

ANNUAL TECHNICAL INSPECTION REPORT ON URBAN LOCAL BODIES

GOVERNMENT OF ORISSA

In terms of the Technical Guidance and Support (TGS) by the Comptroller and Auditor General of India

FOR THE YEAR ENDED 31 MARCH 2009

Office of the Principal Accountant General (Civil Audit)
ORISSA, BHUBANESWAR

REPORT (PAC)

ANNUAL TECHNICAL INSPECTION

REPORT

ON

URBAN LOCAL BODIES

GOVERNMENT OF ORISSA

In terms of the Technical Guidance and Support (TGS) by the Comptroller and Auditor General of India

FOR THE YEAR ENDED 31 MARCH 2009

Office of the Principal Accountant General (Civil Audit)
ORISSA, BHUBANESWAR

TABLE OF CONTENTS

	Reference	
	Para	Page
PREFACE		iv
OVERVIEW		v
CHAPTER I **AN OVERVIEW OF URBAN LOCAL BODIES**		
Introduction	1.1	1
Organizational set-up	1.2	1
Powers and Responsibility	1.3	3
Sources of funds	1.4	3
Flow of funds	1.5	4
Accounts	1.6	5
Audit	1.7	5
Internal Audit	1.8	6
Response to Audit	1.9	6
Annual Technical Inspection Report	1.10	6
Result of Audit	1.11	6
Comments on accounts	1.12	7
Non-utilisation of grants	1.12.1	7
Non-preparation of Annual Accounts	1.12.2	8
Non-furnishing of records	1.12.3	8
Recommendation	1.13	8
CHAPTER II **REVIEW OF TFC GRANTS BY URBAN LOCAL BODIES**		
Introduction	2.1	9
Receipt and utilization of TFC grants by Urban Local Bodies	2.2	10
Expenditure of TFC funds without financial propriety resulting avoidable expenditure of ₹3.37 crore	2.2.1	10
Non-utilisation of TFC grants	2.2.2	14
Delay in release of grants	2.2.3	14
Loss of interest	2.2.4	15
Ineffective utilisation ₹4.16 crore	2.2.5	15
Non -utilisation of grants for solid waste management	2.2.6	16
Idle investment	2.2.7	17
Non-imposition of penalty on the defaulting supplier ₹6.13 lakh	2.2.8	17
Issue of tricycles worth ₹15.06 lakh resulted in showing of undue benefit to the service providers	2.2.9	18
Conclusion	2.3	18
Recommendations	2.4	19
CHAPTER – III **TRANSACTION AUDIT**		
Non-recovery of service tax ₹67.67 lakh	3.1	21
Unfruitful expenditure ₹50.25 lakh	3.2	22

	Reference	
	Para	Page
Irregular payment of allowances ₹1.66 crore	3.3	22
Loss of Municipality fund due to non implementation of EPF ₹15.13 Lakh	3.4	23
Infructuous expenditure on incomplete works ₹69.52 lakh	3.5	24
Non-recovery of rent to the tune of ₹63.49 lakh	3.6	25
In fructuous expenditure of ₹23.31 lakh on construction of public Toilet	3.7	25
Unfruitful expenditure of ₹36.31 lakh	3.8	26
Non discharge of Loan Liability of ₹184.09 lakh	3.9	27
Execution of inadmissible project under Backward Region Grant Fund (BRGF) ₹15.51 lakh	3.10	28
Non-deposit of provident fund contribution recovered from staff salary	3.11	29
Delayed payment surcharge ₹7.62 crore	3.12	29
Loss of ₹90.23 lakh due to parking of scheme funds in P.L. Account	3.13	30
Misappropriation of funds ₹4.57 lakh	3.14	30
Suspected misappropriation- ₹2.96 lakh	3.15	32
Loss of government grant of ₹11.42 lakh due to non-utilisation of CRF grant	3.16	32
Unauthorised appointment of DLR	3.17	33
Outstanding advance to the tune of ₹8.30 crore	3.18	33
Over stayal in service	3.19	34
Irregular appointment	3.20	35

List of Appendices

Appendix	Particulars	References	
		Para	Page
I	Statement of non-production of vouchers before audit	1.12.3	8
II	Statement showing extra expenditure due to revision of contract rate	2.2.1	12
III	Statement showing excess staff in cadre of Staff engaged in conservancy work in CMC, Cuttack	2.2.1	12
IV	Statement of privatised wards and monthly contract rate	2.2.1	13
V	Statement of avoidable expenditure in privatization of sector 6 & 7 and 8 & 9 of CDA under CMC, Cuttack	2.2.1	13
VI	Statement showing details of non recovery of Service Tax	3.1	21
VII	Statement of Medical Allowance and Off Day Allowance paid	3.3	23
VIII	Statement showing minimum monthly unspent balances rolling in P.L. Accounts during 2008-09	3.13	30
IX	Statement of unauthorized appointment of DLRs	3.17	33
X	Statement of outstanding advance position	3.18	34
XI	Statement of pay & allowance paid to Sri P.K.Mohanty,T.C during overstayal period from June 2006 to August 2007	3.19	34
Glossary of abbreviations			49

PREFACE

This report is prepared under the directions of the Comptroller and Auditor General (C&AG) of India for submission to the Government of Orissa and copies thereof, to all the Urban Local Bodies (ULBs). It is a consolidation of important audit findings that were brought out during the course of audit of the accounts of ULBs in the State of Orissa for the period ending 31st March 2009.

This is the fourth Report of the office of the Senior Deputy Accountant General, Local Bodies Audit and Accounts under the administrative control of the Principal Accountant General (Civil Audit) Orissa, Bhubaneswar since October 2006.

This Report contains three chapters: Chapter I contains a brief introduction of the functioning of various levels of the ULBs in the State with the observations and comments on accounts, Chapter II deals with the findings of performance audit on TFC grants by ULBs and Chapter III contains observations on transaction audit.

The cases mentioned in the Report are among those, which came to notice during the course of audit of accounts for the year 2009-10 as well as those which had come to notice in earlier years but were not dealt with in the previous Reports.

OVERVIEW

OVERVIEW

This report includes three chapters. Chapter I deals with an overview of the Urban Local Bodies (ULBs) containing the organizational set-up, accounting and audit arrangements, sources and flow of funds to ULBs and audit coverage including comments on accounts maintained by the ULBs. Chapter II deals with performance audit on TFC grants by ULBs. Chapter III deals with the findings on transaction audit arising out of inspection of ULBs. A summary of audit findings is given as under:

Audit of financial transactions, subjected to test-check in Municipal Corporations, Municipalities and Notified Area Councils (NACs) showed instances of idling of funds, loss, irregular payments, avoidable expenditure, infructuous expenditure etc. The major points noticed in audit are enumerated below.

Non recovery of service tax ₹67.67 lakh resulting undue benefit to the contractor.

(Paragraph 3.1)

Payments of off day allowances and medical allowances to the ULB staffs to the tune of ₹165.52 lakh resulted in undue burden on Cuttack Municipal Corporation.

(Paragraph 3.3)

Non recovery of EPF dues of NMR staff resulted in loss of ₹15.13 lakh to Paradeep Municipality

(Paragraph 3.4)

Non completion of the projects after an expenditure of ₹48.87 lakh and further keeping the projects abandoned for more than two years rendered the amount so spent infructuous.

(Paragraph 3.5)

Improper planning and assessment of fund position in construction of Kalyan Mandap resulted unfruitful expenditure of ₹36.31 lakh

(Paragraph 3.8)

Irregular diversion of ₹114.76 lakh deducted as PF contribution of employees of the Berhampur Municipality for more than 15 years led to deprivation of the legitimate benefit of PF to the staff.

(Paragraph 3.11)

Non availing of the Delayed Payment Surcharge (DPS) waiver offer of electicity distribution companies by five ULBs resulted in extra burden of ₹7.62 core as delayed payment surcharge.

(Paragraph 3.12)

Parking of scheme funds in Personal Ledger Account rendered loss of interest money to the tune of ₹90.02 lakh.

(Paragraph 3.13)

Misappropriations by way of non depositing of the Government money received as tax, LIC premium and CPF.

(Paragraph 3.14)

CHAPTER-I

An Overview of functionaries and audit observations on Accounts of Urban Local Bodies

CHAPTER- I

AN OVERVIEW OF THE URBAN LOCAL BODIES

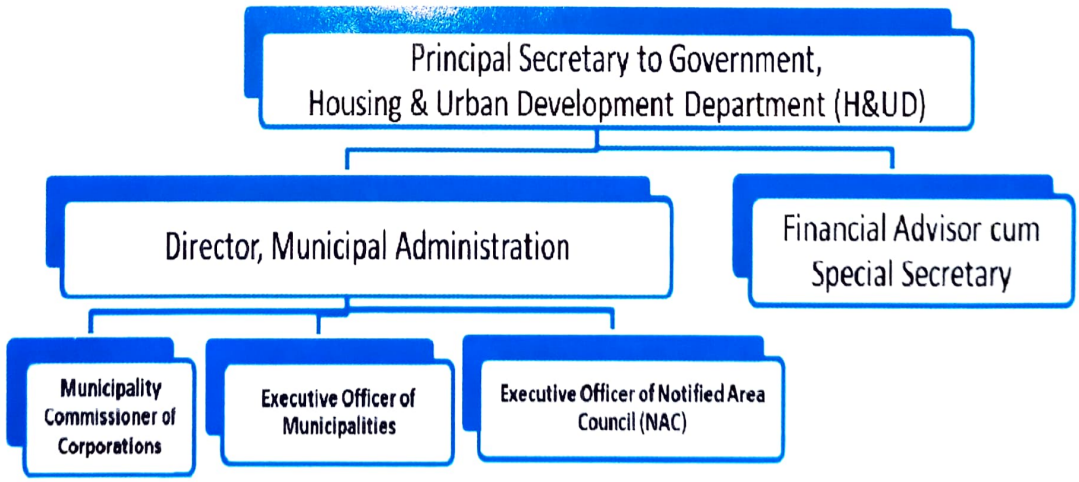
1.1 Introduction

After the 74th Constitutional Amendment Act 1992, all State Governments were mandated to operationalise the urban local bodies as a unit of self Government and the Legislature of State of Orissa amended (2002) the Orissa Municipal Act 1950. The Orissa Municipal Corporation Act came into force during 2003 for ensuring wide transfer of powers and responsibilities in relation to the matters listed in the twelfth schedule of the Constitution.

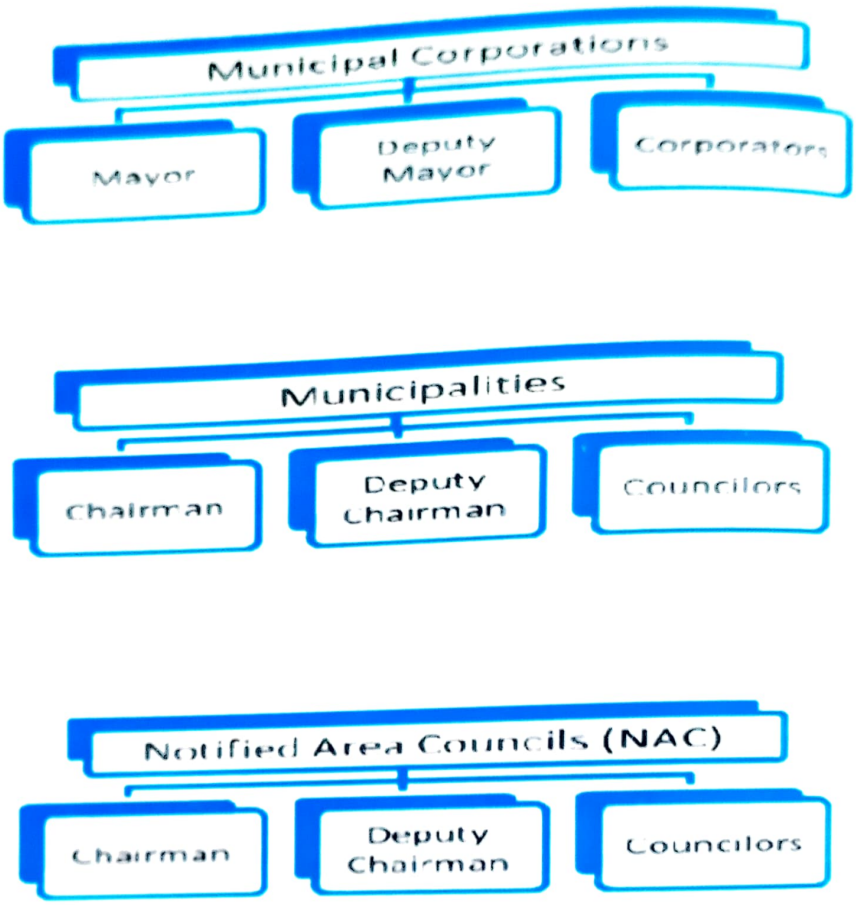
At present there are three Municipal Corporations, thirty-six Municipalities and sixty-four Notified Area Councils functioning in the State of Orissa. Each urban local body is divided into number of wards. At the state level, Housing &Urban Development Department (H&UD) coordinates the functioning of all ULBs.

1.2 Organizational Set up

The organizational set up of the ULBs is as follows: -



The Elected Body set up of the ULBs is as follows:



The Municipal Corporation is headed by the Mayor and Municipality/NAC by the Chairman who is elected from among the Corporators and Councilors of the respective ULBs.

ULBs execute various functions entrusted to them through Standing Committees such as Committee on Taxation, finance & accounts, PH & water supply, Public works, Planning & development, Licenses & appeal, grievances and Social justice. While 10 standing committees function in Municipal Corporations, five such committees function in Municipalities and NACs.

1.3 Powers and Responsibility

According to section 62 A of Orissa Municipal Act 1950, District Planning Committee is required to consolidate the plans prepared by the Panchayats and the Municipalities in the districts and to prepare a Draft Development Plan for the district as a whole. A District Planning Committee is required to be constituted consisting of 24 members (16 members to be elected by the Zilla Parishad and the Municipalities of the district and four members are to be nominated by the State Government).

The District Planning Committee should prepare the draft Audit Plan in the following aspects.

1. (a)
    - Matters of common interest between the Panchayats and the Municipalities including spatial planning, sharing of water and other physical and natural resources, integrated development of infrastructure and environmental conservations;
    - The extent and type of available resources whether financial or otherwise;

    (b) consult such institutions and organizations as the Governor may, by order, specify.
2. The Chairperson of every District Planning Committee shall forward the Development Plan, as recommended by such Committee, to the State Government.
3. Without prejudice to the generality of the foregoing provisions, a District Planning Committee shall have such other functions as the State Government may by notification from time to time, assign.

1.4 Sources of Funds

For execution of various developmental works, the ULBs mainly receive funds from the Government of India (GOI) and the State Government in the form of

grants. The GOI grants include funds released under Centrally Sponsored Schemes, and grants assigned under the recommendations of Finance Commissions (FC). The State Government grants include grants under various State schemes like Member of Legislative Assembly Local Area Development (MLALAD), Western Orissa Development Council (WODC), Octroi compensation grants etc devolved upon the ULBs through the State Budget based on the recommendations of State Finance Commission (SFC).

Under the provisions of the Acts in force, all collections such as tax on holding, tax on the trades, rent on shops and buildings and other fees and charges etc. constitute the own source of revenue receipts. The receipt and expenditure position of the ULBs for the last five years are as follows: -

(₹ in crore)

Year	Receipts	Expenditure	Balance of Grants
2004-05	291.41	291.41	Nil
2005-06	294.27	294.27	Nil
2006-07	356.82	356.82	NIL
2007-08	549.47	549.47	NIL
2008-09	487.45	446.17	41.28

Source: Information furnished by H & U D Department.

Though the entire receipts during a year 2004-05, 2005-06, 2006-07 and 2007-08 are shown as expenditure in the State account, some amounts remained unutilized at the ULBs levels. This is due to the fact that after release of grants to the ULBs the same is shown as expenditure in the State account even though the amounts remain unutilized with the ULB parked in Civil Deposits/Personal ledger Accounts and Bank Accounts as discussed under comments on Accounts.

1.5 Flow of Funds

The State Government on receipt of funds under the Centrally Sponsored Plan (CSP) Schemes releases the funds to the ULBs along with the matching share

through the State budget. The State Government also releases funds for Plan and Non-Plan schemes through the State budget. However, the TFC grants are released directly to the ULBs through sanction orders by the State government to the ULBs immediately after receipt of the same from the Government of India.

1.6 Accounts

The Chief Finance Officer is responsible for maintenance of accounts in Municipal Corporations whereas the Executive officers are responsible for maintenance of accounts in Municipalities and NACs. Similarly, the responsibility of preparation of Annual Accounts is also vested on these officers. The Government of Orissa has decided (September 2007) to introduce double entry system of accounting (Accrual Based Accounting) in the ULBs across the State. A Municipal Accounting Manual had been drafted in line with the provisions of the National Municipal Accounting Manual (NMAM) developed by the Ministry of Urban Development in consultation with CAG. The draft Orissa Municipal Accounting Manual (OMAM) has been finalized and the formal approval of the CAG of India had been obtained. However, the accrual system of accounting is yet to be adopted in ULBs as of February 2011.

The reasons of delay in adoption of accrual system of accounting in ULBs are awaited from the Department (February 2011).

1.7 Audit

The Examiner, Local Fund Audit (ELFA) is the Statutory Auditor and conducts audit of the ULBs U/s 113 of Orissa Municipal Act 1950 through the District Audit Officers, Audit Superintendents and Auditors.

The audit of ULBs entrusted to the CAG under section 20(1) of the CAG's (DPC) Act, 1971. As most of the ULBs are sigficantly financed by grants from Central/State Government they are audited under Section 14 of CAG's DPC Act.

1.8 Internal Audit

The system/arrangement for the regular internal audit of ULBs of the State by Local Fund Audit is not effectively performed. However, in case of serious irregularities like misappropriation of cash/stock and store etc, special teams are constituted by the Housing and Urban Development Department (H & UD) for special audit.

1.9 Response to audit

The response to audit objections by the ULBs is very poor. As of March 2009, 879 paras raised through 53 Inspection Reports, were pending for settlement due to non-furnishing of reply and effective action has not been taken for clearance of the pending paras.

1.10 Annual Technical Inspection Report

The Office of the Senior Deputy Accountant General (Local Bodies Audit and Accounts) under the administrative control of Principal Accountant General (Civil Audit) Orissa has issued three Annual Technical Inspection Reports on Local Bodies pertaining to the years 2005-06, 2006-07 and 2007-08 covering major audit findings in respect of transaction of ULBs to the State Government. But the District Audit Monitoring Committee formed by State Government has not taken any action for the discussion of the Audit Paras for further action.

1.11 Result of audit

Audit of accounts for 2008-09 of 53 ULBs were conducted. The Inspection reports were discussed on the important audit findings with officer-in-charge of

53 ULBs (3 Municipal Corporations, 22 Municipalities and 28 Notified Area Councils).

The financial status of audit findings in different aspects are mentioned below: -

Sl.No	Brief of audit objection raised	Amount involved (₹ in lakh)
1	Unfruitful expenditure	86.56
2	Infructuous expenditure	92.83
3	Loss of Municipal fund/interests	116.78
4	Non-recovery of tax/grant	131.16

1.12 COMMENTS ON ACCOUNTS

1.12.1 Non-utilization of grants

The total funds received vis-a-vis the expenditure incurred by the test checked ULBs for the year 2008-09 were as under: -

(₹ in crore)

Name of ULB	No of ULBs	Opening balance	Receipt	Total	Expenditure	Balance
Municipal Corporations	2	49.49	65.43	114.92	83.18	31.74
Municipalities	11	42.05	84.40	126.45	52.84	73.61
NACs	7	6.74	11.99	18.73	8.94	9.79
Total	**20**	**98.28**	**161.82**	**260.1**	**144.96**	**115.14**

Records of 20 units out of 53 units test checked during 2008-09 revealed that even though ₹260.10 crore was available against schemes like TFC, BRGF, IHSDP etc., the ULBs could able to utilize ₹144.96 crore resulting in non utilization of fund of ₹115.14 crore (i.e.44 *per cent* of available fund). No specific reasons were attributed for the poor utilization of funds by the ULBs.

Due to inaction and poor planning of the ULBs the available fund could not be fully utilized against the desired projects for the benefit of the public.

1.12.2 Non preparation of Annual Accounts

As per Rule 145 of the Orissa Municipal Rules 1953, after the closure of the financial year and not later than 15th April of the following year, the annual accounts of ULBs shall be prepared showing totals of receipts and expenditure under different heads during the year. It was noticed in audit that none of the test checked Municipalities prepared the annual accounts timely as envisaged in the Rules.

Though Orissa Municipal Accounting Manual (OMAM) for implementation of accrual systems of accounting has been prepared for ULBs, the accrual system is yet to be implemented.

Though ELFA is the statutory auditor, the annual accounts of the ULBs are not certified by him for want of enabling provision in Local Fund Act.

1.12.3 Non-furnishing of records.

Six ULBs did not produce relevant records viz. vouchers to audit for want of which expenditure of ₹12.90.lakh could not be vouched. **(Appendix-I)**

1.13 Recommendation

- Accounts need to be maintained as per Orissa Municipal Accounting Manual.
- Funds should be allotted timely for utilisation.
- Internal Control Mechanism should be strengthened to review the activities of the ULBs through Management Information System.
- Department should form the District Audit Monitoring Committee to review the audit paras of ULBs and settlement of the outstanding objections.

CHAPTER-II

Review of Utilization of TFC grants by Urban Local Bodies

Housing and Urban Development Department

Review of utilization of TFC grants by Urban Local Bodies

2.1. Introduction

The Twelfth Finance Commission (TFC) appointed for 2005-10 recommended to augment the Consolidated Fund of the State to supplement the resources of the Panchayats and Municipalities on the basis of recommendations of the State Finance Commission.

The TFC recommended public and private partnership to enhance service delivery of Solid Waste Management Services (SWM) in Urban Local Bodies (ULBs) and urged the State Government to make it mandatory for ULBs with population over one lakh to prepare comprehensive schemes for SWM including composting and waste to energy programme to be undertaken in private sector with minimum 50 *per cent* of grants for the purpose. TFC also stressed the need for creation of database and maintenance of accounts at grass root level.

The TFC grants were to be released in two equal installments in July and January every year and State Finance Secretary was required to provide utilization certificate of grants spent by the local bodies. The TFC recommended grants of ₹104.00 crore for ULBs for the period from 2005-10 based on which the Government of India (GOI) during 2005-09 released ₹83.20 crore (₹20.80 per annum).

Audit was conducted during April to June 2009 covering the period from 2005-09 through test check of records at office of the Principal Secretary to Government, Finance Department (FD Housing and Urban Development Department (HUDD), 15 ULBs[1] including all three Municipal Corporations, seven out of 32

[1] 15 ULBs were selected basing on the fund flow during 2005-2009. These are :
MCs: Cuttack (₹10.67), Bhubaneswar (₹,11.16), Berhampur(₹,5.64), **Municipalities:** Balasore(₹,2.30), Bhadrak, (₹,0.92) Baripada(₹,0.97), Bhawanipatna(₹.59),, Dhenknal(₹,0.68),

Municipalities and five out of 68 NACs involving fund flow of ₹39.31 crore (received during 2005-2009) on TFC recommendations.

The audit findings are discussed in the succeeding paragraphs.

2.2 Receipt and utilization of TFC grants by Urban Local Bodies

The Urban local bodies were to utilize the TFC grants towards improvement of Solid Waste Management in urban areas, creation of database and maintenance of accounts. The position of receipt and utilization of grants by ULBs during 2005-09 were as under:

(₹ in Crore)

Year	Amount to be released as per TFC recommendation	Amount released by GOI	Amount released by the State Government	UC submitted to GOI up to March 2009	UC not submitted as on 31 March 2009
2005-06	20.80	20.80	20.80	20.80	0
2006-07	20.80	10.40	20.80	19.24	1.56
2007-08	20.80	0	10.40	0	10.40
2008-09	20.80	52.00	30.76	0	30.76
Total	**83.20**	**83.20**	**82.76**	**40.04**	**42.72**

From the above table, it can be seen that Government released ₹82.76 crore against receipt of TFC award of ₹83.20 crore resulting in short release of ₹0.44 lakh. The amount was intended to be released to the Berhampur Municipal Corporation for Solid Waste Management.(SWM).

Further observations on utilization of TFC grants are as indicated below:

2.2.1 Avoidable expenditure of ₹3.37 crore

The cardinal principle of financial propriety is that Public Servant should exercise the same vigilance in respect of expenditure from public fund generally as a person of ordinary prudence would exercise in respect of the expenditure of his own money. But while making expenditure out of TFC funds, the Bhubaneswar

Rayagada(₹,0.69) and Sambalpur, (₹,3.12) **NACs**: Chhatrapur(₹,0.23), Gopalpur(₹,0.13), Hirakud(₹,0.36), Koraput(₹,0.83) and Sunabeda(₹,1.07)

Municipal Corporation (BMC) and Cuttack Municipal Corporation (CMC) did not consider the financial propriety which resulted in avoidable expenditure of ₹3.37 crore(BMC ₹1.71 crore & CMC ₹1.66) as detailed under.

A) Avoidable expenditure of ₹1.71 crore by BMC, Bhubaneswar.

During February 2005 on filling of vacant posts of sweepers in Urban Local Bodies (ULBs) the Finance Department Govt. of Orissa took a view that "the job of cleaning and sweeping should be contracted out. This would reduce the financial burden of the ULBs as well as result in improvement of services". To make cleaning and sweeping of wards cost effective the, the BMC decided to privatize 13 wards on monthly contract basis limiting the rate to approximate monthly expenditure which BMC was incurring including salary of it's regular staff engaged for the job in these wards and awarded the contract in April 2005 initially for one years. On completion of 1st year contract, the agencies / contractors requested for extension of the contract for one more year on same terms and conditions. BMC considered their request (April 2006) and extended the period of contract for 2nd year upto March 2007.

The monthly bills of private agencies / contractors were paid only on certificate of good performance by competent authority of the corporation. But much before expiry of contract period, the BMC authorities prepared fresh estimates (Nov'2006) for cleaning of these wards on the basis of road and drain length and approximate generation of garbage from the households of the wards concerned.

The fresh estimates of these wards in most of cases (9 wards out of 13 wards) were much higher than the monthly contract rates at which the private agencies were doing the job at that time (Nov 2006) and continued to do the job satisfactorily upto June 2007. The fresh estimate were put to tender (March 2007) and in case of previously privatized wards contracts were awarded for next two years at higher rates ranging from 25 percent to 236 percent than the existing rate in favour of the same agencies / contractors on competitive bidding.

It was seen that due to revision of contract rate in nine wards BMC made an extra expenditure of ₹1.71 crore during two years of contract period (July 2007 to June 2009) as in the **Appendix-II**. The extent of impropriety and excess expenditure can be assessed from one example stated below.

The contractor assigned with the job of cleaning & sweeping of ward No. 12 has taken up the job @ ₹70,000/- per month to the full satisfaction of BMC authorities during the period upto June 2007. During Nov 2006 the BMC authorities prepared an estimate of ₹225700/- for the same job which was put to tender during March 2007. The same contractor offered a rate of ₹235000/- per month which was found lowest. The job was assigned to the contractor @ ₹2,35,000/- per month for two years from July 2007. The excess expenditure towards cleaning of that single ward was of ₹39.60 lakh (₹2.35 lakh – ₹0.70 lakh x 24 months) for extended contract period of two years.

As none of the agencies / contractors had requested for any revision of the monthly contract rate and area of the wards remained same the action of the BMC authorities for revision of rate was unwarranted and inexplicable. The BMC authorities instead of negotiating with the contractors awarded to the job at much higher rate. The BMC authorities noted the audit observations (March 2009) to review all such cases of privatization. No action was taken as of July 2010.

B) Avoidable expenditure of ₹1.66 crore by CMC, Cuttack.

The instruction of Finance Department for privatization of conservancy work was in lieu of filling up of vacant posts of sweepers/sweepresses. The Cuttack Municipal Corporation (CMC) had excess staff (225 as on 01-03-07) as in the Appendix-III, in the cadre of sweepers/sweepresses and in other posts engaged in conservancy work. In spite of excess staff, the CMC authorities decided for privatization of conservancy work in 17 wards, six sectors of Cuttack Development Authority (CDA) area and Badambadi main road with an avoidable expenditure of `2.17 crore per annum (Appendix-IV) during the period from February 2005 to February 2008.

Scrutiny of relevant records on privatization revealed that CMC implemented privatization without any proposal for reduction of surplus staff (above 200 who were diverted to other wards maintained by CMC) or in previous expenditure on conservancy works of corporation. As such the annual expenditure on privatization was an additional burden on CMC fund mainly met out of TFC grants.

The CMC while making decision for privatisation of conservancy work in different wards did not consider the financial propriety of the proposal in selection of wards. Wards where conservancy work was maintained by CMC with least effort were given priority for privatization as in case of sectors 6 &7 and Sector 8 & 9 of CDA area where CMC was maintaining the work with daily deployment around 24 sweeper/sweepresses (4 regular and 20 temporary) but decided to privatize the works of Sector 6 & 7 (May 2005) and that of sector 8 & 9 (August 2006) on monthly contract rate of `1.41 lakh and `1.35 lakh respectively. Where as conservancy work of wards 31, 32, 33 & 34 where BMC was maintaining the work with daily deployment of around 76 sweepers / sweepresses was privatizing (February 2007) with monthly contract rate of `2.44 lakh ( @ `61000/- x 4).

The privatization of Sector -6 & 7 and 8 & 9 of CDA could have been avoided by CMC had it considered the privatization of ward No. 31,32,33,34 earlier and some of the surplus staff of these wards were diverted for better maintenance of sector 6 & 7 and sector 8 & 9 of CDA. In such case an expenditure of `1.66 crore on privatization of Sector -6 & 7 and 8 & 9 of CDA as in the Appendix-V could have been avoided.

The CMC have since discontinued privatization of Sector 6 & 7 from June 2010 on the ground of poor performance by the contractors and transferred it to the CMC own maintenance wards while continuing with privatization of sector 8 & 9.

The privatization of Sector 6 & 7 and 8 & 9 of CDA was neither on consideration of necessity nor decided on consideration of financial propriety. The entire expenditure of `125.22 lakh upto June 2010 was considered avoidable and

unnecessary burden on TFC grant provided to CMC for Solid Waste Management.

The CMC authorities did not act upon the audit observations till June 2010 when privatization of sectors 6 & 7 was discontinued.

2.2.2 *Non-utilisation of TFC grants*

Provisions of Orissa General Financial Rules and conditions of sanction orders of the State Government requires utilisation of grants during the year and submission of utilisation certificates (UCs) by first June of the succeeding year. However, it was noticed that out of ₹52 crore released to the ULBs during 2005-08, ₹11.96 crore remained unutilized with the ULBs and UCs for only ₹40.04 crore was submitted to the GOI as of March 2009. Similarly, in 15 selected ULBs, against total receipt of ₹39.31 crore during 2005-09 for SWM programme and creation of database, an expenditure of ₹20.17 crore was incurred by the ULBs as of June 2009 leaving an unspent balance of ₹19.14 crore. Due to delay in utilisation of grants, the objective of SWM Programme and creation of data base was not fulfilled to that extent as discussed at paragraphs 3.5 and 3.6.

2.2.3 *Delay in release of grants ₹31.20 crore*

₹31.20 crore were withheld by GOI for want of UCs

- **By Government of India**: As per TFC guidelines, the release of second installment of grants for the year 2006-07 was to be based on utilization of grants already sanctioned (₹31.20 crore) and submission of UC. However, test check of records of the ULBs revealed that due to non-utilisation and non-submission of UC there was delay in release of ₹31.20 crore. The amount was however released only during 2008-09

Delayed release of funds led to avoidable payment of interest

- **By State Government:** As per guidelines, the State Government was to transfer the grants released by GOI to ULBs within 15 days of the same being credited to the State's account and in case of delayed transfer to ULBs beyond the specified period of 15 days, the State Government was to release interest at the rate equal to RBI bank rate along with such delayed transfer of grants. Test check revealed

that transfer of grants to the ULBs was delayed beyond 15 days in all cases during 2006-07. ₹10.40 crore for 2006-07 was released (February 2008) with delay ranging from 43 to 60 days for which ₹7.80 lakh interest at six *per cent* per annum was paid by the State Government .

2.2.4 Loss of interest ₹55.00 lakh

While sanctioning the TFC grant, Housing and Urban Development Department (HUDD) instructed the ULBs to keep the amount in a separate joint account in the name of Executive Officer and District Magistrate immediately after drawing the same from the treasury. Test check of records of 15 ULBs revealed that in 12[2] ULBs the amount drawn from treasury was kept in non-interest bearing PL Account and was subsequently transferred to the Savings Bank account with delays ranging from 14 to 730 days. This resulted in loss of interest of ₹55 lakh as of March 2009. In reply, the ULBs stated (April-June 2009) that steps would be taken to transfer the amount timely to separate joint savings bank account.

2.2.5 Ineffective utilisation ₹4.16 crore

Annual Accounts not being maintained in prescribed formats and database not developed

Accrual based accounting system for ULBs prescribed by the CAG and accepted by the State Government were not adopted by the ULBs as of March 2009. As a result, the ULBs were maintaining the accounts in old formats. The State Government (HUDD) instructed (March 2006) the ULBs to deposit entire funds allocated for creation of database and maintenance of accounts with Orissa Computer Application Centre (OCAC) entrusted with work of computerization and maintenance of accounts in the ULBs. The State Government released ₹4.16 crore to ULBs for creation of database and maintenance of accounts during 2005-06 to 2008-09 and submitted UC to GOI. In 15 test checked ULBs, out of ₹1.35 crore received for creation of database and maintenance of accounts, ₹69 lakh was paid to OCAC and the balance ₹66 lakh remained unspent with the concerned ULBs (March 2009). It was however seen that though OCAC supplied computers,

[2] **Municipal Corporation**: Bhubaneswar, Cuttack and Berhampur
Municipalities: Sambalpur, Bhawanipatna , Bhadrak , Balasore ,
NACs: Gopalpur, Koraput, Sunabeda, Hirakud and Chatrapur

accessories and necessary software, no database was created in any of the test checked ULBs (March 2009). The test checked ULBs assured (May-June 2009) to take steps for creation of database at the earliest. Effective utilization of ₹4.16 crore was not yet ensured.

2.2.6 *Non -utilisation of grants for solid waste management*

TFC guidelines provided for earmarking at least 50 *per cent* of the grants provided to each State for the ULBs for SWM through public-private partnership. The ULBs were to concentrate on collection, segregation and transportation of solid wastes. The cost of these activities including outsourcing was to be met from these grants.

₹37.97 crore released for SWM remained unspent for years in 15 test checked ULBs and suddenly ₹ 19.37 crore was spent during three months (January to March 2009)

HUDD released ₹78.60 crore to 103 ULBs of the State for SWM programme during 2005-06 to 2008-09. The ULBs were, however instructed (March & June 2006) not to incur any expenditure without receipt of further clearance from the Government. The fund was retained by ULBs in their PL Account/ SB account without any utilisation, thereby affecting implementation of SWM Programme. Subsequently, HUDD issued (December 2008 and January 2009) instructions to book the expenses already incurred out of own source by the ULBs under SWM programme since April 2008 to TFC grant.

No waste disposal facility was created in any of the ULBs of the State despite spending ₹19.37 crore under SWM

Test check of records of 15 ULBs revealed that out of ₹37.97 crore received during 2005-09 for SWM programme, ULBs spent ₹19.37 crore during 2008-09 on procurement of SWM articles and for collection and transportation of solid waste. The balance amount of ₹18.60 crore (49 *per cent*) remained unspent as of March 2009. However, no waste disposal facility was created in any of the test checked ULBs despite requirement under MSW (Management and Handling) Rules 2000. In reply, Government confirmed (August 2009) non creation of any such facility. Due to non-utilisation of the grants, the objective of SWM programme for which TFC grants were received could not be fulfilled.

2.2.7 *Idle investment*

Instruments and equipments costing ₹4.75 crore was purchased without indents from ULBs of which equipments worth ₹77.18 lakh remained idle for 11 to 13 months after purchase

Test check of records of 15 ULBs revealed that the ULBs submitted their annual action plans (2005-09) showing the details of articles and instruments required for SWM programme. But without considering the above requirement of ULBs, the State Government (HUD Department) directed (October 2007) for procurement of articles like tricycles, push carts, shovels etc under SWM programme based on which the 15 test checked ULBs procured equipments worth ₹4.75 crore. It was also noticed that out of the above procurement, articles worth ₹77.18 lakh remained unutilised for 11 to 13 months as of March 2009 resulting in idle investment. In reply, while two ULBs stated (May-June 2009) that materials could not be utilized due to shortage of staff, thirteen ULBs assured (May-June 2009) to utilise the balance materials in due course.

2.2.8 *Non-imposition of penalty on the defaulting supplier ₹6.13 lakh*

Bhubaneswar Municipal Corporation placed (January 2008) purchase order (PO) for supply of 26 Auto Tippers valuing ₹61.34 lakh with M/s- force motors, Pune under SWM. As per the terms and condition of PO, the indented goods and articles would be delivered within 30 days from the date of placement of orders, failing which penalty @ one per cent of the cost of the goods for every week of delay subject to maximum 10 per cent of the contract value was to be deducted from the suppliers bills.

Scrutiny of records revealed that the supplier supplied the tippers to BMC during June 2010. Thus, the delay of the delivery was more than 16 weeks which attracted penalty of ₹6.13 lakh (10 per cent of the cost of the tippers ₹61.34 lakh). The penalty was not imposed on the supplier at the time of payment which resulted in loss of ₹6.13 lakh.

2.2.9 *Issue of tricycles worth ₹15.06 lakh resulted in showing of undue benefit to the service providers*

Violating the terms of the agreement for the work, undue favour was extended to the contractor by providing tricycles out of TFC fund.

Cleaning and sweeping operations in and during 2008-09 the said activity was out sourced and awarded to private condition of Tender Call Notice and agreement executed, the service providers would provide conservancy articles to the sweepers engaged by him from his own resources. There was not at all any condition to supply tricycles by the corporation to the contractors since they were being paid for cleaning at a fixed monthly rate.

Scrutiny of records of CMC, Cuttack revealed that out of 250 tricycles procured @ `13,944/- each in 4/2008 under TFC Award, 108 tricycles valuing ` 15,05,952/- were issued to the service providers by 10/2009 without recovery of either their cost or monthly rent from the monthly service charges paid to the contractors. This resulted in not only showing of unintended benefit to the service providers but also misutilisation of TFC funds for ₹.15,05,952.00.

2.3 Conclusion

A review of receipt and utilization of TFC grants revealed that funds remained unutilised for years in non-interest bearing personal ledger accounts and civil deposits with the treasuries and there was belated release of funds to ULBs. Utilisation certificates were not submitted in time. The database under SWM for none of the ULBs was created. Grants released for solid waste management remained blocked up to December 2008 as per Government directive and 51 *per cent* of available funds was spent within four months by adjusting previous pending bills. No waste disposal facility was created in any of the ULBs. Most of the articles and equipments purchased under solid waste management remained idle.

2.4 Recommendations

- Departmental authorities should ensure timely release of funds to ULBs within prescribed norm of 15 days of receipt from the date of receipt of allotment from GOI;
- Internal Control Management may be developed to control the diversion / misutilisation of funds;
- Creation of ULBs database may be completed within the specified time frame as recommended by the 12th Finance Commission;
- ULBs should take care the timely completion of the project Solid Waste Management for disposal of waste and sweeping materials as recommended by 12th Finance Commission;

CHAPTER-III

ANNUAL TRANSACTION AUDIT
OF
URBAN LOCAL BODIES

CHAPTER-III

The summary of the audit observations in respect of three Municipal Corporation), twenty-two Municipalities and twenty-eight Notified Area Councils (NACs) are as under: -

3.1 Non-recovery of service tax ₹ 67.67 lakh

Non recovery of service tax ₹ 67.67 lakh resulting undue benefit to the contractor.

Section 65 (105) of Finance Act 1994 provides for recovery of service tax from service providers at the rate of 12.36 *per cent* of the total bill.

Audit scrutiny revealed that cleaning and sweeping operation of 20 wards of Cuttack Municipal Corporation (CMC), 13 wards of Jharsuguda Municipality and 20 wards of Bhawanipatna Municipality were awarded to private contractors and transportation of garbage and debris of 31 wards of CMC to the dumping site of Chakradharpur was awarded to Orissa Small Industries Corporation (OSIC), Cuttack during 2008-2009. A sum of ₹ 4.95 crore was paid (April 2008 to March 2009) in case of CMC, ₹31.49 lakh was paid (May 2008 to February 2009) in case of Jharsuguda Municipality and ₹21.48 lakh in case of Bhawanipatna (April 2008 to March 2009) to the contractors towards sweeping, cleaning operation and transportation of garbage and debris without recovery of service tax of ₹ 67.67 lakh as detailed in **Appendix-VI**.

The CMC authorities did not recover the service tax from the contractors amounting to ₹67.67 lakh from their bills and allowed undue benefit to them. This resulted in loss of revenue to the Government. On this being pointed out the CMC authorities noted for recovery.

3.2 Unfruitful expenditure ₹50.25 lakh

Construction of the boundary wall without obtaining lease in favour of the Municipality which was obstructed by the PPT resulted in infructuous expenditure of ₹ 50.25 lakh

Paradeep Municipality had acquired a Govt. allotted land of Ac.1.5 during the year 2002-03 for construction of Market Complex. and paid ₹ 20.38 lakh to Govt. towards cost of the land premium and ₹ 1.83 lakh to the Sub-Registrar towards franking charges of the lease deed

Before acquiring the lease deed, the Municipality had constructed the boundary wall on the said land spending ₹ 28.04 lakh. During December 2008, the Estate Officer, Paradeep Port Trust (PPT) had intimated the Collector and the Municipality not to execute any work in the said area as it was coming under the proposed expansion of the southern dock complex of PPT. No further work was executed in the said allotted plot (May 2009).

Thus, construction of the boundary wall without obtaining lease in favour of the Municipality which was obstructed by the PPT resulted in infructuous expenditure of ₹ 50.25 lakh (₹ 20.38 lakh land premium + ₹1.83 lakh cost of franking charges + ₹ 28.04 lakh cost of boundary wall)

3.3 Irregular payment of allowances ₹ 165.52 lakh

Payments of offday allowances and medical allowances to the ULB staffs to the tune of ₹ 165.52 lakh resulted in undue burden on Cuttack Municipal Corporation.

Rule 129 of Orissa Municipal Corporation Acts 2003 and Rule 415 of Orissa Municipal Rule 1953 read with clarification issued by Government (May 2008) stipulated that the condition of ULB staff, their status and standing cannot be more favorable than that of their counter parts in Government sectors. Orissa General Financial Rules do not provide payment of off-day allowance and medical allowance to the Government employees.

Test check of records of seven ULBs[3] revealed that the employees of the ULBs continued drawing of the off-day allowance and medical allowance every month since April 2008 in contravention to the above Act. As such, an amount of ₹ 165.52 lakh was irregularly paid to the ULB employees during April 2008 to March 2009 as detailed in **Appendix-VII** On this being pointed out, the Executive Officers of the ULBs stated that the allowances were paid as per the council resolutions and the Municipal Commissioner, Cuttack stated in November 2009 that the matter will be brought to the notice of the Council. The replies are not tenable in view of the clarification made by Government. Necessary steps may be taken to recover the excess payments from the employees concerned.

3.4 Loss of Municipality fund due to non implementation of EPF ₹15.13 Lakh

Non recovery of EPF dues of NMR staff resulted in loss of ₹ 15.13 lakh to Paradeep Municipality

As per provisions of the Employees Provident Fund (EPF) and miscellaneous provision Act. 1952 contribution at the rate of 12 per cent of the basic pay / wages including dearness allowances was to be deducted from the wages of sweeping and cleaning staff and credited to EPF authority every month along with the employer's share of 13.61 *per cent* for providing the financial security to meet the future contingencies of employees. The Paradeep Municipality came under the purview for payment of EPF in respect of Nominal Muster Roll (NMR) staff with effect from April 2001.

Test check of record of the Municipality revealed that despite repeated request by the EPF authority, the Municipality neither recovered the dues from its employees nor deposited its share in favour of EPF authority. Due to non deposit of EPF, the commissioner seized (February 2008) the SBI account of the Municipality and deducted an amount of ₹ 45.57 lakh (Employees contribution ₹ 15.13 lakh plus Employer contribution ₹ 17.17 lakh plus interest for non-deposit of EPF dues

3 Balugaon-₹ 2.21 lakh, Cuttack- ₹ 135.57 lakh, Kabisuryanagar-₹ 2.43 lakh, Kendrapara- ₹ 13.01 lakh, Puri-₹ 3.87 lakh, Bolangir-₹ 6.53 lakh, Rajgangpur-₹ 1.90 lakh

₹ 13.27 lakh). The municipality could not recover the employees' contribution of ₹ 15.13 lakh from the NMR staff. As such the Municipality had sustained a loss of ₹ 15.13 lakh (employees' contribution of ₹ 15.13 lakh). In reply the Executive Officer stated (February 2011) that the recovery of the subscription of EPF started from the employees (May 2007).

3.5 Blockade of fund on incomplete works

Non completion of the projects after an expenditure of ₹48.87 lakh and further keeping the projects abandoned for more than two years rendered the amount so spent infructuous.

Test check of records of five ULBs revealed that four projects with estimated cost of ₹92.24 lakh was awarded to different contractors with contract value of ₹84.96 lakh during March 2005 to October 2007 as detailed in the table given below. In all the cases the projects remained incomplete after an expenditure of ₹48.87 lakh. The projects were left in incomplete stage for more than two years due to paucity of fund or non execution of the projects by the contractor. Due to non-completion of the projects the expenditure of ₹48.87 lakh turned blockade of fund. The details of which are given below.

Sl. No.	Name of the ULB	Name of project	Estimated cost (Rupees in lakh)	Contract value (Rupees in lakh)	Date of commencement	Scheduled date of completion	Expenditure incurred (Rupees in lakh)	Period of payment	Remarks
1	NAC, Athamallik	Kalyanmandap	15.34	16.10	10/2006	4/2007	10.20	1/2008	Required fund allotted and the work is in progress
2	NAC, Nuapada	Bus Stand	22.00	23.68	4/2007	10/2007	9.26	9/2007	The work order issued to IInd agency in April 2010 and the work is in progress
3	Municipality, Sundargarh	Master drain	15.00	15.00	12/2006	07/2007	3.85	7/2007	The work is in abandoned stage
4	NAC, Athagarh	Town Hall and Kalyanmandap	39.90	30.18	3/2005	9/2005	25.56	7/2005	The matter was taken up with local State Government authority for ROR and required budget grant asked for.
		Total	**92.24**	**84.96**			**48.87**		

The projects had remained incomplete due to lack of effective steps by Executive Officers of ULBs for completion of projects.

3.6 Non-recovery of rent to the tune of ₹ 63.49 lakh

Non-realization of rent from tenants deprived the ULBs of their own revenue

Shops/complexes were constructed at various places by the ULBs with the objective for realization of the revenue by way of monthly rent and provide support to the public for commercial purposes..

In seven ULBs rent of shops/markets amounting to ₹63.49 lakh was found outstanding as on 31st March 2009, the details of outstanding are given below.

(Rupees in lakh)

Sl No.	Name of ULB	Period	Rent outstanding	Rent outstanding as on February 2011	Recovered at the instance of audit
1	Balugaon	2001-2009	6.69	3.80	2.89
2	Rajgangpur	1997-2009	12.30	12.30	0
3	Angul	1998-2009	14.68	5.37	9.31
4	Athamallik	2005-2009	11.67	3.50	8.17
5	Junagarh	2006-2009	10.12	0.52	9.6
6	Tarabha	2007-2009	3.44	1.76	1.68
7	Kuchinda	2007-2009	4.59	0.00	4.59
		Total	**63.49**	**27.25**	**36.24**

Non-realisation of rent leads to shortfall of revenue of the ULBs. Suitable steps were also not taken by ULBs for realization of outstanding rents and ₹36.24 lakh realised as of February 2011.

3.7 Infructuous expenditure of ₹ 23.31 lakh on construction of public Toilet

Non completion of 6 public toilets and idling of 3 completed ones for more than 3 years after an expenditure of ₹ 23.31 lakh rendered the amount spent infructuous.

To augment the sanitation and ensure hygienic condition of the urban poor, HUD Department sanctioned ₹ 41.86 lakh (2001-2008) towards construction of ten seated public toilets at nine different locations within the municipal area of Berhampur.

On scrutiny of records it was revealed that though three number of ten seated public toilets were completed (April 2006) with an expenditure of ₹ 13.36 lakh those were not handed over to Sulabha International for public use.

Further, two out of remaining six units were not started and four units remained incomplete (November 2009) after an expenditure of ₹ 9.95 lakh due to paucity of fund as the Municipality did not provide their matching contribution. In the remaining four units the Council approved the places of construction without verifying the Record of Rights (RORs). As such sanitary facility could not be provided to the urban poor even after an expenditure of ₹ 23.31 lakh.

The Municipal Commissioner stated that the delay in construction was due to land dispute and non execution by the agencies. Due to non-utilisation of completed toilets by public and non-completion of six public toilets, the expenditure of ₹23.31 lakh turned unfruitful.

3.8 Unfruitful expenditure of ₹36.31 lakh

Improper planning and assessment of fund position in construction of Kalyan Mandap resulted unfruitful expenditure of ₹ 36.31 lakh

The Director of Town Planning vide Letter No. 4658 Dt. 7.8.06 sanctioned ten projects under IDSMT during August 2006 with the estimated cost of ` 87.48 lakh and 1st installment of ` 74.47 lakh was sanctioned by Govt. (Central Share ` 44.68 lakh + State Share ` 29.79 lakh) and balance amount was to be released after utilisation of 1st installment . Out of 10 projects four projects were completed at a cost of ` 22.99 lakh, 4 projects not yet taken up and 2 projects were incomplete.

Test check of one incomplete project revealed that construction of Kalyan Mandap at Khurda was initially executed by Bhubaneswar Development Authority (BDA) out of MPLAD fund during 2002-03 at a cost of ` 10.49 lakh of which ` 5.41 lakh was incurred up to plinth level. For the balance work the estimate for ` 46.46 lakh was approved (August 2006) by the Inspector of Local

Works (I.L.W). The BDA had incurred an expenditure of ₹ 30.90 lakh and requested the Municipality (November 2008) for placement of funds. In response, the Municipality deposited ₹ 17.25 lakh in favour of BDA although ₹ 10.25 lakh only was allotted under IDSMT. The balance fund of ₹. 29.21(₹.46.46 - ₹ 17.25) could not be provided by the Municipality for construction due to paucity of funds.

It was further noticed that due to delay in submission of U.C the second installment of central grant of ₹ 13.01 lakh (₹ 87.48 lakh – ₹ 74.47lakh) was not released by Central Govt. as cut off date March 2008 was over. Thus in the above stated circumstances the Municipality was not in a position to place fund for completion of work.

In view of above fact the execution was taken up without proper assessment of fund position by which the construction of Kalyan Mandap could not be completed and the expenditure amounting to ` 36.31 lakh (` 30.90 + ` 5.41) resulted in unfruitful expenditure.

Besides that due to delay in submission of UC the Municipality sustained loss of grant amounting to ₹ 13.01 lakh which could have been avoided.

3.9 Non discharge of Loan Liability of ₹ 184.09 lakh

Despite Government offloaded the outstanding interest liabilities of the Berhampur Municipal Corporation with LIC of India for last 10 years by payment of the principal amount of ₹ 184.09 lakh under one time settlement, the Corporation failed to pay even the required principal amount with simple interest 9.5 per cent to Government so far.

Berhampur Municipal Corporation borrowed ₹412.51 lakh from LIC of India (1982 to 1989) towards installation of water supply system within the Municipal area with Government guarantee. The Municipal Corporation stopped repayment (1999) with an outstanding principal of ₹ 184.09 lakh. Thereafter no further payment was made till date. In order to waive the interest, penal interest liability due to LIC, one mutual agreement was made between the Government and LIC (March 2009) where in Government settled the outstanding principal under one time settlement and the Berhampur Municipal Corporation has to pay only the

Principal amount of ₹ 184.09 lakh with simple interest of ₹ 9.5 per cent per annum to Government within 5 years.

Government waived the interest burden of the Municipal Corporation under one time settlement but the Corporation did not take any action to repay the Principal along with interest (November 2009).

Due to non payment of outstanding loan and interest to LIC in time the loan burden of ₹ 184.09 lakh and annual interest liability of ₹ 17.49 lakh persists.

Commissioner, Berhampur Municipal Corporation stated (May 2009) that the matter was moved to Government for waiver of the loan amount. In February 2011, the H&UD Department released ₹6.67 crore against 22 units out of which ₹1.84 crore allotted to Berhampur Municipal Corporation towards fresh loan to avoid the extra liability in payment of higher rate of interest to LIC.

3.10 Execution of inadmissible project under Backward Region Grant Fund (BRGF) ₹ 15.51 lakh

In contravention of the BRGF guidelines, a sum of ₹ 15.50 lakh was expended towards inadmissible projects under the scheme resulting the expenditure irregular.

As per modified guideline issued by PRD, Government of Orissa for the year 2008-09 repair/renovation/construction of community hall was inadmissible under BRGF.

Scrutiny of records of Berhampur Municipal Corporation revealed that a sum of ₹15.50 lakh was spent during 2008-09 on construction of "Multipurpose Community Hall-cum-recreation and cultural centre at Berhampur out of BRGF which was irregular and in contravention of the guideline.

3.11 Non-deposit of provident fund contribution recovered from staff salary

Irregular diversion of ₹114.76 lakh deducted as PF contribution of employees of the Berhampur Municipal Corporation for more than 15 years led to deprivation of the legitimate benefit of PF to the staff.

Berhampur Municipal Corporation maintains a separate provident fund account of its own. The provident fund contribution deducted from the pay and allowances of the staff are credited to the earmarked accounts for suitable investment to earn interest. Scrutiny of records revealed that ₹ 114.76 lakh deducted from the staff salary towards provident fund contribution for 86 months (between July 1993 and December 2002) were not deposited in the earmarked account and diverted to meet day to date expenditure of the Corporation. As such the PF holders were deprived of getting their PF benefit for more than 15 years. The Municipal Commissioner stated that due to paucity of fund the PF could not be deposited. Irregular diversion of PF contribution resulted in depriving the employees their legitimate benefit of provident fund.

3.12 Delayed payment surcharge ₹7.62 crore

Non availing of the DPS waiver offer of electricity distribution companies by 5 ULBs resulted in extra burden of ₹ 7.62 core as delayed payment surcharge.

Test check of records of 5 ULBs[4] revealed that delayed payment surcharge (DPS) of ₹ 7.62 crore was charged by electricity authority due to non-payment of electricity bill in time. On this, Government directed (May 2008) to all the ULBs that the electricity distribution companies would waive the DPS if all the arrears were paid .It was observed that the ULBs did not avail this waive facility by not paying the arrears and continued to bear the extra burden of liability of ₹ 7.62 crore as DPS.

[4] Berhampur – ₹ 3.43 crore, Buguda – ₹ 0.15 crore, Jharsuguda – ₹ 1.07 crore, Puri – ₹ 0.03 crore, Rourkela – ₹ 2.94 crore

3.13 Loss of ₹90.23 lakh due to parking of scheme funds in P.L. Account

Parking of scheme funds in Personal Ledger Account rendered loss of interest money to the tune of ₹90.23 lakh.

Guidelines in respect of Centrally Sponsored Schemes stipulates that both Central and State share of the funds shall be kept in interest bearing savings bank accounts. The interest earned on these accounts shall be treated as additional grant of the schemes.

Scrutiny of records of six ULBs[5] revealed that ₹309.36 crore was kept in Personal Ledger (PL) Account during 2008-09 instead of keeping the same in interest bearing savings bank account. This resulted in loss of interest of ₹90.23 lakh to the scheme funds calculated on the monthly minimum balance at the prevailing simple rate of interest of 3.5 *percent* per annum. **(Appendix-VIII).**

In reply, the ULBs agreed to transfer the balances from the PL account to Savings Bank Account

3.14 Misappropriation of funds ₹4.57 lakh

Misappropriations by way of non depositing of the Government money received as tax, LIC premium and CPF.

(a) Sundargarh Municipality ₹3.62 lakh

Rule 91 of Orissa Municipal Rule 1953 envisaged that claim against a municipality should ordinarily be discharged by cheque drawn upon the municipal banker.

The Executive Officer, Sundargarh had drawn cash amounting ₹ 3.62 lakh for deposit of LIC premium and CPF payment during the period 2006-07 and 2007-08. The entire cash was received by the then cashier and on an inquiry it was

5 Bhubaneswar – ₹ 68.25 lakh, Balasore – ₹ 5.30 lakh, Berhampur – ₹ 4.12 lakh, Bhadrak – ₹ 2.96 lakh, Rairangpur – ₹ 2.25 lakh and Rourkela – ₹ 19.12 lakh

ascertained that he had not deposited the amount in the concerned accounts which resulted in misappropriation of ₹ 3.62 lakh. The Executive Officer had allowed the cashier to deposit the LIC premiums in cash instead of depositing through cheque in violation of the codal provision which paved the way for misappropriation

Ths Executive Officer, Sundargarh did not take any initiative in the matter as on March 2011.

(b) Tarabha NAC ₹0.95 lakh

Rule 84 of OMR 1953 envisaged that the Executive Officer should once at least in every week examine the cashier's cash book together with the pass book so as to satisfy himself that all money received has really been remitted. He should further, once at least every fortnight examine the cashier's or the accountants cash book with all the subsidiary registers in which receipts are given or collection recorded with the view of testing whether all sums received are actually brought to account and that all relevant entries tally.

Test check of records of Notified Area Council, Tarabha revealed that Ex-Cahsier received ₹ 2.43 lakh (April 2006 to February 2007) towards tax collected by Tax Collectors and out of which ₹1.48 lakh was deposited in NAC account from May 2006 to March 2007 leaving a balance of ₹0.95 kakh which is still lying unrecovered from the cashier. Thus, non-deposit of cash in time construed that the said amount was misappropriated by the cashier.

The Executive Officer stated that steps would be taken to realise the amount.

The ULBs did not take timely action to recover the misappropriation amount of ₹4.57 lakh from the pay and allowances of the officials in charge of cash branch if required when the amount was not credited after audit objections. This indicates the failure of the internal control mechanism of the units.

3.15 Suspected misappropriation- ₹ 2.96 lakh.

Misappropriation suspected due to short deposit of ₹ 2.96 lakh.

Scrutiny of records of Executive Officer, Sundargarh Municipality revealed that ₹6.12 lakh was collected in cash towards cost of tender papers and earnest money deposit (EMD) relating to 74 nos. of works during 2008-09. The cashier deposited ₹3.16 lakh. The balance of ₹2.96 lakh was not deposited in the departmental accounts as per the cash book.

The EO stated (March 2011) that the matter was under investigation. This indicates the failure of the internal control mechanism for timely credit of departmental revenue to departmental accounts.

3.16 Loss of government grant of ₹ 11.42 lakh due to non-utilisation of CRF grant

Inordinate delay in submission of UC and revised action plan in respect of SRC grants resulted loss of assured grant of ₹ 11.42 lakh.

Notified Area Council (NAC), Athagarh received (February 2006) ₹30.00 lakh under Calamity Relief Fund (CRF) grant for execution of 26 projects damaged during flood 2005-06. The Special Relief Commissioner (SRC) approved 10 projects during 2005-06 and 16 projects were subsequently approved by the Collector, Cuttack District in 2007. Even though the execution of work against the project were strted by the NAC authorities, the required UCs were not submitted to the Department in time. The HUD Department recovered (November 2007) ₹11.42 lakh from the octroi compensation grant of the NAC due to delay in submission of UCs.

The EO stated in March 2011 that the expenditure was incurred for ₹16 lakh against the scheme upto 2009-10 and the balance grant of ₹14 lakh would be utilized against the ongoing works.

Due to inadequate planning of the NAC authorities, the projects were not completed in time and the required UCs could not be submitted to the Department as per desired target which resulted in loss of octroi grant of ₹11.42 lakh

3.17 Unauthorised appointment of Daily Labour Roll

In disregard to Government instructions, DLRs in four ULBs were engaged despite ban and in Basudevpur NAC 14 DLRs irregularly continued in the regular service beyond the sanctioned strength.

Despite ban on engagement of DLR (19.05.1997), four ULBs engaged huge number of DLRs without prior sanction of the State Government and spent ₹ 7.58 crore during 1997-2009 **(Appendix-IX)**

Further scrutiny revealed that NAC Basudevpur had engaged 14 DLRs between July 1987 and June 1995 and regularized their services in the post of Octrai Tax Collector / Peon on ad-hoc basic with effect from August 1998. There was no regular posts sanctioned by government to accommodate the above staff for which they were irregularly continuing in regular service beyond the sanctioned strength and was paid regular pay and allowances to the tune of ₹ 700.25 lakh.

The Chief Executive of the ULBs was to be held accountable for violation of the Government orders and allowing unauthorized appointment.

3.18 Outstanding advance to the tune of ₹ 8.25 crore

Advance to the tune of ₹ 8.25 crore relating to 22 ULBs remained unadjusted as of March 2009

According to Rule 136 to 140 of Orissa Municipal Rules (OMR) 1953, the amount of permanent advance and any other advances that may be made to contractors or other individuals under whose personal superintendence the work is being executed shall be made and charged to the head of advances and entered in the advance ledger (Form No. XVIII). A separate account shall also be opened for each person for whom advance shall be given and this account shall be credited with amount of any payment that may be made. In some exceptional cases and with the special sanction of the Chairman of the ULBs and the Executive Officers

should review the cases and the current entries of the advances in the register on quarterly basis.

On test check of records of 22 ULBs, it was observed that the outstanding advances of ₹8.25 crore paid for various purposes as of March 2009 were not adjusted/recovered. The details of outstanding advances of ₹8.25 crore are indicated in **Appendix-X.** This indicates that the outstanding advances were not adjusted / recovered even after four years of payment in spite of the departmental guidelines and instructions issued for timely adjustment by close monitoring of the officer in charge of the ULBs.

3.19 Over stayal in service

Tax collector at Nilagiri NAC was allowed to continue in service and paid pay and allowances beyond superannuation resulted in irregular payment of ₹ 0.68 lakh for the period.

The date of birth of Sri Prafulla Kumar Mohanty , Tax Collector as recorded in his service book was 4.5.1948 for which he was due for retirement on 31.05.2006 on attaining the age of 58 years as he happened to be a class –III employee. The Nilagiri NAC allowed Sri Mohanty to continue in service till 7.8.07 but in the service book he was shown as relieved from service on superannuation w.e.f 31.05.06 vide OO No. 1026 dt. 8.8.07 with retrospective effect. Sri Mohanty was paid pay and allowances of ₹ 68078/- for the period of over stayal in service (**as details in Appendix-XI**) and his services were shown to have been verified till 7.8.07 as per the notings made in his service book. The payments made towards salary for the over stayal period was irregular.

On this being pointed out by audit, the EO, Nilagiri stated that the matter was moved to Govt. in H & UD department for regularization of the case.

3.20 Irregular appointment

In violation of Government Service Code, Rajgangpur Municipality irregularly appointed Smt. Gurubari Ghasiani, Swepress at the age of 11 years and 3 months.

As per Rule 52 A(III) of Orissa Service Code read with notification No. 14362-F-Dt 15.04.66 the minimum age for entry into Govt. service in class-IV Govt. servant is not below 18 years.

Scrutiny of service book of Smt. Gurubari Ghasiani Sweepress revealed that her date of birth was 02.09.1958 and she got appointment as sweepress in Rajgangpur Municipality on 09.12.69 i.e at the age of 11 years 3 months which was highly irregular.

In reply the Executive Officer, Rajgangpur stated (July 2009) stated that the case would be reviewed and final compliance would be furnished to audit.

(BAMAN PRADHAN)
Deputy Accountant General
(Local Bodies Audit & Accounts),
O/o the Principal Accountant General (CA)
Orissa, Bhubaneswar.

Bhubaneswar
The------ day of-----2010
06 JUN 2011

Countersigned

(SANAT KUMAR MISHRA)
Principal Accountant General (Civil Audit)
Orissa, Bhubaneswar.

Bhubaneswar
The----- day of------2010
06 JUN 2011

APPENDICES

Appendix-I

Statement of non-production of vouchers before audit

(Ref. Para 1.12.3; Page-8)

(Rs. in lakh)

Sl. No.	Name of ULB	Particulars of records	Amount involved.
1.	Berhampur	Vouchers	0.69
2.	Buguda	Vouchers	0.59
3	Kabisuryanagar	Vouchers	2.28
4	Balugaon	Vouchers	1.13
5	Sundargarh	Vouchers	3.62
6	Kendrapara	Vouchers	4.59
		Total	12.90

Appendix-II

Statement showing extra expenditure due to revision of contract rate
(Ref. Para 2.2.1; Page-12)

(Amount in Rupees)

Sl No.	Ward No.	Rate of Previous Contract	Rate of revised contract	Order No/ Date of Revised Contract	Excess amount due to revised contract (per month)	Percentage of increase
1.	16	87,500	154,500	135/30.07.07	67,000	77
2.	12	70,000	2,35,000	136/30.07.07	1,65,000	236
3.	41	1,44,500	2,50,950	139/30.07.07	1,06,450	74
4.	37	1,62,400	2,02,500	111/12.07.07	40,100	25
5.	24	1,35,000	1,85,000	108/12.07.07	50,000	37
6.	28	1,41,800	2,00,500	138/30.07.07	58,700	41
7.	17	86,510	1,54,500	137/30.07.07	67,990	78
8.	35	1,58,000	2,78,000	109/12.07.07	1,20,000	76
9.	29	1,36,000	1,71,500	161/31.03.07	35,500	26
	Total	**11,21,710**	**18,32,450**		**7,10,740**	
					(Say ₹ 7.11 lakh x 24m =₹ 171.00 lakh)	

Appendix-III

Statement showing excess staff in cadre of Staff engaged in conservancy work in CMC, Cuttack

(Ref. Para 2.2.1 ; Page-12)

Sl No.	Post	Total sanctioned post	Men-in-position			Vacancy position as on 01.03.07
			Regular	Temporary	Total	
1.	Sweeper/Sweepress	904	820	194	1014	110 excess
2.	Mate	24	24	45	69	45 excess
3.	Drain Coolie	95	80	43	123	28 excess
4.	Tractor loader	20	16	19	35	15 excess
5.	Health Jamadar	38	32	8	40	2 excess
6.	De weeding AMC Coolie	30	23	32	55	25 excess
					Total :	**225 excess**

Appendix-IV

Statement of privatised wards and monthly contract rate

(Ref. Para 2.2.1; Page-13)

(Rupees in lakh)

Sl No.	Name of Ward	Date of privatized	Name of Agency	Date of contract	Monthly Amount of contract
1.	1	18.09.07	M/s Chandan Security Service, Kanika Rd, CTC	13.09.07	1.15
2.	7	15.05.06	-do-	29.04.06	0.71
3.	23	15.05.06	M/s International Inst of Sulava Sytm, BBSR	28.04.06	0.71
4.	24	15.05.06	-do-	28.04.06	0.83
5.	25	15.05.06	M/s Kalionga Vikash, Link Rd, CTC	29.04.06	0.72
6.	29	15.02.08	-do-	13.02.08	1.13
7.	31	01.03.07	M/s Anadi Ch. Nath Rourkela.	22.01.07	0.61
8.	32	01.03.07	-do-	22.01.07	0.61
9.	33	01.03.07	-do-	22.01.07	0.61
10.	34	01.03.07	-do-	22.01.07	0.61
11.	35	15.02.08	M/s Kalinga Vikash, Link Road, CTC	13.02.08	1.16
12.	39	15.02.08	M/s Paritosh Service Agency, Mahanadi Vihar	13.02.08	1.16
13.	40	05.09.05	M/s Kalinga Vikash, Link Road, CTC	20.08.05	1.00
14.	44	15.05.06	-do-	20.08.05	1.02
15.	46	20.11.06	M/s Anadi Ch. Nath Rourkela.	15.11.06	1.21
13.	47				
17.	48				
18.	Badambadi Main Road	11.02.05	M/s Kalinga Vikash, Link Road, CTC	01.02.05	0.70
19.	CDA, Sector-6 & 7	06.05.05	M/s Mukti Ewam Punarwas Sansthan, BBSR	30.04.05	1.41
20.	CDA, Sector 8 & 9	01.08.06	-do-	30.06.06	1.36
21.	CDA, Sector 10 & 11	15.02.08	M/s Paritosh Service Agency, Mahanadi Vihar	13.02.08	1.34
				Total	**18.05**
					₹ 18.05 lakh x 12 m=₹ 2.17 crore

Appendix-V

Statement of avoidable expenditure in privatization of sector 6 & 7 and 8 & 9 of CDA under CMC, Cuttack

(Ref. Para 2.2.1 ;page-13)

(Rupees in lakh)

Sl No.	Name of the Sector	Month of Privatization	Monthly rate	Rate revised	Total expenditure on privatization upto June'2010
1.	Sector 6 & 7 of CDA	May'2005	1.41	1.375 (August'08)	54.99 (1.41x39months) 40.25 (1.75x23months)
2.	Sector 8 & 9 of CDA	August'2006	1.35	1.68 (August'08)	32.40 (1.35x24 months) 38.64 (1.68x23 months)
				Total:	166.28

Appendix-VI

Statement showing details of non recovery of Service Tax

(Ref. Para 3.1; Page-21)

(Rs in lakh)

SL.NO.	Name of the ULB	No. of Service Providers	Amount Paid	Service Tax Due @ 12.36 %
1	Cuttack Municipal Corporation	6	494.65	61.13
2	Jharsguda Municipality	1	31.49	3.89
3	Bhawanipatna Municipalitity	1	21.48	2.65
	Total	**7**	**547.62**	**67.67**

Appendix -VII

Statement of Medical Allowance and Off Day Allowance paid.

(Ref. Para 3.3 ; Page-23)

(Rupees in lakh)

Name of the ULB	Medical Allowance paid	Off-day allowance paid	Total
1. Balugaon	2.21	--	2.21
2. Cuttack	46.01	89.56	135.57
3. Kabisuryanagar	2.43	--	2.43
4. Kendrapara	0.65	12.36	13.01
5. Puri	3.87	--	3.87
6. Bolangir	6.53	--	6.53
7. Rajgangpur	1.90	--	1.90
		Total:	**165.52**

Appendix-VIII

Statement showing minimum monthly unspent balances rolling in P.L. Accounts during 2008-09

(Ref. Para 3.13; Page-30)

(Rs. in Lakh)

Sl.NO.	Name of the ULB	Total Monthly Balance from April 08 to March 09	Monthly Average Balance	Total Interest Amount (Rate of Interest 3.5%)
1	Bhubaneswar Municipal Corporation	23399	1950	68.25
2	Balasore Municipality	1157	96	3.36
3	Berhampur Municipality	575	48	1.68
4	Bhadrak Municipality	384	32	1.12
5	Rairangpur	349	29	1.02
6	Rourkela Municipality	5072	422	14.77
	Total	**30936**	**2577**	**90.2**

Appendix-IX

Statement of unauthorized appointment of DLRs

(Ref. Para 3.17; Page-33)

(Rs. in lakh)

Sl No.	Name of ULBs	No. of DLRs	Period of payment	Amount paid
1	Berhampur	90	4/ 2007 to 3/2009	45.99
2	Jagatsinghpur	10	4/2006 to 3/2009	7.41
3	Balugaon	3	8/1997 to 3/ 2009	4.72
4	Basudevpur	14	12/2003 to 3/2009	700.25
			Total	**758.37**

Appendix-X

Statement of outstanding advance position

(Ref. Para 3.18; Page-34)

Sl No.	Name of the ULBs	Periods	Amount (Rs.)	Total Amount (Rs.)
1.	Cuttack	11/07 to 11/08	16,655.00	16,655.00
2.	Rajagangpur Municipality, Sundargarh,	Prior to 2005-06	57,84,252	1,19,06,533
		2005-06	2,12,500	
		2006-07	24,09,668	
		2007-08	25,98,715	
		2008-09	9,01,398	
3.	Keonjhar Municipality,	Prior to 2006-07	2938,791	34,33,570
		2006-07	85,280	
		2007-08	1,37,334	
		2008-08	2,72,165	
4.	Angul Municipality,	Prior to 2006-07	77,22,351	1,53,30,921
		2006-07	4,97,452	
		2007-08	19,48,096	
		2008-09	51,63,022	
5.	NAC, Khandapara, Nayagarh,	Prior to 2008-09	5,99,736	9,22,687
		2008-09	3,22,951	
7.	Paralakhemundi Municipality Dist-Gajapati,	Prior to 2007-08	20,59,617	21,37,192
		2007-08	33,700	
		2008-09	33,875	
		2009-10	10,000	
8.	Tarabha NAC, Sonepur,	2005-06	17,19,583	18,45,583
		2006-07	83,000	
		2007-08	43,000	
9.	NAC, Kabisurya Nagar, Ganjam,	Prior to 2005-06	7,79,646	13,00,396
		2005-06	19,700	
		2006-07	3,57,050	
		2007-08	1,19,000	
		2008-09	25,000	
10.	Sundargarh Municipality,	Prior to 2006-07	17,07,820	42,85,108
		2006-07	11,45,230	
		2007-08	9,48,802	
		2008-09	4,83,256	
11.	NAC, Rairangpur, Mayurbhanj,	Prior to 2006-07	9,27,261	21,21,261
		2006-07	44,500	
		2007-08	65,000	
		2008-09	10,84,500	
12.	Puri Municipality,	Prior to 2007-08	1,80,39,000	2,38,75,000
		2007-08	33,06,000	
		2008-09	25,30,000	
13.	NAC, Konark, Puri,	Prior to 2007-08	15,29,991	39,85,483

Sl No.	Name of the ULBs	Periods	Amount (Rs.)	Total Amount (Rs.)
		2007-08	1,72,000	
		2008-09	22,83,492	
14.	NAC, Chikiti, Ganjam,	Prior to 2008-09	68,289	1,89,789
		2008-09	1,11,000	
		2009-10	10,500	
15.	Rourkela Municipality, Sundergah,	2007-08	1,65,800	4,92,150
		2008-09	3,26,350	
16.	Jagatsinghpur Municipality,	Prior to 2005-06	26,57,212	43,62,462
		2005-06	8,90,750	
		2006-07	3,38,500	
		2007-08	2,87,000	
		2008-09	1,89,000	
17.	Sambalpur Municipality,	Prior to 2005-06	7,12,400	222,59,482
		2005-06	3,13,100	
		2006-07	6,56,207	
		2007-08	77,500	
		2008-09	5,00,275	
18.	NAC, Aska, GM,	Upto 2004-05	18,46,807	24,26,442
		2005-06	75,000	
		2006-07	51,250	
		2007-08	20,975	
		2008-09	4,32,410	
19.	G.Udaygiri NAC, Kandhamal	Upto 2007-08	6000	3,66,821
		2008-09	3,60,821	
20.	NAC, Banapur, Dist- Khurda,	2005-06	4,74,081	7,31,581
		2006-07	1,45,000	
		2007-08	82,500	
		2008-09	30,000	
21.	NAC, Bhuban, Dhenkanal,	Upto 2003-04	1,57,247	2,39,300
		2004-05	7,653	
		2006-07	13,000	
		2007-08	61,400	
22.	NAC, Khariar Road, Dist- Nuapada,	Upto 2003-04	5,60,608	7,99,446
		2004-05	13,300	
		2005-06	5,554	
		2006-07	6,771	
		2007-08	39,652	
		2008-09	1,73,561	
			Grand Total	**8,3027,862**

Appendix-XI

Statement of pay & allowance paid to Sri P.K.Mohanty,T.C during overstayal period from June 2006 to August 2007

(Ref. Para 3.19; Page-34)

Sl No.	Name of the ULB	Period	Amount
1	Nilagiri NAC	June 2006	3891
		July 2006	3891
		August 2006	3972
		September 2006	3972
		October 2006	3972
		November 2006	3972
		December 2006	3972
		January 2007	3972
		February 2007	5826
		March 2007	5826
		April 2007	5826
		May 2007	5826
		June 2007	5826
		July 2007	5826
		August 2007 (07.08.2007)	1508
Total			68078

Glossary of abbreviations

AAP	Annual Action Plan
ATIR	Annual Technical Inspection Report
BMC	Bhubaneswar Municipal Corporation
BPL	Below Poverty Line
CDF	Community Development Funds
CDS	Community Development Society
CMC	Cuttack Municipal Corporation
CS	Central Subsidy
CSP	Centrally Sponsored Plan
DU	Dwelling Unit
DUDA	District Urban Development Agency
EFC	Eleventh Finance Commission
ELFA	Examiner Local Fund Audit
EO	Executive Officer
EWS	Economically Weaker Section
GOFD	Government of Orissa, Finance Department
HAL	Hindustan Aeronautics Ltd
H&UD	Housing & Urban Development
HUDCO	Housing and Urban Development Corporation
IDSMT	Infrastructure Development of Small and Medium Towns
IHSDP	Integrated Housing and Slum Development Programme
IR	Inspection Report
LBA&A	Local Bodies Audit and Accounts
MC	Municipal Corporation
NAC	Notified Area Council
NMAM	National Municipal Accounting Manual
NSDP	National Slum Development Programme

OMAM	Orissa Municipal Accounting Manual
OTC	Orissa Treasury Code
PL	Personal Ledger
PPL	Para deep Phosphates Limited
PPT	Paradeep Port Trust
RMC	Regulatory Market Committee
SCA	Special Central Assistance
SFC	State Finance Commission
SDO	Slum Development Officer
SUDA	State Urban Development Agency
TAC	Town Advisory Committee
TFC	Twelfth Finance Commission
TGS	Technical Guidance and Supervision
TRL	Tata Refractory Limited
UC	Utilization Certificate
ULB	Urban Local Bodies
UEPA	Urban Employment and Poverty Alleviation

©
Comptroller and Auditor General of India

http://www.cag.gov.in

Printed at - Gopinath Offset, RTS 35, Rasulgarh I.E. BBSR