12/2011		24/01/2012	25902419	28/02/2012	Treasury 8448109	65	316506
2		2nd Inst. of 2011-12	9028	15/03/2012	8933.75	23/03/2012	8726927	31/03/2012	Treasury 8448109	6	13628
				15/03/2012		23/03/2012	26174678	31/03/2012	Treasury 8448109	6	40876
				15/03/2012		23/03/2012	8726927	31/03/2012	Treasury 8448109	6	13628
3		Rest Amount of 2011-12		15/03/2012	94.25	22/05/2012	90835	30/07/2012	Treasury 8448109	127	2872
				15/03/2012		22/05/2012	90835	30/07/2012	Treasury 8448109	127	2872
				15/03/2012		22/05/2012	278607	30/07/2012	Treasury 8448109	127	8809
4	GAPG	1st Inst. of 2011-12	880.87	31/03/2012	880.87	10/04/2012	2581070	07/06/2012	Treasury 8448109	58	37125
				31/03/2012		10/04/2012	860357	07/06/2012	Treasury 8448109	58	12375
				31/03/2012		10/04/2012	860357	07/06/2012	Treasury 8448109	58	12375
5	SABG	1st Inst. of 2011-12	1750	03/05/2012	1750	03/09/2012	10951231	17/12/2012	Treasury 8448109	218	588666
				03/05/2012		03/09/2012	3650410	17/12/2012	Treasury 8448109	218	196222
				03/05/2012		03/09/2012	3650410	17/12/2012	Treasury 8448109	218	196222
6	SABG	2nd Inst. of 2011-12	1750	08/03/2013	1750	13/03/2013	10951231	31/03/2013	Treasury 8448109	13	33154
				08/03/2013		13/03/2013	3650410	31/03/2013	Treasury 8448109	13	11051
				08/03/2013		13/03/2013	3650410	31/03/2013	Treasury 8448109	13	11051

7	GABG	1st Inst. of 2012-13	9567.96	21/08/2012	9567.96	03/09/2012	9345147	12/10/2012	SBI,CBSA 32511391767	42	96780
				21/08/2012		03/09/2012	9345147	12/10/2012	SBI,CBSA 32511391767	42	96780
				21/08/2012		03/09/2012	28035442	12/10/2012	SBI,CBSA 32511391767	42	290340
8		2nd Inst. of 2012-13	10536.87	08/03/2013	9477.29	15/03/2013	27768790	31/03/2013	Treasury 8448109	13	84067
				08/03/2013		15/03/2013	9257077	31/03/2013	Treasury 8448109	13	28025
				08/03/2013		15/03/2013	9257077	31/03/2013	Treasury 8448109	13	28025
9		Rest Amount of 2012-13		08/03/2013	1059.6	04/04/2013	1034417	31/03/2014	Treasury 8448109	378	96194
				08/03/2013		04/04/2013	1034417	31/03/2014	Treasury 8448109	378	96194
				08/03/2013		04/04/2013	3105692	31/03/2014	Treasury 8448109	378	288808
10	GAPG	1st Inst. of 2012-13	6566.38	31/01/2013	6566.38	08/02/2013	6413466	30/03/2013	Treasury 8448109	48	73272
				31/01/2013		08/02/2013	19240399	30/03/2013	Treasury 8448109	48	219815
				31/01/2013		08/02/2013	6413466	30/03/2013	Treasury 8448109	48	73272
11		2nd Inst. of 2012-13	7212.31	13/03/2013	5682.75	20/03/2013	16651242	31/03/2013	Treasury 8448109	8	31021
				13/03/2013		20/03/2013	5550414	31/03/2013	Treasury 8448109	8	10340
				13/03/2013		20/03/2013	5550414	31/03/2013	Treasury 8448109	8	10340
12		Rest Amount of 2012-13		13/03/2013	1529.6	04/04/2013	1493940	31/03/2014	Treasury 8448109	373	137187
				13/03/2013		04/04/2013	1493940	31/03/2014	Treasury 8448109	373	137187
				13/03/2013		04/04/2013	4481821	31/03/2014	Treasury 8448109	373	411560
13	SAPG	1st Inst. of 2012-13	1750	31/01/2013	1750	08/02/2013	10951231	30/03/2013	Treasury 8448109	48	125114
				31/01/2013		08/02/2013	3650410	30/03/2013	Treasury 8448109	48	41705
				31/01/2013		08/02/2013	3650410	30/03/2013	Treasury 8448109	48	41705
14		2nd Inst. of 2012-13	1750	13/03/2013	1750	20/03/2013	10951231	31/03/2013	Treasury 8448109	8	20402
				13/03/2013		20/03/2013	3650410	31/03/2013	Treasury 8448109	8	6801
				13/03/2013		20/03/2013	3650410	31/03/2013	Treasury 8448109	8	6801
15	SABG	1st Inst. of 2012-13	1750	31/05/2013	1750	08/07/2013	10951231	21/02/2014	Treasury 8448109	256	704479
				31/05/2013		08/07/2013	3650410	21/02/2014	Treasury 8448109	256	234826
				31/05/2013		08/07/2013	3650410	21/02/2014	Treasury 8448109	256	234826

16	GABG	1st Inst. of 2013-14	11847.86	15/07/2013	11847.86	20/07/2013	11571955	31/03/2014	Treasury 8448109	249	728161
				15/07/2013		20/07/2013	11571955	31/03/2014	Treasury 8448109	249	728161
				15/07/2013		20/07/2013	34715864	31/03/2014	Treasury 8448109	249	2184484
17		2nd Inst. of 2013-14	11345.92	21/02/2014	9772.56	25/02/2014	28633972	31/03/2014	Treasury 8448109	28	197692
				21/02/2014		25/02/2014	9545471	31/03/2014	Treasury 8448109	28	65903
				21/02/2014		25/02/2014	9545471	31/03/2014	Treasury 8448109	28	65903
Sub Total (4)										9304606	

Abstract

Name of the ZP	Total interest accrued for delay in credit of share in ZP account (in ₹)	Penal interest paid by State Government (in ₹)	Balance interest due to be paid (in ₹)
West Singhbhum	9304606	1927440	7377166

(Sources: information provided by State Government and PRIs)

Appendix-2.14

(Referred to paragraph 2.10.3.2; page 36)

Statement showing details of incomplete works in ZP West Singhbhum

(₹ in lakh)

Sl No.	Name of the works	Taken up in	Estimated cost/ Total release	Expenditure incurred (March 2014)	Remarks
1	Construction of Fourteen Health Centers, West Singhbhum	2007-08	974.15/523.27	481.14	Work stopped due to imprisonment of JE/AE
2	Construction of Hospital for BidiMazdur, West Singhbhum	2008-09 (work was not taken up March 2014)	48.00/48.00	Nil	Diversion of Rs 31 lakh for construction of CHC, Tantnagar
3	Construction of PB at Dimbuli GP, West Singhbhum	2008-09	19.91/19.91	19.01	Building demolished by antisocial elements
4	Construction of Five Stadium, West Singhbhum	2008-09	338.77/ 338.77	277.00	No specific reason/reply was furnished
Total			1380.83/929.95	777.15	

Appendix-2.15

(Referred to paragraph 2.10.4; page 37)

Statement showing details of entry on PRIA soft (in number) in West Singhbhum

Sl. No.	Particular	2010-11		2011-12		2012-13		2013-14		Remarks
		Receipt Voucher (RV)	Payment Voucher (PV)	RV	PV	RV	PV	RV	PV	
1	ZP West Singhbhum	0	0	2	69	0	0	41	134	2
2	PS, Chakradharpur	0	0	0	0	0	0	4	16	3
3	PS, Jagarnathpur	0	0	0	0	0	0	0	0	4
4	10GP Jagarnathpur	0	0	0	0	0	0	75	159	3
5	10GP Chakradharpur	0	0	0	0	0	0	55	311	3
Total		0	0	2	69	0	0	175	620	15

Appendix-4.1

(Referred to Paragraph no. 4.4; page 48)

Statement showing functions of committees of ULBs

Name of committee	Constitution	Members	Functions	Duties
Ward Committee (WC) Section 34 of JMAct, 2011	<p>There shall be constituted a WC for each ward of the municipality within two months of the election to the Council. The term of office of the WC shall be coterminous with the term of office of the Council.</p>	<p>a) the Councillor of the municipality representing the ward, who shall be the Chairperson of the WC; b) the Area Sabha Representatives of the area situated in the ward; c) not more than ten persons representing the civil society from the ward nominated by the Council, in such manner as may be prescribed.</p>	<p>The WC shall perform the following functions in the ward, namely:- (i) Supervise : (a) solid waste management, sanitation work, distribution of water supply, maintenance of parks, playgrounds, and market places, working of street lights and repairs to roads, and implementation of poverty alleviation programmes and development schemes. (ii) monitor the working of schools, dispensaries, health centres <i>etc.</i>, under the control of the municipality; (iii) assist in the preparation of development schemes; (iv) encourage harmony and unity among various groups of people; (v) mobilize voluntary labour and donations by way of goods or money for welfare programmes; (vi) assist in identifying beneficiaries for the implementation of development and welfare schemes; (vii) encourage art and cultural activities and activities of sports and games; (viii) ensure people's participation in voluntary activities necessary for successful implementation of the developmental activities of the municipality; (ix) facilitate collection of taxes, fees and other sums due to the municipality; x) The municipality shall allocate twenty <i>per cent</i> of the amount earmarked in the maintenance provision of municipal budget to WC for maintenance of services like water supply, sanitation, drains, street lights, parks, markets, <i>etc.</i> xi) Allocation and utilisation of funds to and by the WC for maintenance of civic services shall be in the manner prescribed by the Government. (xii) such other functions as may be prescribed.</p>	<p>(i) The manner of conduct of business at the meetings of the WC shall be as such as may be prescribed.</p>

Subject Committee Section 46 of JMAct, 2011	A Municipal Corporation or a Class 'A' Municipal Council may constitute Subject Committees consisting of elected councillors	Seven (7) members in case of Municipal corporations and five (5) members for Class 'A' Municipal Council	water-supply, drainage and sewerage, solid waste management, urban environment management and land use control, poverty and slum services, education and health and welfare of Scheduled Castes, Scheduled Tribes, Backward Classes, and of Women and Children. Recommendations shall be submitted to the Standing Committee for its consideration.	Each Subject Committee shall exercise such powers, and perform such functions, as may be specified by regulations
Ad hoc Committee Section 47 of JMAct, 2011	The Standing Committee of a Municipal Corporation or Municipal Council may appoint an <i>Ad hoc</i> Committee.		Perform such functions, or conduct such enquiries, or undertake such studies including reports thereon, as may be specified by a resolution in this behalf.	The manner of transaction of business in an Ad hoc Committee shall be such as may be laid down by the Standing Committee.
Joint Committee (JC) Section 48 of JMAct, 2011	The State Government may constitute a JC for more than one municipality, or for one or more municipalities with other local authority or local authorities, for any purpose in which they are jointly interested or for delegating to it any power or function which calls for joint action.	(a) two elected members of each constituent municipality and local authority; (b) one nominee of each of the concerned departments of the State Government or of the concerned statutory authorities under the State Government; (c) such expert or experts as the State Government may nominate; and (d) The Director of Municipal Administration or his representative who shall act as the convener of the JC.	The procedure and transaction of business by a JC shall be such as may be prescribed.	
Zonal Committee (ZC) Section 49 of JMAct, 2011	There shall be constituted by the Government, by notification, such number of ZCs comprising territorial area of such number of wards as may be specified in the notification within Municipal Corporation, and each ZC shall consist of not less than five contiguous wards. The powers and functions of the ZC shall be such as may be notified by the Government.	Each ZC shall consist of all the Councillors elected from the wards which are included in a ZC, and one of the members elected from among them in such manner as may be prescribed shall be the Chairperson of the ZC. An officer nominated by the Municipal Commissioner shall act as Convener of the ZC which shall meet at least once in three months or as frequently as is necessary to transact its business.	The officers and employees of the Municipal Corporation, who are assigned to a Zone for the discharge of the duties as aforesaid, shall carry out such directions as may be issued by the ZC in this behalf.	A ZC shall, subject to the general supervision and control of the Mayor, discharge, within the local limits of the Zone, the functions of the Municipal Corporation relating to provision of water supply, sewerage and drainage, removal of accumulated water on the streets or public places due to rain or otherwise, collection and removal of solid wastes, disinfection, provision of health, immunisation services and bus services, provision of lighting, repair of minor roads, maintenance of parks, drains and gullies, and such other functions as the Municipal Corporation may, from time to time, determine by regulations.

<p>Municipal Accounts Committee (MAC) Section 124 of JMAct, 2011</p>	<p>The Municipal Corporation and the Municipal Council shall, at its first meeting in each year or as soon as may be at any meeting subsequent there to, constitute a MAC.</p>	<p>MAC consist of such numbers of persons not less than three and not more than fifteen, as the State Government may determine, by notification for the municipality, to be nominated by the Council among the elected councillors not being the members of the Standing Committee from amongst themselves; and such number of persons, not being the councillors, officers, or other employees of the municipality and not exceeding two in number, having knowledge and experience in financial matters, as may be nominated by the municipality, and shall have no right of voting at the meeting of the MAC. The members of the Municipal Accounts Committee shall elect from amongst themselves one member to be its Chairperson.</p>	<p>MAC may call for any book or document if, in its opinion, such book or document is necessary for its work and may requisition such officers of the municipality, as it may consider necessary for explaining any matter in connection with its work.</p>	<p>to examine the accounts of the municipality; to examine and scrutinise the report on the accounts of the municipality by the auditors, and to satisfy itself that the moneys shown in the accounts as having been disbursed were available for, and applicable to, the services or purposes to which they were applied or charged and that the expenditure was incurred in accordance with the authority governing such expenditure; to submit report to the Standing Committee every year and from time to time on such examination and scrutiny; and to consider the report of the auditors in cases where the State Government or the municipality requires them to conduct a special audit of any receipt or expenditure of the municipality or to examine the accounts of stores and stocks of the municipality or to check the inventory of the properties of the municipality including its land holdings and buildings; and to discharge such other functions as may be prescribed. The manner of transaction of business of the MAC shall be such as may be determined by regulation.</p>
<p>Jharkhand State Municipal Advisory Committee (JSMAC) Section 269 of JMAct, 2011</p>	<p>The State Government may, by notification, constitute, with effect from such date as it may specify in such notification, a committee to be known as the JSMAC. Chairperson of the JSMAC shall be one of the members and he shall also be notified by the State Government.</p>	<p>The JSMAC shall consist of not more than twenty-one members to represent the interest of commerce, industry, transport, agriculture, labour, consumers of civic services, municipalities, non-governmental organisations and academic and research bodies in the municipal affairs sector.</p>	<p>The objects and functions of the JSMAV shall be to advise the State Regulatory Commission on – (a) major questions of policy; (b) matters relating to quality, continuity and extent of municipal services provided by the municipal authorities; (c) protection of consumers of municipal services; and (d) improvement of overall standards of performance, efficiency and economy in the provision of municipal services by municipal authorities.</p>	

<p>Municipal Streets Technical Committee (MSTC) Section 405 of JMAct, 2011</p>	<p>The municipality shall constitute a Municipal Streets Technical Committee which shall meet at least once in a month. The Municipal Commissioner or the EO shall be the convener of the Committee.</p>	<p>For Municipal Corporation, seven councillors chosen by the Council, For Municipal Council (Class A), five councillors chosen by the Council, and Municipal Council (Class B) or a Nagar Panchayat, three councillors chosen by the respective Council. In addition to above members, the MSTC shall also have five other members, namely:-the Municipal Commissioner or the EO, the Municipal Engineer, a police officer to be nominated by the Superintendent of Police of the District concerned, and two officers having responsibility for fire services and preparation of development plans for the municipal area, to be nominated by the State Government.</p>	<p>MSTC shall, in order to secure the expeditious, convenient and safe movement of traffic, including pedestrian traffic, and suitable and adequate parking facilities on and off the public streets, and having regard to, - (a) the desirability of securing and maintaining reasonable access to premises, (b) the effect on the amenities of any locality affected, and (c) any other relevant matter referred to it by the municipality. (d) aid, advise and assist the municipality in the matters, namely, classification of public streets and specification of width thereof, prescription of regular line of street, regulation of land uses abutting the streets, regulation of traffic, designation of on-street parking areas, allocation of rights of way for underground utilities, placement of street furniture, placement of authorised fixtures on streets, etc.</p>	<p>The MSTC may call for any record, document, map or data from the municipality or any planning or development authority or any Department of the State Government or any other authority under any State law for the time being in force, and, thereupon, it shall be the duty of such Department or authority to comply with such requisition. The municipality shall consider the recommendations of the MSTC and take such decision thereon as it thinks fit after taking into account plans, proposals, surveys, studies, and supporting technical data, if any, referred to in sub-section If any doubt arises as to whether the decision is in conflict with any plan, scheme or programme of any competent authority under any law for the time being in force, the matter shall be referred to the State Government whose decision thereon shall be final</p>
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(Source: JM Act 2011)

Appendix-4.2

(Referred to Paragraph 4.5.3; page 49)

Statement showing Grants of XIII Central Finance Commission released to ULBs during 2010-14.

(₹ in crore)

Period	Particulars	Entitlement	Amount released by GoI	Amount released by State Government
2010-11	General Basic Grant	39.65	36.02	39.65
	Special Area Basic Grant	7.67	7.67	7.67
2011-12	General Basic Grant	45.96	50.15	50.15
	General Performance Grant	15.71	3.05	3.05
	Special Area Basic Grant	7.67	7.67	4.05
	Special Area Performance Grant	3.84	1.46	1.46
2012-13	General Basic Grant	53.72	26.86	26.86
	General Performance Grant	36.86	5.75	5.75
	Special Area Basic Grant	7.67	7.65	7.65
	Special Area Performance Grant	7.67	11.75	11.75
2013-14	General Basic Grant	63.65	00	00
	General Performance Grant	43.48	00	00
	Special Area Basic Grant	7.67	00	00
	Special Area Performance Grant	7.67	9.80	9.80
Total		348.89	167.83	167.84

(Source: Data provided by State Government)

Appendix-4.3

(Referred to paragraph 4.5.4; page 50)

Statement showing receipt and expenditure of test-checked ULBs

(₹ in crore)

Year	O.B	Grant		Loan	Own resources	Total	Exp.		Total	C.B
		Plan	Non-Plan				Revenue	Capital		
2009-10	139.84	34.24	4.76	22.74	8.21	209.79	14.97	64.57	79.54	130.25
2010-11	130.25	116.09	6.45	4.90	13.54	271.23	14.08	105.13	119.21	152.02
2011-12	152.02	105.18	6.45	3.65	12.33	279.63	18.85	84.64	103.49	176.14
2012-13	176.14	155.74	7.24	6.80	14.88	360.80	21.57	75.92	97.49	263.31
2013-14	263.31	105.16	9.96	5.61	15.27	399.31	29.62	93.78	123.40	275.91

(Source: Data provided by test checked ULBs)

Appendix-4.4

(Referred to paragraph 4.5.6; page 51)

Statement showing the period of assessment of Holding tax dues by ULBs

Sl. No.	Name of ULBs	Year of Last Assessment	Reassessment due for period (up to March 2014)
1	Basukinath	Not imposed	-
2	Chatra	1981-82	32 years
3	Deoghar	1998-99	15 years
4	Dumka	1992-93	21 years
5	Fusro	Not imposed	-
6	Garhwa	1996-97	17 years
7	Giridih	1997-98	16 years
8	Godda	1979-80	34 years
9	Hazaribagh	1994	19 years
10	Jugsalai	1993	20 years
11	Khunti	2002	12 years
12	Koderma	Not imposed	-
13	Latehar	Not imposed	-
14	Lohardaga	1989	24 years
15	Madhupur	1984-85	29 years
16	Mango	1979	34 years
17	Medininagar	2002	11 years
18	Simdega	1996	17 years

(Source: Data provided by the ULBs)

Appendix-4.5

(Referred to paragraph 4.7.1; page 52)

(A) Statement showing list of powers and the functions to be performed by ULBs as per the 74th Constitutional Amendment Act (Schedule XII)

Sl. No.	Functions
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 up-gradation
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

(Referred to paragraph no 4.7.1)

(B) Statement showing list of powers and the functions performed by selected ULBs as per the 74th Constitutional Amendment Act (Schedule XII)

SL. No.	Name of ULBs	Functions performed ¹	Total functions performed
1	Bundu	17	1
2	Deoghar	4, 6and 17	3
3	Fusro	1, 2, 3, 4, 5, 6, 10, 11, 16, 17and 18	11
4	Garhwa	1, 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16and 17	15
5	Giridih	1, 2, 4, 5, 6, 9, 10, 11, 12, 16 and 17	11
6	Hazaribagh	1, 2, 4, 5, 6, 9, 10, 11, 12, 16 and 17	11
7	Jugsalai	1, 2, 3, 4, 5, 6, 10, 11, 12, 16 and 17	11
8	Latehar	1, 2, 4, 5, 6, 10, 11, 12, 14, 16, 17	11
9	Medininagar	4, 6and 17	3
10	Mango	1, 2, 3, 4, 5, 6, 10, 11, 12, 16and 17	11
11	Pakur	4, 5 and 6	3
12	Sahibganj	1, 4, 5, 6, 10, 12, 16and 17	8
13	Simdega	1, 2, 3, 4, 5, 6, 8, 11, 12, 13, 16, 17and 18	13

(Source: Data provided by test checked ULBs)

¹ Serial numbers are functions performed by the test checked ULBs as per statement A of Appendix 4.5

Appendix-4.6

(Referred to paragraph 4.7.3; page 52)

Statement showing status of creation of separate fund called Basic Services to the Urban Poor Fund and separate P-Budget by test checked ULBs as on 31 March 2014

Sl. No.	Name of ULBs	Whether Urban Poor Fund created	Whether P-Budget prepared
1	Basukinath	No	No
2	Bundu	No	No
3	Chas	Yes	Yes
4	Chatra	No	No
5	Deoghar	No	No
6	Dumka	No	No
7	Fusro	No	No
8	Garhwa	No	No
9	Hazaribagh	No	No
10	Jugsalai	Yes	No
11	Khunti	No	No
12	Koderma	No	No
13	Latehar	No	No
14	Lohardaga	No	No
15	Madhupur	No	No
16	Mango NAC	Yes	Yes
17	Medininagar	No	No
18	Pakur	No	No
19	Sahibganj	No	No
20	Simdega	No	No

(Source: Data provided by test checked ULBs)

Appendix-4.7*(Referred to paragraph 4.7.4; page 53)***Statement showing men-in-position against the sanctioned strength of ULBs as on 31 March 2014**

Sl. No.	Name of ULBs	Sanctioned Strength	Men in Position	Vacancy
1	Basukinath	9	6	3
2	Dumka	224	38	186
3	Fusro	29	0	29
4	Garhwa	44	16	28
5	Giridih	310	86	224
6	Godda	39	20	19
7	Hazaribagh	292	185	107
8	Jugsalai	143	37	106
9	Khunti	21	5	16
10	Latehar	21	0	21
11	Madhupur	156	65	91
12	Medininagar	195	65	130
13	Mango	55	9	46
14	Pakur	26	0	26
15	Sahibganj	210	77	133
	TOTAL	1774	609	1165

(Source: Data provided by test checked ULBs)

Appendix-4.8

(As referred to Paragraph 4.8; page 53)

Statement showing Power of State Government

Act/Rule/Authority	Power exercised by Government
Section 590 of JM Act, 2011	Power to frame rules The State Government may make rules to carry out the purposes of this Act.
Section 96 of JM Act, 2011	Power to dissolve Government may dissolve the ULBs, if the ULBs fail to perform or default in performance of any of the duties imposed on them.
Section 94 of JM Act, 2011	Powers to revoke or suspend resolution The State Government may cancel a resolution or decision taken by ULBs, if Government is of the opinion that it is not legally passed or in excess of the powers conferred by provisions of the Act.
Section 92 of JM Act, 2011	Power to conduct enquiry The State Government may depute any officer to inspect or examine any department, office, service, work or property of the municipality and to report thereon.

Appendix-5.1

(Referred to paragraph 5.1.7.8; page 65)

Statement showing non-initiation of deterrent penal action as per provision of the Act

Act/Rule/Authority	Relevant provision/penalty laid down in the Section	Audit observation
Section 183 of JM Act, 2011	When any tax has become due, the EO shall cause to be presented to the person liable for the payment thereof a bill for the amount due.	During 2009-14, bills were not presented by the EO to the persons liable for payment of property tax in any of the four Municipal Councils
Section 181 and 184 of JM Act, 2011	For non-payment of property tax on or before due date: (a) a notice of demand is to be served (b) issue warrant for attachment, distress and sale the movable properties of the defaulter (c) attachment and sale the immovable properties of the defaulter (d) issue a certificate, distress warrant or body warrant for recovery of tax (e) issue warrant for attachment and realisation from the bank accounts and other financial instruments held, individually or jointly in the name of the defaulter (f) penalty of 1 per cent interest per month to be imposed	Municipal Authorities failed to exercise any of these provisions for recovery of outstanding property tax.
Section 440 of JM Act, 2011	Every person should deliver a notice to the EO, in writing, within one month after completion of the building and obtain permission to occupy the building.	These requirements were not complied with by the building owners and municipal authorities were also failed to obtain the completion report in any of the four Municipal Councils Due to non-compliance, raising of demand could not be facilitated.

Appendix-5.2*(Referred to paragraph 5.1.7.8; page 66)***Amount outstanding on account of settlement of municipal sites**

(₹ in lakh)

Year	Municipal sites	Name of successful bidder	Settlement amount	Amount deposited	Amount outstanding till March 2014
2013-14	Collection of toll from temporary shop at footpath	Jaytendra Kr. Dubey	3.56	1.50	2.06
	Leasing out of 3 marriage hall	Ashok Kr. Raut	2.61	1.06	1.55
	Collection of toll from private bus stand	Md Zsaim	8.82	7.76	1.06
	Leasing out of cafeteria	Amit Kr Singh	1.50	1.15	0.35
2013-14	Leasing out the right of erection of hoardings in the municipal area	Nawal Kishore Singh	5.42	2.71	2.71
Total			21.91	14.18	7.73

*(Source: Scrutiny of municipal records)***Appendix-5.3***(Referred to paragraph 5.1.8.9; page 71)***Amount outstanding on account of settlement of municipal sites**

₹ in lakh

Year	Municipal site	Name of successful bidder	Settlement amount	Amount deposited	Amount outstanding till March 2014
2011-12	Temporary road side collection from vegetable market (ward 8 to 30)	Deepak Kr Chaurasia	1.67	0.90	0.77
	Temporary road side collection from vegetable market (ward 1 to 07)	Paresh Nath Mehta	0.58	0.44	0.14
2013-14	Leasing out the right of erection of hoardings in the municipal area	Rajini Kumari	2.71	1.36	1.35
Total			4.96	2.70	2.26

(Source: Scrutiny of municipal records)

Appendix-5.4

(Referred to: paragraph 5.1.9.8; page 76)

Amount outstanding on account of settlement of municipal sites

(₹ in lakh)

Year	Municipal site	Name of successful bidder	Settlement amount	Amount deposited	Amount outstanding till March 2014
2009-10	Mithatalabsabzi bazaar	Ramesh Pd. Gupta	0.15	0.13	0.02
2012-13	Bus stand Khirgaon dumping yard	Yasin Ansari	7.00	5.38	1.62
Total			7.15	5.51	1.64

(Source: Scrutiny of municipal records)

Appendix-5.5

(Referred to: paragraph 5.1.10.8; page 81)

Amount outstanding on account of settlement of municipal sites

(₹ in lakh)

Year	Name of municipal site	Name of successful bidder	Settlement amount	Amount deposited	Amount outstanding till March 2014
2011-12	BadaGudri Upper Bazar	Ashok Tamber	2.01	1.52	0.49
	Badabandh for fisheries	Nishar Ahmad	2.13	0.07	2.06
	ThakurainTalab for fisheries	BunTTYVerma	0.23	0.15	0.08
2012-13	Monday market weekly and gudri	MdIrfan	1.83	0.92	0.91
	Bus stand	AltafKuraisi	4.07	2.10	1.97
Total			10.27	4.76	5.51

(Source: Scrutiny of municipal records)

Appendix-5.6

(Referred to paragraph 5.2.5.7; page 90)

Loss of revenue due to non-settlement of *Baalu Ghats* and non-collection of cost of sand departmentally

(₹ in lakh)

Name of Ghats	Minimum Guarantee money for 2007-10	Settlement amount for July 2008 to June 2009	Departmental Collection	Loss during July 2008 to June 2009	Settlement amount for 7.10.2009 to 6.10.2010	Loss during 7.10.2009 to 6.10.2010	Loss during 7.10.2010 to 6.10.2011	Loss during 7.10.2011 to 6.10.2012	Settlement amount for 7.10.2012 to 6.10.2013	Loss during 7.10.2013 to 6.4.2013 (six months)	Total Loss
1	2	3	4	5(2-4)	6	7	8	9	10	11	12(5+7+8+9+11)
Saldih	26.63	0	2.65	23.98	30.68	0	30.68	30.68	58.36	29.18	114.52
Sanpara	4.05	4.05	0	0							
Adityapur-I	33.58	0	0	33.58	0	33.58	33.58	33.58	39.71	1.9.86	156.25
Dindli	0.68	0.69	0	0	0	0.69	0.69	0.69			
Kulupatanga	1.83	1.83	0	0	0	1.83	1.83	1.83	50.50	25.25	65.23
Adityapur-II	11.49	11.50	0	0	0	11.50	11.50	11.50			
Total	78.26	18.07	2.65	57.56	30.68	47.60	78.28	78.28	148.57	74.29	336.00

(Calculated on the basis of minimum guarantee money or last settlement amount, whichever is greater, as per state government's instruction)

Appendix- 5.7

(Refer to paragraph 5.2.5.8, 5.2.6.8, 5.2.7.8, 5.2.8.8, 5.2.9.8; Pages 90,93, 97& 102)

Statement showing list of registers and format not maintained by MCs

Nature of Property	Type of Assets	Form/ Register
Immovable Property	Land	Form-1, GEN-32
	Buildings	Form-2
	Roads, streets, lanes and footpaths	Form-3
	Bridges, culverts, flyovers, subways and causeways	Form 4
	Drains including underground drains	Form-5
	Water Works Distribution	Form-6
	Lakes and Ponds	Form-8
	Capital Work-in-Progress	Form-9
Movable Property	Plant and Machinery (including machinery of Water Works and Drainage)	Form-10
	Vehicles	Form-11
	Office Equipment	Form-13
	Other Equipment	Form-14
	Furniture and Fixtures	Form-12
	Live Stock	Form-15
	Asset Replacement Register	GEN-35
	Public Lighting System	Form-7, GEN-36

(Source: JMAM, 2012)

Appendix-5.8

(Referred to paragraph 5.2.6.5; page 92)

Statement of untraceable land in MC, Chaibasa

Sl.No.	Particulars	Area (in acre)
1	Trenching Ground in village Mahulsai	1.56
2	Cattle Slaughter House in Deliamarcha village	0.18
3	Goat slaughter house	0.10
4	Public Latrines of Baribazar	0.02
5	Public latrine of Bandh Toli	0.02
6	Municipal Boys' school	0.13
7	Outdoor Dispensary	0.38
8	Post Mortem house 2 buildings	0.06
9	Charitable dispensary, Asst. Surgeon's quarters, Quarters for the relatives of in-patients, Isolation ward, Mid wife and servant's quarters, Kitchen, Pox ward, Cholera Ward, Three latrines, Godown	3.35
Total		5.80

(Source: Information furnished by MC)

Appendix- 5.9
(Referred to paragraph 5.2.8.5; page 99)
Statement of untraceable land in MC, Medininagar

Sl.No.	Particulars	Area (in acre)
1	Municipal old market- Ward no. III	NA
2	Municipal new market near railway station in Nawadih in Ward no. I	3.63
3	New market in Rarma in Ward no. I	1.99
4	Sweeper's busti land in Kund in Ward no. IV	NA
5	Municipal Trenching ground in Kund in ward no. IV	3.63
6	Municipal Pound House near Municipal tank in ward no II	NA
7	Market well in Market square in Ward no. II	NA
8	Pipratoli well near MahadeoBarhi's house in Ward no. I	NA
9	Nawatoli well in Ward no. I	NA
10	Kasaitola well on the bank of Koel river in ward no. IV	NA
11	Municipal public latrine on Maharajganj Road near Asst. Surgeon's quarters in Ward no. IV	NA
12	Municipal public latrine in HardeoBabu's Lane in Ward no. IV	0.02
13	Municipal public latrine on Garhwa Road in Ward no. IV	0.02
14	Municipal public latrine in Kasaitola in Ward no. IV	0.04
15	Municipal public latrine on MadanBabu's Road near market Square in Ward no. IV	0.02
16	Municipal public latrine on Thakurbari Road in ward no. III	0.09
17	Municipal public latrine near Naurehata in Ward no. III	0.13
18	Municipal public latrine in nala near ChaiMCurBunglow in ward no. III	0.03
19	Municipal public latrine near Circuit House in ward no. I	0.03
20	Municipal public latrine on Sunder's Bund in ward no. I	0.03
21	Municipal public latrine in Outstill in ward no. I	0.03
22	Municipal public latrine in Balwatikar in ward no. I	0.01
23	Municipal public latrine in in AbadganjBasti in ward no. I	0.01
24	Municipal public latrine in Chamartoli	0.03
25	Municipal public latrine in Bhingarh	0.01
26	Municipal Urinal near MaheshwariTiwari's House in ward no. IV	0.01
27	Municipal Urinal near KishunSahu'sThakurbari in ward no. III	0.01
28	Municipal Urinal in Ramkishun Thakur's lane in ward no. IV	0.01
29	Municipal Urinal in Kutchery Compound	0.01
30	DaltonganjShahpur Ferry	NA
31	Hamidganj Well near Mahua tree	0.13
32	Nawatolee Well near MuturBabu's house	0.07
33	Government Slaughter House in village Kund	1.30
34	Settling Tank in village Rerma near Pumping Station	1.02
35	House of Lalu Ram.. debtor in Ward no. 3	NA
36	Land on Holding no. 2	1.46
37	Khasmahal Holding no. 744	0.18
38	Khasmahal Holding no. 577	2.72
Total		16.67

(Source: Information furnished by MC)

