

## **PREFACE.**

1. This report has been prepared for submission to the Government of Himachal Pradesh in accordance with the terms of Technical Guidance and Supervision (TGS) of the audit of accounts of Panchayati Raj Institutions (PRIs) by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. This Report for the year ended 31<sup>st</sup> March 2006 deals with the results of audit of accounts of Panchayati Raj Institutions.
3. The cases mentioned in the report are among those which came to notice mainly in course of test check of accounts of 195 Panchayati Raj Institutions during the year 2005-06.

# CHAPTER-1

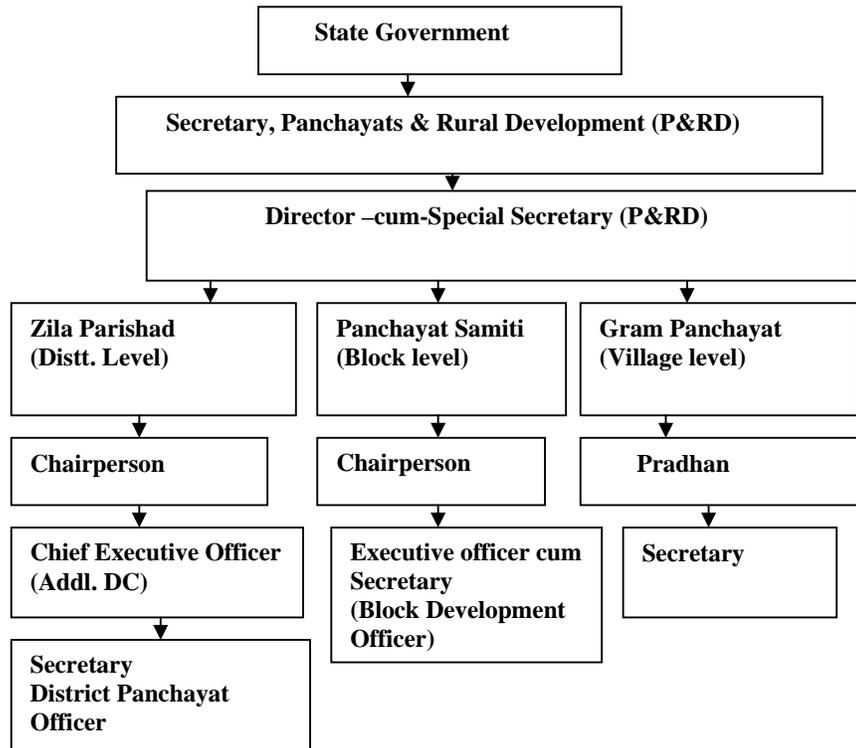
## 1. AN OVERVIEW OF THE PANCHAYTI RAJ INSTITUTIONS

### 1-1 Introduction

There are 12 Zila Parishad, 75 Panchayat Samities and 3243 Gram Panchayats in the State. Panchayats are elected every five years and the last elections were held in December 2005. The 73<sup>rd</sup> constitutional Amendment envisaged devolution of funds, functions and functionaries to PRIs. Out of the twenty-nine functions listed in the 11<sup>th</sup> Schedule of the constitution, twenty six functions (Appendix-I) had been transferred by the State Government. However, the funds, functionaries have not been transferred yet.

### 1.2 Organizational set up.

The organogram given below depicts the organizational structure:



The Chairman heads both Zila Parishad and Panchayat Samiti whereas the Pradhan heads Gram Panchayat.

### 1.3. Audit arrangements of PRIs

Sub-Section (I) of section 118 of the Himachal Panchayati Raj Act, 1994 provide that there will be a separate and independent Audit Agency under the control of the Director Panchayati Raj to audit the accounts of PRIs with a view to having proper financial control on income and expenditure. The audit of all the three tier is required to be conducted annually.

The Eleventh Finance Commission had recommended exercising control and supervision over maintenance of accounts of PRIs and their audit for all three tiers by C&AG. Consequently the State Govt. has authorised AG (Audit) to conduct audit of PRIs in any manner as deemed fit.

### 1.4. Sources of Funds

For execution of various developmental works, the Government of India and State Government provide funds in the form of grants besides the revenue earned by the PRIs out of their own resources such as taxes, rent, fees, issue of licenses, tehbazari etc. The following table shows the budget allotment & expenditure incurred during last three year ending March 2006 as under:-

Year	Budget Allotment (Rs. In lakhs)	Expenditure Incurred (Rs. In lakhs)
2003-04	3345.90	3345.90
2004-05	3569.45	3569.45
2005-06	4770.27	4770.27

The department had no consolidated information regarding own revenue.

### 1.5. Audit coverage

Audit of accounts of 7 Zila Parishads (out of 10), 22 Panchayat Samities (out of 75) and 166 Gram Panchayats (out of 3243) were conducted during 2005-2006 and 2006-2007. (Appendix-2)

## **CHAPTER-II**

### **2**

### **Accounting Procedures**

#### **2.1 Non-reconciliation of balances in cash book with the pass book.**

Rule 15 (10) (b) of the H.P. Panchayati Rules 2002 provides that the balances of the pass book of the Panchayat Samities (PS)/Panchayats shall be checked with reference to the Cash book at the close of every month by way of reconciliation.

In 8 Panchayat Samities test checked (Appendix-3) an amount of Rs. 33.77 lakh remained un-reconciled at the end of financial year 2005-06.

Similarly in 83 Gram Panchayats test checked differences of Rs. 41.16 lakh in both accounts remained un-reconciled as of March 2005 (Appendix-4). Thus, the un-reconciled balance does not reflect true financial position of Panchayati Raj Institutions. The concerned Executive Officers of Panchayat Samities and Pradhan of Gram Panchayats stated that the efforts were being made to reconcile the differences. The replies were not tenable as compliance of rules in respect of monthly reconciliation was not ensured.

#### **2.2 Retention of cash in hand in excess of permissible limit**

Himachal Pradesh Panchayati Raj Rules provide that the PS and Zila Parishad (ZP) may allow the accumulation of cash in the departmental cash chest upto a maximum limit of Rs. 2500 for PS and Rs.5000 for ZP at one time.

In violation of the rules, the Executive Officer of 9 Panchayat Samities were found to have retained cash ranging between Rupees three thousand and 1.28 lakh at a time during the period from 2002 to 2005. The details are given in appendix-5.

Similarly rule 10(3) of HP Panchayati Rules 2002 provides that a sum not exceeding rupees one thousand may be kept as imprest by the Secretary for urgent expenditure to be incurred by the Gram Panchayat.

In 22 Gram Panchayats test checked the cash ranging between 11 thousand and 82 thousand was left in hand during 2002-2005 (details given in appendix-6)

The concerned officers of the institutions stated that such irregularities would not be repeated in future.

### **2.3 Non opening of separate account**

Rule 4(i) of HP Panchayati Raj Rules, 2002 provides that separate “A” and “B” accounts shall be opened by every ZP/PS/ Panchayat for income from own resources and for grants in aid received, funds allocated for special purposes and loans separately.

In 4 Zila Parishads and 10 Panchayat Samities (Appendix-7) 166 Gram Panchayats (Appendix 8) test checked, separate accounts had not been maintained. In the absence of the separate accounts, actual position of sectoral allocation of funds could not be ascertained in audit.

In reply the concerned institutions stated that needful would done in future.

### **2.4 Outstanding rent**

The Panchayat Samities/Panchayats had been renting out the shops/stalls in their jurisdiction on monthly rent basis to the public.

It was noticed that Rs. 15.48 Lakh on account of outstanding rent for the period falling between 2002 and 2005 was recoverable in 10 Panchayat Samities and 8 Panchayats (details given in appendix-9). However, yearwise break-up was not made available to audit. The concerned institutions stated that action would be taken to recover the rent.

### **2.5 Outstanding advances**

Rule 30 of HP Panchayati Rules 2002 provides that whenever any advance is paid to an office bearer or officer/official of GP for carrying out the purpose of the Gram Panchayat a record thereof shall be kept in the register of temporary advances in Form-9. Financial rules provide that the advances should be adjusted promptly.

In 8 Gram Panchayats test checked advances amounting to Rs 2.71 lakh (Appendix-10) had been paid between 1987 and 2000 to the Pradhans for meeting the expenditure for developmental works. Out of 8 cases only one case for Rupees 0.73 lakh

pertaining to Podhana Gram Panchayat was pointed out by internal audit wing of the Panchayati Raj, but adjustments of accounts did not submit nor balance amount deposited as of March 2005. No action had been taken to get these advances adjusted

## **2.6 Non maintenance of records/registers**

Rule 34 of Himachal Panchayati Raj General Rules 1997 provides that every Gram Panchayat shall maintain important records such as stock register, stock material register, demand and collection register, Immovable property register, execution of development works register and muster roll issue register etc.

In 10 Panchayat Samities and 166 Gram Panchayats, test checked the above records were not found maintained during 2000-2005 (Appendix-11). Thus due to non maintenance of records the correctness of financial transactions could not be ascertained. No reasons for non maintenance of records were intimated by the concerned institutions.

## **CHAPTER-III**

### **3. Other Important Topics**

#### **3.1 Irregular Implementation of schemes.**

As per guidelines of 12th Finance Commission the repair and maintenance of water supply and sanitation schemes in rural areas having monetary value of Rs. one lakh and more should only be sanctioned by the Zila Parishad. These schemes should be sanctioned out of the priorities fixed by the Gram Sabha in its annual plan/budget and relevant portion of which will be supplied to the Panchayat Samiti/Zila Parishad for sanction of schemes out of its budget share.

It was noticed that contrary to the provisions of guidelines, funds amounting to Rs. 48.67 lakh were sanctioned/released during 2005-06 for 150 schemes having monetary value of less than Rs. one lakh by two Zila Parishads (Shimla:98 schemes:Rs.27.46 lakh and Kullu:52 schemes Rs. 21.21 lakh)(Appendix-12). Moreover, these schemes were not out of priorities fixed by the respective Gram Sabha. Thus, the release of funds was irregular. The Secretary of concerned Zila Parishads stated (January, 2007) that matter had been taken up with the Govt. for relaxation in monetary value of each scheme as it was not possible to frame schemes having monetary value of Rs. one lakh and more. The replies were not tenable as the sanction of the schemes under centrally sponsored schemes was to be ensured strictly in accordance with the guidelines.

Similarly funds amounting to Rs. 78.56 lakh were placed (2005-06) at the disposal of Zila Parishad Kangra at Dharamsala for implementation of water supply and sanitation under 12<sup>th</sup> Finance Commission.

It was noticed that no action had been taken as of November 2006 to finalise the schemes and funds were lying unutilised. The Secretary Zila Parishad stated (November 2006) that relaxation to approve the scheme having monetary value upto 0.25 lakh had been sought from government and decision was awaited.

### **3.2 Non-Construction of office building.**

For the construction of office building of Zila Parishad, Shimla and Una funds amounting to Rs. 50 lakh (Rs.25 lakh each @ 5 lakh per annum (Appendix-13) were released between 1997-98 and 2001-02 to both the Zila Parishads for the purpose.

It was noticed in audit that entire amount had been lying unutilised with the respective Zila Parishad as the construction of buildings had not been started. The secretary Zila Parishad, Una stated (February-2006) that the funds could not be utilised for want of suitable land. The Secretary Zila Parishad Shimla stated (January-2007) that construction of building could not be started as the selected site had been rejected by the Town and Country Planning and efforts were being made to identify new site. Thus lack of proper planning led to blockade of funds which otherwise could have been used on other welfare works. Further developments were awaited.

### **3.3 Excess expenditure on material component**

As per instructions issued by the Government expenditure on labour and material component was to be maintained in the ratio of 60:40 for works executed under SGRY.

In violation of these instructions, 63 percent expenditure was made on material component and 37 percent made on labour component during the year 2002-2005 on 183 works executed in 15 Panchayats resulting in excess expenditure on material component of Rs. 5.33 lakh due to which loss of 7611 mandays occurred (Appendix-14). No reasons for excess expenditure on material component were advanced by any of Gram Panchayat.

### **3.4 Incomplete works.**

During test check of works registers and other relevant records, it was noticed that in 7 Panchayat Samities, 132 works totaling to Rs. 45.25 lakh were approved (2002-03: 14 works, 2003-04: 10 works and 2004-05: 99 works) through annual shelf works and were to be executed by the various Panchayats under the control of the P.Ss during the year 2002-2005 under SGRY scheme (details in appendix-15).

It was further noticed that out of above works of Rs.45.25 lakh, an expenditure of Rs.23.83 lakh was incurred as of March 2006 and a balance of Rs. 21.42 lakh remained unutilised.

As per condition of sanctions these works were required to be completed within one year from the date of sanction. Thus non-completion of these works even after stipulated period has resulted into unfruitful expenditure besides depriving the public from intended benefits. The concerned Executive officers stated that some of the works had been completed but accounts were awaited from concerned Panchayats. It was further stated that incomplete works could not be completed due to local disputes and lack of interest of concerned Panchayats. The replies were not tenable keeping in view delay involved.

### **3.5 Blocking of funds.**

Funds amounting to Rs. 102.37 lakh under 10<sup>th</sup> Finance Commission's recommendations were sanctioned between 1997 to 2001 for Zila Parishad Kangra for the execution of developmental works/schemes.

It was noticed that an amount of Rs. 11.02 lakh had been lying unutilised as no schemes were found formulated. Reasons for non-utilisation thereof were also not on record. The Secretary Zila Parishad stated (October, 2006) that the matter would be taken up with the Director for clarification regarding its utilisation. The reply was not tenable as funds were lying unutilised and all activities under 10<sup>th</sup> Finance Commission already stood closed.

### **3.6 Irregular Payment**

Main purpose of the Sampoorna Gramin Rojgar Yojna (SGRY) was that the development works in the Panchayat area were to be executed by engaging local labour so as to provide gainful employment to unemployed persons in rural areas and that the payments of wages to labourers were to be made on weekly basis in the presence of the Gram Pradhan. The use of machinery such as JCB was prohibited for the works /project unless use of machinery is essential for which prior approval of competent authority had been obtained.

In 4 Gram Panchayat test checked the construction of link roads was done through contractors by deploying/using machinery (JCB) in contravention of guidelines of the scheme for which payment of Rs. 5.43 lakh was made. (Appendix 16). No reasons for deployment of machinery were advanced by respective Gram Panchayats. Thus the intended purpose of SGRY remained unachieved.

### **3.7 Expenditure in excess of sanctioned grant.**

It was notice that 38 Gram Panchayats had incurred an expenditure of Rs. 26.82 lakh (Appendix 17) in excess of sanctioned amount of grant in respect of 203 works during 2000-05 for which no approval was obtained from competent authority. No reasons for excess expenditure were advanced.

### **3.8 Non start of works under SGRY.**

Guidelines of SGRY scheme provide that the funds sanctioned for developmental works should be utilised within the financial year. In 5 Panchayat Samities test checked, funds to the tune of Rs. 10.09 lakh released between 2002-03 and 2005-06 for execution of 35 developmental works under SGRY schemes remained unutilised as of March, 2006 as no work was started (Appendix-18).

### **3.9 Diversion of funds.**

Grants released for the construction of minor irrigation and water supply schemes were required to be utilised strictly on the specified works of Panchayat Samiti.

It was noticed in audit of Panchayat Samities Kangra that Rs. 0.53 lakh (2004-05 Rs. 0.26 lakh and 2005-06 Rs. 0.27 lakh) meant for specified schemes had been withdrawn from the personal ledger account and utilised for other purposes such as repairs/maintenance, purchase of coal and miscellaneous expenditure etc by the Panchayat Samiti, Kangra. On this being pointed out in audit the Executive Officer Panchayat Samiti stated (November 2006) that the funds were utilised with the approval of Panchayat Samiti, and that the grant for construction of water and sanitation work shall be utilized shortly. The reply was not tenable as the funds were to be utilized for construction of minor irrigation and water supply schemes for which grants were received from Director (PR). Thus the

funds were diverted for other purposes. The scheme for which funds were sanctioned remained unattended. Such diversions led to denial of the intended benefits to beneficiaries.

### **3.10 Blocking of funds.**

16 Gram Panchayats had received various grants amounting to Rs. 11.68 lakh for 79 works (Appendix 19) between 2000-05 for execution of various developmental schemes.

Test check of their records revealed that although a period of one to five years had elapsed, but execution of works had not been taken up to March, 2005.

This had not only resulted in blockage of Government funds of Rs. 11.68 lakhs but also deprived the intended benefits to the beneficiaries. No action to start the works has been taken by the respective Gram Panchayats.

### **3.11 Expenditure incurred without preparing any budget.**

According to Rule 38 of HP Panchayati Raj (Finance, Budget, Accounts, Audit etc) Rule 2002 every Panchayat Samiti and Zila Parishad shall prepare annually a budget estimates of its receipt and expenditure in form 12 for the year commencing on 1<sup>st</sup> day of the following April. The budget estimates shall be prepared by the Secretary of the Panchayat Samiti or the Zila Parishad, as the case may be by 31<sup>st</sup> December and he shall submit it to the Finance, Audit and Planning Committee of the Panchayat Samiti or the Zila Parishad, as the case may be, for its close scrutiny or any modification as it may consider fit, and the said committee shall submit the same to the Panchayat Samiti or the Zila Parishad, as the case may be for approval on or before the 15<sup>th</sup> February,

It was noticed that in 3 Zila Parishad and 4 Panchayat Samities test checked budget estimates for the period from 2002-03 to 2005-06 had not been prepared. However, expenditure of Rs. 139.43 lakh had been incurred between 2002-03 to 2005-06 without preparation of budget estimates which was irregular (details in Appendix 20)

The concerned institutions stated that in future, budget estimates would be prepared. The replies were not tenable as provision of rules had not been complied with.

### **3.12 Blocking of funds in PLA**

Panchayati Raj Department had been according sanctions for implementation of water supply and minor irrigation scheme in the rural areas to be executed by the Panchayat Samiti under head grant in aid. The funds released by the department were to be credited to PLA account of the respective Panchayat Samities. As per conditions of the sanction, the funds were to be utilised within one year from the date of sanction failing which the amount of grants required to be refunded.

It was noticed that in 5 Panchayat Samities test checked (Appendix 21) there were opening balance of Rs. 8.85 lakh as on 1<sup>st</sup> April 2002 and an amount of Rs. 1.82 lakh was received between 2002-03 and 2004-05 against which expenditure of Rs. 2.13 lakh stood incurred leaving unspent balance of Rs. 8.54 lakh as of March 2005. Similarly, in respect of Panchayat Samiti, Kangra there was balance of Rs. 4.57 lakh as on 1<sup>st</sup> April, 2004 and funds amounting to Rs. 0.66 lakh were received during 2004-05 and an expenditure of Rs. 2.31 lakh had been incurred leaving a balance of Rs. 2.92 lakh as of March 2005. Thus, funds amounting to Rs. 11.46 lakh stood blocked and purpose for which the funds were released also remained un-achieved. The concerned institutions stated that action was being taken.

### **3.13 Non-Execution of works by the Zila Parishad.**

Rule 93 of Himachal Pradesh Panchayati Raj Rules 2002 provides that the Zila Parishad shall execute works out of the funds available through the participatory committee constituted by the Zila Parishad. It has further been provided that separate participatory committee should be framed for each works for maintaining complete transparency in its functioning.

It was noticed that Zila Parishad Kullu had not constituted any participatory committee for execution of works approved by the house of Zila Parishad. Consequently funds amounting to Rs. 21.21 lakh were released during 2005-06 to the blocks for further execution of works by the concerned Panchayats which was irregular. The Secretary stated (January, 2007) that the action would be taken in future.

### 3.14 Awaited Utilisation.

The Director (PRI) has been releasing various grants to Panchayati Raj Institutions for developmental schemes and concerned institutions were required to furnish utilisation certificates within two years from receipt of grants.

It was noticed that grants aggregating to Rs. 1099.07 lakh were released to PRIs during 2004-05 but the requisite utilisation certificates were awaited as of March 2007. The Department stated (March, 2007) that the UCs were being collected.

### 3.15 Internal Audit

As per provisions of Himachal Pradesh Panchayati Raj Act, 1994, there is an internal Audit agency in the Panchayati Raj Department to look after the accounts of the Panchayati Raj Institutions. The audit of all the institution was to be conducted annually

**The position of audit of PRIs during the year 2005-06 was as under:-**

Name of Institution	Total units	Nos. of units audited during 2005-06	Percentage
1. Zila Parishad	12	6	50
2. Panchayats Samiti	75	29	39
3. Gram Panchayats	3037	1667	55

Evidently the coverage of units was between 39 and 55 percent only. The Director(Panchayati Raj) stated(March,2007) that the targets for the audit could not be achieved during 2005-06 due to general election of Panchayati Raj Institutions.

Shimla  
The

(Bipan Vyas)  
Deputy Accountant General  
Local Bodies Audit & Accounts  
Himachal Pradesh

**Appendix-I** (Refer to paragraph 1.1, page- I)

**Functions devolved to the PRIs. (26)**

1. Agriculture, including agricultural extension.
2. Land improvement, Implementation of land reforms, land consolidation and soil conservation.
3. Minor irrigation, water management and watershed development.
4. Animal Husbandry, dairying and poultry.
5. Fisheries.
6. Social forestry and farm forestry.
7. Minor forest produce.
8. Small scale industries, including food processing industries.
9. Khadi, Village and Cottage Industries.
10. Rural housing.
11. Drinking Water.
12. Fuel and fodder.
13. Roads, culverts, bridges, ferries, waterways and other means of communication.
14. Non conventional energy resources.
15. Poverty alleviation programme.
16. Education, including Primary and secondary schools.
17. Technical training and vocational education.
18. Libraries.
19. Markets and fairs.
20. Health and sanitation, including hospitals, primary health centers and dispensaries.
21. Family Welfare.
22. Women and child development.
23. Social welfare including welfare of the handicapped and mentally retarded.
24. Welfare of the weaker sections, and in particular of the Scheduled Castes and the Scheduled Tribes.
25. Public Distribution system.
26. Maintenance of community assets.

**Function not yet devolved to the PRIs. (3)**

1. Rural electrification, including distribution of electricity.
2. Adult and non-formal education.
3. Cultural activities.

**Appendix-2** (Refer to Paragraph 1.5; Page 2)

**Statement showing the details of institution audited during 2004-05 and 2005-06**

**Zila Parishad**

1. Shimla
2. Hamirpur
3. Kangra
4. Kullu
5. Una
6. Mandi
7. Bilaspur

**Panchayat Samiti**

1. Kandaghat
2. Sadar
3. Mashobra
4. SunderNagar
5. Bilaspur
6. Nalagarh
7. Haroli
8. Una
9. Theog
10. Bangana
11. Gagret
12. Amb
13. Narkanda
14. Chopal
15. Nadaun
16. Ghumarwin
17. Jhandutta
  
18. Rajgarh
19. Kangra
20. Balh
21. Gopalpur
22. Hamirpur

**Gram Panchayats**

**Note:** for details of Gram Panchayats Audit, please refer Appendix-8.

**Appendix 3** (Refer to Paragraph 2.1; Page 3)**Panchayat Samiti****(Rupees in lakh)**

Sr. No.	Name of PS	Period	Controlling ZP	Amount as per Cash book	Amount as per Pass book	Difference remaining unreconciled
1	Gagret	4/03 to 31.3.05	Una	15.34	14.30	1.04
2	Sunder Nagar	4/03 to 31.3.04	Mandi	10.25	4.91	5.33
3	Nadaun	-do-	Hamirpur	2.95	3.00	0.05
4	Amb	4/03 to 3/06	Una	49.25	49.88	0.63
5	Sadar Mandi	4/03 to 3/06	Mandi	103.52	98.05	5.47
6	Theog	4/04 to 3/06	Shimla	15.45	30.12	14.67
7	Balh	4/04 to 3/06	Mandi	8.32	13.44	5.12
8	Hamirpur	-do-	Hamirpur	3.26	4.72	1.46
			Total	208.34	218.42	33.77

**Appendix 4 (Refer to Paragraph 2.1; Page 3)****Details of Panchayat where reconciliation had not been done.**

Sr. No.	Name of GP	Balance as per RD as on 31-3-05 (Rs. in lakh.)	Balance as per Pass book (Rs. in lakh)	Cash in hand (Rs. in lakh)	Total 4+5 (Rs. in lakh)	Difference (Rs. in lakh)
	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
1.	Mamligh <b>(Kandaghat)</b>	1.20	0.68	0.08	0.76	- 0.44
2.	Chhausha – do--	3.92	4.15	-	4.15	+ 0.23
3.	Shri Nagar – do--	7.67	7.59	Nil	7.59	- 0.08
4.	Dalgi --do--	1.24	0.60	0.19	0.79	0.45
5.	Jhajha –do--	1.29	1.31	-	1.31	0.02
6.	Bisha –do--	1.64	1.02	0.10	1.12	- 0.52
7.	Tundal –do--	1.34	1.57	0.01	1.58	+0.24
8.	Kawarg –do--	2.17	2.23	-	2.23	+0.06
9.	Mahi –do--	2.11	2.35	-	2.35	+0.24
10.	Kahala –do--	1.51	1.45	0.01	1.46	-0.05
11.	Banjni –do--	2.61	2.71	-	2.71	+0.10
12.	Basha –do-	0.99	1.20	0.01	1.21	+0.22
13.	Kaner –do--	3.33	2.29	0.85	3.14	-0.19
14.	Satrol –do--	0.96	2.83	0.03	2.86	+1.90
15.	Sayari –do--	4.15	1.50	-	1.50	-2.65
16.	Darbhog <b>Mashobra</b>	0.95	2.02	0.46	2.48	+1.53
17.	Satli	2.17	1.64	0.46	2.10	-0.07
18.	Galot	3.59	1.71	-	1.71	-1.88
19.	Chayali	3.51	4.27	0.17	4.44	+0.93

20.	Gech	2.39	3.25	-	3.25	+0.86
21.	Chaeri	1.10	1.11	-	1.11	+0.01
22.	Janed ghat	2.49	2.64	0.25	2.89	+0.40
23.	Jalel	1.46	1.43	-	1.43	-0.03
24.	Patghehar	0.13	0.56	0.56	1.12	0.99
25.	Peran	0.24	1.81	0.04	1.85	+1.61
26.	Kot	2.76	2.10	0.67	2.77	+0.01
27.	<b>Kangra block</b> Sadar pur	1.30	1.36	0.43	1.79	+0.49
28.	Mattour	0.56	0.32	0.01	0.33	-0.23
29.	Khanyara	4.18	4.17	0.37	4.54	+0.36
30.	Kohala	1.92	0.47	0.01	0.48	-1.44
31.	Helar kala	5.14	5.43	0.03	5.46	+0.32
32.	Thana khas	1.66	0.98	0.20	1.18	-0.48
33.	Rani tala	3.50	3.46	-	3.46	-0.04
34.	Mandal	2.30	2.24		2.24	-0.06
35.	Jamanabad	2.54	2.47	0.01	2.48	+0.06
36.	<b>Hamirpur block</b> Jangal ropa	2.74	3.20	0.01	3.21	+0.47
37.	Bajuri	2.48	2.32	-	2.32	+0.16
38.	Changar	1.44	1.49	-	1.49	+0.05
39.	Annu	0.49	0.76	0.01	0.77	+0.28
40.	Dai ka noun	2.77	2.15	0.53	2.68	-0.09
41.	Daned	0.81	1.01	-	1.01	+0.20
42.	Daroochi	3.87	3.97	0.06	4.03	+0.16
43.	Neri	2.11	1.73	0.01	1.74	-0.37
44.	Bassi jhiniyara	2.72	2.83	0.06	2.89	+0.17

45.	Shasan	2.18	2.77	0.01	2.78	+0.60
46.	Majhog sultani	3.46	3.21	-	3.21	-0.25
47.	Nalti	0.57	0.67	-	0.67	+0.10
48.	Mati tihra	1.96	1.68	0.13	1.81	-0.15
49.	<b>Bijhri block</b> Karer	3.53	4.38	0.03	4.41	+0.88
50.	<b>Bilaspur block</b> Majri	1.33	1.14		1.14	0.19
51.	Kuddi	2.06	2.02		2.02	0.04
52.	Rani kotla	2.70	2.75		2.75	0.05
53.	Kachuli	0.07	0.06		0.06	(-)0.01
54.	Kotla	1.60	1.20		1.30	(-)0.30
55.	Solda	0.88	0.88		0.88	
56.	Mehathi	0.40	1.06		1.06	+0.66
57.	Kutehla	2.70	2.93		2.93	+0.23
58.	Gial	4.20	3.38		3.38	(-)0.82
59.	<b>Mashobra block</b> Anand pur	6.83	6.63	0.53	7.16	+0.33
60.	Thari	3.74	4.47	0.08	4.55	+0.81
61.	Sikroha balh Mandi	0.47	0.32	0.01	0.33	(-)0.14
62.	Nalsar	2.07	1.51	0.02	1.53	(-)0.54
63.	Lower Rewalsar	6.36	6.57		6.57	+0.21
64.	Galma	1.80	2.33		2.33	+0.53
65.	Samloan	1.37	2.14		2.14	+0.77
66.	Janed	2.21	2.23		2.23	+0.02
67.	Natned	1.18	2.60		2.60	+1.42

68.	Khandla	3.17	3.22		3.22	+0.05
69.	Soyra	1.01	1.27	0.02	1.29	+0.28
70.	Salwalan	0.02	1.00	0.09	1.09	+1.07
71.	Troh	1.22	1.04		1.04	-0.18
72.	Haryatra	1.87	0.84	0.13	0.97	-0.90
73.	Baggi	4.36	2.51	0.01	2.52	-1.84
74.	Nagchala	1.02	2.50	0.01	2.51	+1.49
75.	Badasu	0.45	0.62	0.01	0.63	+0.18
76.	Mandal	2.35	1.95		1.95	-0.40
77.	Dhaban	1.07	1.85	0.01	1.86	+0.79
78.	Challan	0.90	0.41	0.08	0.49	-0.41
79.	Bangrotu	2.82	2.70	0.01	2.71	-0.11
80.	Reur	2.37	2.32		2.32	-0.05
81.	Ner	2.44	3.77		3.77	+1.33
82.	Lohra	0.03	1.07	0.01	1.08	+1.05
83.	Dador	2.05	1.20	0.01	1.21	-0.84
	Total					41.16

**Appendix-5** (Refer to Paragraph 2.2; Page 3)**Details of Panchayat Samiti where cash balance was retained in excess of prescribed limit.**

Sr. No.	Name of Institute	Amount retained in imprest	Period	Ref to para to I.R.
1	PS Gagret	3134 to 127774	6/2002 to 3/2005	1
2	Sunder Nagar	11515 to 52091	4/2003 to 3/2004	4
3	Una	3069 to 30763	5.2002 to 11.2004	5
4	Amb	2839 to 17195	4/2002 to 12/2004	2
5	Jandutta	3827 to 64928	4/2002 to 3/05	2
6	Bilaspur	2676 to 10276	--do--	6
7	Bangana	3178 to 74095	--do--	5
8	Mashobra	14365 to 33150	2003-04	6
9	Rajgarh	4250 to 13229	4/2002 to 3/05	1

**Appendix -6** ((Refer to Paragraph 2.2; Page 3)**Details of Panchayat where cash balance was retained in excess of prescribed limit**

Sr. No.	Name of GPs	Name of Bolcks	Years	Minimum	Maximum
1	Sikroha	Sadar Bilaspur	2000-05	1590	63686
2	Shali	Balh Mandi	--do--	1152	36779
3	Chhamyar	--do--	--do--	1126	34692
4	Chandyal	--do--	--do--	2608	53547
5	`behna	--do--	--do--	1206	80208
6	Rajwari	--do--	--do--	1064	82320
7	Malther	--do--	--do--	1099	12191
8	Jangal ropa	Hamirpur	--do--	1001	4449
9	Rani tal	Kangra	--do--	1916	12115
10	Dai ka naun	--do--	--do--	2055	23730
11	Kholi	--do--	--do--	20268	36024
12	Sukkar	--do--	--do--	1074	12273
13	Rajiana 53 mile	--do--	--do--	1077	10944
14	Sokni da kot	--do--	--do--	1236	3770
15	Shasan	--do--	--do--	1200	19971
16	Sadar pur	--do--	--do--	1201	30984
17	Krare	--do-	--do-	2851	15303
18	Mandal	--do--	--do--	1136	9860
19	Jamanabad	--do--	--do--	1054	4789
20	Amroh	--do--	--do--	1125	8636
21	Salwanhan	Balh Mandi	--do--	1352	28747
22	Soyara	--do---	--do--	1100	18486

**Appendix 7 (Refer to Paragraph 2.3; Page 4)****Non opening of account (A&B) by Zila Parishads/Panchayat Samities****1. Zila Parishad**

Sr. No.	Name of Zila Parishad	Period	Amount in lakh	Ref to para
1	Bilaspur	2002-03 to 2004-05		10
2	Una	--do--		5
3	Kangra	2004 -05 to 2005-06		8
4	Hamirpur	2005-06		5

**2. Panchayat Samities.**

Sr. No.	Name of Panchayat Samiti	Period	Amount in lakh	Ref to para
1	Chopal	4/2002 to 3/05		4
2	Sunder Nagar	4/03 to 3/04		4
3	Nadaun	4/202 to 3/05		5
4	Haroli	--do--		5
5	Una	--do--		6
6	Ghumarwin	--do--		6
7	Nalagarh	--do--		5
8	Jhandutha	--do--		3
9	Narkanda	--do--		4
10	Theog	--do--		7

**Appendix 8** (Refer to Paragraph 2.3; Page 4)**List of Gram Panchayat where Records had not been maintained**

Sr. No.	Name of Gram Panchayats	Name of block
1	Majhuard	Mandi sadar
2	Tilli	
3	Naulayeno	
4	Kotli	
5	Bir tugal	
6	Kamand	
7	Nagadhar	
8	Katoualla	
9	Bari gumanoo	
10	Nagwain	
11	Kathindhi	
12	Jagar	
13	Gharan	
14	Bigni	
15	Bharwan	
16	Nichala Lot	
17	Chand pur	Sadar Bilaspur
18	Kotla	
19	Jukhala	
20	Rajpura	
21	Makri markand	
22	Kothi Pura	

23	Soldha	
24	Panjail khurd	
25	Bandla	
26	Deoth	
27	Kallar	
28	Namhal	
29	Barmana	
30	Panjgain	
31	Regunath pura	
32	Methi	
33	Nichla bhated	
34	Ghyal	
35	Nakrana	
36	Harpda	
37	Majari	
38	Rani kotla	
39	Kuddi	
40	Kacholi	
41	Kuthala	
42	Makri	
43	Tundal	Kandaghat Solan
44	Jhajha	
45	Wakna	

46	Siri nagar	
47	Kawarag	
48	Kot	
49	Sayari	
50	Pondana	
51	Chwasha	
52	Satrol	
53	Kahala	
54	Delgi	
55	Mamligh	
56	Banjni	
57	Bisha	
58	Basha	
59	Kaner	
60	Mahi	
61	Rewalsar	Balh Mandi
62	Reur	
63	Ner	
64	Daduar	
65	Bhangrotu	
66	Chilah	
67	Dhaban	
68	Mandal;	
69	Badhsu	

70	Halyatar	
71	Baggi	
72	Nagchalla	
73	Lohra	
74	Pagog	Mashobra Shimla
75	Patgehar	
76	Satlai	
77	Peeran	
78	Thari	
79	Darbhog	
80	Janedghat	
81	Chayali	
82	Anandpur	
83	Chaidi	
84	Kohbag ghech	
85	Galot	
86	Jalel	
87	Kot	
88	Matti Tihra	Hamirpur
89	Nalti	
90	Bassi jhayra	
91	Neri	
92	Sanan	
93	Majhog sultani	
94	Daduhi	

95	Matour	Kangra
96	Kholi	
97	Kohla	
98	Khniyra	
99	Khash	
100	Dari gabli	
101	Haled	
102	Amroh	Hamirpur
103	Annu	
104	Ser balooni	
105	Dei da naun	
106	Changer	
107	Chhabned	
108	Jagal ropa	
109	Sukar	Kangra
110	Soukni da naun	
111	Jamana bad	
112	Sadarpur	
113	Rajyana 53 meel	
114	Rani tal	
115	Mandal	
116	Karer	
117	Bajauri	Hamirpur
118	Bajouri	Kangra
119	Behal	Balh Mandi

120	Galma	
121	Kashrla	
122	Barswan	
123	Godagagal	
124	Balt	
125	Bari	
126	Bhadyal	
127	Dayargi	
128	Bhyarta	
129	Kot	
130	Kummi	
131	Kathyhun	
132	Kehad	
133	Magarpadrlu	
134	Kothi	
135	Brikhmani	
136	Chamyar	
137	Chandyal	
138	Janedghat	
139	Khandla	
140	Lohakhar	
141	Marathu	
142	Nalsar	
143	Natned	

144	Rajwari	
145	Sain	
146	Sakroh	
147	Salwahan	
148	Samloun	
149	Malther	
150	Behna	
151	Deoli	Sadar Bilaspur
152	Bamta	
153	Charol	
154	Chakoh	
155	Binoula	
156	Saikharsi	
157	Dabat	
158	Sui surahad	
159	Shikroha	
160	Makri	
161	Kallar	
162	Kotla	
163	Bairkot	Balh Mandi
164	Marthu	
165	Janed	
166	Nathed	

**Appendix 9** (Refer to Paragraph 2.4; Page 4)**Non recovery of rent of shops/residential quarters****1. Panchayat Samiti**

Sr. No.	Name of Panchayat Samities	Amount in lakh	Period	Ref to para
1	Gagret	1.45	2003-04 to 2004-05	3
2	Una	1.90	4/2002 to 3/05	3
3	Ghumarwin	2.89	--do--	4
4	Nalagarh	0.58	--do--	4
5	Amb	2.20	--do--	3
6	Kandaghat	1.23	2003-04	5
7	Bilaspur	0.03	2002 to 05	5
8	Rajgarh	0.11	--do--	4
9	Kangra	1.10	2004-05 to 2005-06	6
10	Hamirpur	0.64	--do--	
	Total	12.13		

**2. Gram Panchayats**

Sr. No	Name of Gram Panchayats	Name of Block	Period	Amount in lakh	Para
1	Malther	Balh Mandi	8/03 to 11/06	0.20	6
2	Sirinagar	Kandaghat solan		1.96	1
3	Mamlig	--do--		0.04	2
4	Dador	Balh Mandi		0.02	4
5	Bagrotu	--do--		0.07	3
6	Halerkalan	Kangra		0.70	2
7	Natned	Balh Mandi		0.32	2
8	Soyara	--do--		0.04	8
	Total			3.35	

**Appendix 10** ((Refer to Paragraph 2.5; Page 4)**Detail of outstanding advances of Panchayats**

Sr. No	Name of Gram Panchayats	Name of Block	Period	Amount to be recovered	Para
1	Podhana	Kandaghat	1987 to 2005	0.73	3
2	Chyosia	--do--	2000 to 2005	0.16	5
3	Sirinagar	--do--	1993 to 2005	0.06	2
4	Delgi	--do--	2000 to 05	0.16	
5	Jaggar	Mandi	1993 to 05	0.41	1
6	Bir tunggal	--do--		0.23	
7	Thari	Mashobra		0.03	
8	Anandpur	--do--	2001-05	0.93	
	Total			2.71	

**Appendix 11** (Refer to Paragraph 2.6; Page 5)**Statement showing the details of non maintenance of records by the institutions**

Sr. No.	Name of Panchayat Samities	Para	Period	Nature of records
1	Chopal	6	2002-05	Grants in aid register demand and collection register.
2	Sundernagar	8	--do--	Register of advances. Register of immovable property.
3	Haroli	7	2002-05	Works register. Master roll issue register.
4	Una	8	--do--	Receipt book form 2 Sanction file.
5	Nalagarh	7	--do--	Cheque issue registers.
6	Amb	8	--do--	
7	Mandi	6	2003-04	
8	Jhandutta	4	2002-05	
9	Bilaspur	8	--do--	
10	Narkanda	5	--do--	

**Appendix-12** (Refer to Paragraph 3.1; Page 6)**Non implementation of Water Supply & Sanitation Schemes by Zila Parishads**

Sr.No.	Name of Z.P.	Amount in lakh	Period	Para	No.of schemes
1	Kangra	78.56	2004-05 to 2005-06	1	-
2	Kullu	21.21	-----do-----	1	52
3.	Shimla	27.46	2003-04 to 2005-06	2	98
		127.23			150

**Appendix-13** (Refer to Paragraph 3.2; Page 7)

**Blockage of funds-Non completion of Zila Parishad Bhawan**

Sr. No.	Name of Zila Parishad	Amount in lakh	Period	Para
1	Una	25	1997-98 to 2001-02 @ Rs. 5 lakh per year	1
2	Shimla	25	1997-98 to 2001-02 @ Rs. 5 lakh per year	1
	Total	50		

**Appendix-14** (Refer to Paragraph 3.3; Page 7)**Details of Panchayat where expenditure on material component was incurred in excess of norms.**

S.No	Name of GP	Period	(SGRY) Amount Sanctioned	40% Material Cost	Material payment	60% labour as per SGRY Guidelines	Actual Labour payment	Difference of Labour payment	No. of Works	Para No.
1.	Jangal Rupa	2000-05	3,14,008	1,25,603	1,75,606	1,88,405	1,38,402	50003	29	7
2.	Mandal	2000-05	52,735	21,094	38,542	31,641	14,193	17,448	7	5
3.	Ser Baluni	2000-05	1,34,207	53,683	92,757	80,524	41,450	39,074	12	6
4.	Changer	2000-05	1,46,258	58,504	90,903	87,754	55,355	32,399	13	3
5.	Annu	2000-05	51,265	20,506	37,705	30,759	13,560	17,199	3	7
6.	Dai Ka Naun	2000-05	70,147	28,059	44,505	42,088	25,642	16,446	9	5
7.	Amroh	2000-05	75,000	30,000	51,791	45,000	23,209	21,791	4	6
8.	Soyara	2000-05	1,76,459	70,584	1,29,990	1,05,875	46,469	59,406	14	-
9.	Sai Kharsi	2000-05	2,87,758	1,15,103	1,39,711	1,72,655	1,48,047	24,608	12	2
10.	Sikroha	2000-05	1,09,874	43,950	74,558	65,924	35,316	30,608	19	3
11.	Troh	2000-05	1,91,295	76,518	1,08,888	1,14,777	82,407	32,370	10	3
12.	Dabat	2000-05	2,19,681	87,872	1,41,684	1,31,809	77,997	53,812	15	4
13.	Sadarpur	2000-05	65,442	26,177	47,730	39,265	17,712	21,553	4	-
14.	Ranital	2000-05	88,451	35,380	47,098	53,071	41,353	11,718	13	-
15.	Nalsar	2000-05	3,13,596	1,25,438	2,29,769	1,88,158	83,827	1,04,331	19	-
	Total	-	22,96,176	9,18,471	14,51,237	13,77,705	8,44,939	5,32,766	183	-

**532766/70= 7610.94 Say 7611 Mondays**

**Appendix 15** (Refer to Paragraph 3.4; Page 7)**Statement of showing the details of incomplete works.**

Sr. No.	Name of PS	Period	Total funds sanctioned in lakh	Total works	Total Expd. Incurred in lakh	Unspent balance in lakh	Para no.
1	Haroli	4/2000 to 3/05	5.05	10	2.50	2.55	1
2	Chopal	--do--	5.86	22	2.36	3.50	1
3	Bilaspur		8.76	25	6.69	2.07	4
4	Theog		5.18	25	2.01	3.17	1
5	Nalagarh		12.85	29	5.80	7.05	1
6	Una		3.70	28	2.42	1.28	1
7	Gagret		3.85	13	2.05	1.80	7
	Total		45.25	132	23.83	21.42	

**Appendix 16** (Refer to Paragraph 3.6; Page 8&9)**Details of works executed through heavy machinery JCB**

Sr. No.	Name of Gram Panchayat	Name of work	Amount incurred in lakh	Para
1	Sui sarad	c/o link road bradighat to badnoo	0.93	3
2	Rajwari	17 Works	3.27	5
3	Sikroha Bilaspur	c/o road galod chndpur malod	0.82	6
4	Chandpur	c/o Link road Dila Ram house to Shiv Mandir	0.41	3
	Total		5.43	

**Appendix 17** (Refer to Paragraph 3.7; Page 9)

**Statement showing the excess expenditure in excess of grants**

Sr. No.	Name of GP	Period	Amount sanctioned in lakh	No of works	Expenditure in lakh	Excess Exp. in lakh	Total Panchayat funds for five years
1	Kotla	2000-05	15.60	3	16.90	1.30	25.01
2	Nagchala		1.03	3	1.22	0.19	21.96
3	Baggi		2.52	5	3.14	0.62	31.77
4	Barsu		1.99		2.79	0.80	23.24
5	Dhaban		2.81	5	3.20	0.39	29.59
6	Bhangruto		1.05		2.36	1.31	36.13
7	Reur		0.58	3	0.93	0.35	20.33
8	Dadour		0.71	7	1.26	0.55	34.92
9	Sakroha		1.20	4	1.27	0.07	23.16
10	Shali		0.84	2	1.18	0.34	21.70
11	Chamyar		1.25	2	1.47	0.22	18.50
12	Nalsar		3.19	3	3.46	0.27	27.1
13	Brikhmani		3.16	7	3.83	0.67	18.07
14	Chandial		0.59	1	0.78	0.19	17.89
15	Behna		1.81	8	2.71	0.90	27.99
16	Rajwari		4.01	13	6.51	2.50	32.63
17	Kandrour		0.93	1	1.32	0.39	23.29
18	Majwor		1.26	1	1.80	0.54	6.20
19	Nagwai		0.07	1	0.15	0.08	9.54
20	Ner		3.76	11	5.38	1.62	54.95
21	Badasu		1.99	5	2.79	0.80	13.23

22	Sher balooni		1.57	13	3.18	1.61	22.31
23	Mandal		1.32	10	3.04	1.72	25.06
24	Dai ka naun		0.51	17	2.18	1.67	15.95
25	Salwahan		1.23	6	1.54	0.31	15.71
26	Sayora		0.49	2	0.54	0.05	15.51
27	Troh		0.98	7	2.38	1.40	18.07
28	Sukkar		2.39	10	3.25	0.86	33.63
29	Rajayana 53 mile		0.10	1	0.16	0.06	35.95
30	Jamana bad		0.19	1	0.38	0.19	19.70
31	Sadar pur		0.90	6	1.65	0.75	17.15
32	Rani tal		0.55	4	0.93	0.38	22.45
33	Amroh		4.39	13	5.68	1.29	20.91
34	Jangal Ropa		3.35	16	4.15	0.80	32.43
35	Khandla		2.50	5	2.93	0.43	29.47
36	Sai Kharsi		3.27	5	3.86	0.59	29.47
37	Suisurahar		2.75	2	3.30	0.55	58.87
38	Sain Belh		0.24	2	0.30	0.06	16.41
	Total		77.08	203	103.90	26.82	900.38

**Appendix 18** (Refer to Paragraph 3.8; Page 9)**Details of non start of works by Panchayat Samities**

Sr. No.	Name of Panchayat Samiti	Period	Amount in lakh	No. of works	Para
1	Bangana	2002-05	0.53	2	2
2	Haroli	2002-05	1.50	5	1
3	Balh	4/03 to 3/06	5.71	12	2,5
5	Kangra	2004-05 to 05/06	1.06	7	3
6	Hamirpur	--do--	1.29	9	2
	Total		10.09	35	

**Appendix 19** (Refer to Paragraph 3.10; Page 10)**Statement showing the details of works not yet started in various Panchayats.**

Sr. No.	Name of GPs/Block	Amount sanctioned in lakh	Expenditure in lakh	Unspent amount in lakh	Para No.	No. of works	Period
1	Jhajha, Kandaghat	0.14		- 0.14	3	1	2003-04
2	Barmana, Bilaspur	0.10		0.10	2	1	2003-04
3	Ser balooni, Hamirpur	1.63		1.63	2	10	2000-05
4	Jamana bad, kangra	0.28		0.28	3	2	2001-05
5	Dhaban, balh	1.02		1.02	7	9	2000-05
6	Bari gumanu	0.36		0.36	5	2	2003-04
7	Troh	0.24		0.24	1	3	2000-05
8	Reajwari	2.25		2.25	2	13	2000-05
9	Chandyal	0.42		0.42	3	3	2001-04
10	Bri khmani	0.69		0.69	1	5	2000-05
11	Behna	2.62		2.62	2	12	2001-05
12	Chamyar	0.46		0.46	2	3	2001-05
13	Sakroha	0.18		0.18	1	2	2004-05
14	Soyara	0.07		0.07	1	1	2004-05
15	Malther	0.51		0.51	2	6	2000-05
16	Lohakhar	0.71		0.71	1	6	2000-05
	Total	11.68		11.68		79	

**Appendix-20** (Refer to Paragraph 3.11; Page 10)**Details of non-preparation of Budget Estimates by Zila Parishad's and Panchayat Samiti and incurred expenditure without budget provisions.**

S.No.	Name of ZP/PS	Period	Amount in lakh
1.	ZP Una	2002 to 2004-05	39.53
2.	ZP Kangra	2004-05 to 2005-06	17.03
3.	ZP Shimla	2003-04 to 2005-06	27.32
4.	PS Kangra	2002 to 2004-05	29.91
5.	PS Theog	-do-	7.63
6.	PS Rajgarh	-do-	9.23
7.	PS Haroli	-do-	8.78
		Total	139.43

**Appendix-21** (Refer to Paragraph 3.12; Page 11)**Details of non utilisation of PLA grants by Panchayat Samities**

Sr.No.	Name of Panchayat Samities	Period	OB Rs. in lakh	Receipt Rs. in lakh	Total Rs. in lakhs	Expenditure Rs. in lakh	Balance in Rs. in lakh
1.	Nadaun	4/2002 to 3/2005	1.71	0.51	2.22	0.33	1.89
2.	Amb	-do-	2.01	0.49	2.50	0.60	1.90
3.	Jandutta	-do-	2.56	0.45	3.01	0.16	2.85
4.	Bangana	-do-	2.57	0.37	2.94	1.04	1.90
5.	Kangra	2004-05	4.57	0.66	5.23	2.31	2.92
		Total	13.42	2.48	15.90	4.44	11.46

## **PREFACE**

1. This report has been prepared for submission to the Government of Himachal Pradesh in accordance with the terms of Technical Guidance and Supervision (TGS) of the audit of accounts of Urban Local Bodies (ULBs) by the Comptroller & Auditor General of India as envisaged by the Eleventh Finance Commission.
2. The cases mentioned in this report are those, which came to notice in the course of test audit of accounts of 15 Urban Local Bodies during the year 2005-06 and 2006-07.

## **CHAPTER –I**

### **1. AN OVER VIEW OF THE URBAN LOCAL BODIES**

#### **1.1 Introduction**

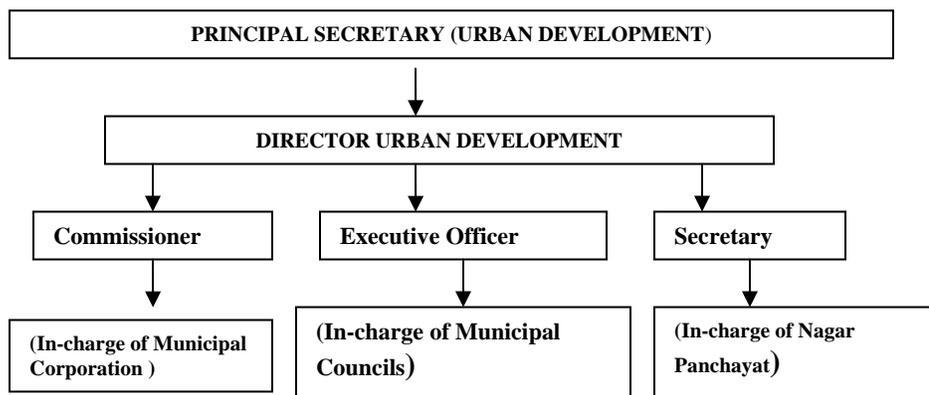
The 74<sup>th</sup> Constitutional Amendment paved the way for decentralization of powers and transfer of 18 functions as listed in the 12<sup>th</sup> schedule of the constitution alongwith funds and functionaries to the local bodies. To incorporate the provision of the 74<sup>th</sup> Constitutional Amendment, the Himachal Pradesh (Local Self Government) enacted the Himachal Pradesh Municipal Corporation Act, 1994 and Himachal Pradesh Municipal Committees Act, 1994.

In pursuance of the Eleventh Finance Commission (EFC) recommendations, the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over the proper maintenance of accounts and their audit for all the three tiers/levels of Panchayati Raj Institutions and Urban Local Bodies(ULBs), the Principal Secretaries of Urban Development and Panchayati Raj of the Government of Himachal Pradesh confirmed (April 2004) that the Accountant General will be at liberty to conduct audit of such number of ULBs/PRIs in such manner as it deems fit since all ULBs/PRIs were in receipt of grants from the consolidated fund of the Centre/State and issue audit/inspection reports.

#### **1.2 Organizational Set up.**

There is one Municipal Corporation, 20 Municipal Councils (MCs) and 28 Nagar Panchayats (NPs) in the State.

**The Organizational set up of Urban Local Bodies is as under:-**



The Mayor heads the Municipal Corporation whereas the President heads both Municipal Councils and Nagar Panchayats.

**1.3 Powers and functions**

To function as an institution of self governance and to carry out the responsibilities conferred upon them, the Urban Local Bodies exercise their powers and function in accordance with the provisions of the Constitution, Some obligatory function of the ULBs are as follows:

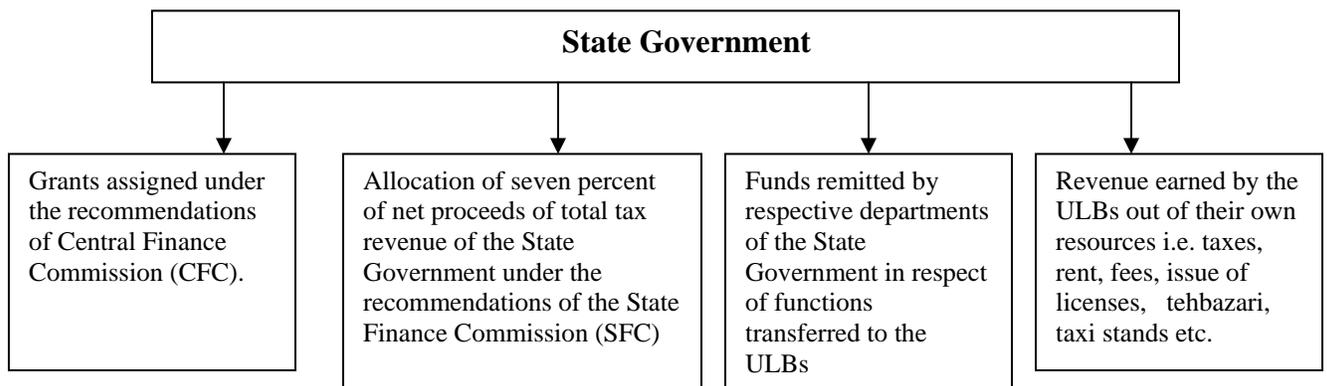
- (1) Urban planning including town planning;
- (2) Regulation of land-use and construction of buildings;
- (3) Planning for economic and social development;
- (4) Roads and bridges;
- (5) Water supply for domestic, industrial and commercial purposes;
- (6) Public health; sanitation, conservancy and 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 the society, including the handicapped and mentally retarded;

- (10) Slum improvement and up gradation;
- (11) Urban poverty alleviation;
- (12) Provisions of urban amenities and facilities such as parks, gardens and play grounds;
- (13) Promotion of cultural educational and aesthetic aspects;
- (14) Burials and burials grounds, cremations, and cremation grounds and electric crematoriums;
- (15) Cattle pounds, 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) Regulations of slaughter houses and tanneries;

Further, the State Government may impose or transfer any such functions and duties of the Government to the Urban Local Body including those performed by the departments.

#### **1.4 Sources of Funds.**

For execution of various development works, the Government of India and State Government provide funds in the form of grants. The chart given below depicts the sources of funds for ULBs:-



## **1.5 Release of funds**

The grants are further allocated among the Municipal Corporation, Municipal Councils and Nagar Panchayats on the basis of percentage of total population and revenue earned from their own resources.

## **1.6 Audit Arrangement.**

The recommendations of Eleventh Finance Commission stipulate that the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over proper maintenance of the accounts and their audit for all three tiers of Panchayati Raj Institutions and Urban Local Bodies.

The audit of Urban Local Bodies is being conducted by the Director (Urban Development) through Local Audit Department. The Accountant General also conducts test audit under Technical Guidance and Supervision as per recommendations of Eleventh Finance Commission as well as under the Section 14 of the DPC Act, wherever these bodies come under the purview.

## **1.7 Audit Coverage.**

Test check of the accounts records of one Municipal Corporation\*, eight Municipal Councils\*\* and six Nagar Panchayats\*\*\* (details in Appendix -1) was conducted during 2005-06 and 2006-07. The important audit findings are incorporated in the succeeding paragraphs.

## **1.8 Comments on Accounts.**

### **1.8.1 Budget Estimates.**

Budget proposals are directly related to the aspirations of the people of local area. It is therefore essential to take utmost care in preparing budget proposals giving due attention to the prioritized needs of the people. The overall budget provisions for the year 2003-06 and the expenditure there against of one

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\*.Municipal Corporation, Shimla.

\*\* Municipal Council, Bilaspur, Dharamsala, Kullu, Mandi, Nahan, Palampur, Solan & Sundernagar.

\*\*\*Nagar Panchayat, Arki, Bhota, Manali, Nagorta Bagwan, Rewalsar & Sunni

Municipal Corporation, eight Municipal Councils and six Nagar Panchayats test checked were as under:-(Unit-wise position is detailed in Appendix--2):-

Year	Budget Estimate	Actual Expenditure	Savings (-) Excess (+)	Percentage over all utilisation
2003-04	4448.30	3131.55	(-)1316.75	70
2004-05	4927.26	3943.46	(-)938.80	80
2005-06	5270.17	3985.24	(-)1284.93	76

Perusal of above table would indicate that the budget estimate were not realistic as the utilisation of provisions during 2003-06 was between 70 and 80 percent. No reasons for less utilization of budget had been furnished.

### 1.8.2 Utilization of budget under schemes

The position of budget allotment and expenditure under various centrally sponsored schemes for the last three years in Urban Development Department was as under:-

(Rs. in lakh)

Name of scheme	Year	Budget allotment	Expenditure	Variations Excess(+) Saving (-)
<b>IDSMT</b>	2003-04	53.00	158.42	(+) 105.42
	2004-05	244.66	227.66	(-) 17.00
	2005-06	92.00	28.00	(-) 64.00
<b>SJSRY</b>	2003-04	74.77	43.44	(-) 31.33
	2004-05	58.44	2.89	(-) 55.55
	2005-06	20.36	45.36	(+) 25.00
<b>NSDP/EIUS</b>	2003-04	231.86	258.03	(+) 26.17
	2004-05	224.00	368.00	(+) 144.00
	2005-06	244.00	179.40	(-) 64.60

The excess expenditure was attributed to additional funds released by the Govt. of India and less expenditure was due to non-release /less release of funds by the State /Central Govt.

### **1.8.3 Non Reconciliation of Balances.**

Accounts Rules enjoin that the cash balances of the accounts maintained with the bank should tally with the balances of the cash book at the end of every month by way of reconciliation.

A difference of Rupees 6.92 lakh between the cash balances as per cash books and that of bank accounts at the end of March 2006 remained unreconciled in respect of Municipal Corporation, Shimla. The difference pertained to the period from 1995 onwards.

The Commissioner stated (September 2006) that the differences were due to non-supplying of documents by various branches of H.P. State Cooperative bank situated in different places at Shimla as numbers of accounts were being operated. Efforts were being made to reconcile the differences. Further developments were awaited.

In five urban local bodies (Appendix 3) test checked, there were unreconciled balance of Rs. 24.83 lakh as of March 2006. Thus the un-reconciled balances reflect incorrect financial status of the local bodies and consequently, the risk of fraud/embezzlement and mis-appropriation of funds also can not be ruled out. The concerned officers of urban local bodies stated that efforts were being made to reconcile the differences. The replies were not tenable as monthly reconciliation has not been ensured.

### **1.8.4 Un-discharged liabilities**

(a) The Irrigation and Public Health Department (IPH) had been providing drinking water to three urban local bodies on payment basis for further distribution to the public.

Test check of records revealed that in the case of these bodies, amounts aggregating Rs. 2039.81 lakh (Shimla: Rs.1874.08 lakh, Solan: Rs. 147.49 lakh and Palampur: Rs. 18.24 lakh) on account of water charges payable to IPH

Department were outstanding (March 2006). Year-wise break-up of the pendency was not made available to audit.

The Commissioner, Municipal Corporation Shimla attributed (September 2006) the reasons for creation of liability to weak financial position and due to non-revision of domestic water charges as the corporation had been charging rate of Rs. 3.85 per kilo liter against the rate of Rs.8 per kilo liter being charged by the IPH Department plus 4.40 per kilo liter assessed as distribution cost. It was also stated that upto the year 2000 the Government had been providing Rs. 1.00 crore annually as grant for liquidation of water charges which had been stopped by the Govt. The reply was not tenable as the corporation had not taken concrete steps to revise the rates of water charges proportionately to cover the gap. The other two local bodies attributed the reasons to weak financial position.

(b) The urban local bodies had been maintaining street lights in their jurisdiction and the payment for electricity being supplied by the HPSEB was to be made on billing basis.

In eight urban local bodies (Appendix-4), test checked, un-discharged liability amounting to Rs. 871.35 lakh on account of energy charges payable to HPSEB were outstanding (March 2006). Year wise break up of arrears in all the cases was not made available.

The reasons for un-discharged liabilities were attributed to weak financial position of these urban local bodies.

### **1.8.5 Non-maintenance of Assets Register.**

The Municipal Act, 1994 provides that every local body should maintain Asset register and also physically verify the assets.

The assets register had not been found maintained in 12 urban local bodies test checked. In the absence of asset registers the position of total assets created by each body was not known.

### **1.8.6 Non-Certification of Accounts**

With no specific provision in the State Acts/Rules, certification of accounts by any agency was not in vogue in any of the urban local body test checked. In the absence of provisions for certification, the authenticity of the final accounts can not be vouchsafed and no audit opinion on the true and fair view of the accounts of these bodies could be given.

### **1.8.7 Awaited utilisation certificates.**

Test check of grants in aid records maintained in the Directorate (UD) revealed that utilisation certificates amounting to Rs.202.86 lakh pertaining to various grants released between 2002-03 and 2004-05 were awaited (June 2006) from 19 urban local bodies although their prescribed utilisation period had since been over.

In addition, the Utilisation Certificates in respect of the grants released during 1997-98 to Municipal Corporation amounting to Rs. 94.37 lakh were also awaited (June,2006).

No specific reasons were advanced for non submission of utilisation certificates by concerned local bodies.

## CHAPTER-II

### 2. REVENUE RECEIPTS

#### 2.1.1 Outstanding Property Tax

Section 84(i) (a) of Himachal Pradesh Municipal Corporation Act 1994, and section 65 of the Himachal Pradesh Municipal Committee Act 1994 provide that every municipality shall impose a tax payable by the owner of building and lands. Non payment of dues of tax could be recovered either as arrear of land revenue or by distraint and sale of defaulter's property.

The position of property tax outstanding as on 31 March 2006 in respect of 12 urban local bodies test checked was as under:-

Arrear as on 01-04-2005	Demand (2005-06)	Total demand	Collection (2005- 06)	Outstanding as on 31-03-06
<b>(Rs. in lakh)</b>				
1016.11	762.01	1778.13	670.63	1107.50

(Unit-wise details are given in appendix-5)

Year-wise break-up of outstanding property tax was not made available to audit. Perusal of above table would reveal that the pace of recovery was slow as the local bodies failed to collect even current demand during 2005-06.

Out of Rs.1107.50 lakh, Rs. 600.42 lakh (54 percent) pertain to Municipal Corporation, Shimla. Although the concerned urban local bodies had issued notices to the defaulters for recovery, yet no case for recovery as arrear of land revenue had been initiated. Thus, non-realization of property tax had deprived the local bodies from huge revenue which could have been utilised for other developmental works.

#### 2.1.2 Non realization of rent

Section 258 (i) (b) (2) of Himachal Pradesh Municipal Act, 1944 provides that any amount which is due to the municipality remains unpaid for fifteen days

after the same is due, the executive officer/secretary as the case may be may serve notice of demand upon the persons concerned. The Act also provides that any sum due for recovery shall without prejudice to any other mode of collection be recoverable as arrear of land revenue.

It was noticed that in 15 urban local bodies (Appendix -6) test checked an amount of Rs. 610.56 lakh on account of rent from shops/stalls (owned by these bodies) let out was outstanding as of March, 2006. Age-wise breakup of outstanding amount was not made available to audit. Although the concerned local bodies had issued notices to the defaulters for recovery of rent but no case for recovery as arrear of land revenue had been initiated. Thus, non- realization of rent from properties reduced the revenue of these urban local bodies to that extent. The government stated (January 2007) that action to appoint Tehsildar recovery pertaining to urban local bodies was being considered for speedy recovery of outstanding dues.

### **2.1.3 Outstanding water charges.**

Municipal Corporation, Shimla and two Municipal Councils (Palampur and Solan) have been entrusted with providing of drinking water to the residents of their jurisdiction and recovery of water charges from them.

Test check of records revealed that in two urban local bodies, an amount of Rs. 52.35 lakh (Shimla: Rs.50.45 lakh and Palampur: Rs. 1.90 lakh) was recoverable as on 31<sup>st</sup> March 2006 from defaulters on account of water charges. The outstanding amounts relates to the period from 2003-04 and onwards. The concerned local bodies stated that notices had been issued to the defaulters for recovery and for disconnection of water connections in certain cases.

### **2.1.4 Outstanding receipt of royalty.**

The Municipal Corporation, Shimla and Municipal Council, Nahan had been maintaining forests in municipality area and timber salvaged from these forests was being handed over to Himachal Pradesh Forest Corporation for further sale and in lieu thereof local bodies were getting royalty.

It was noticed that royalty of Rs.11.34 lakh (Shimla: Rs.10.06 lakh and Nahan: Rs. 1.28 lakh) was outstanding from Himachal Pradesh Forest Corporation as of March 2006 on account of timber supplied to the Corporation between 1987-88 and 2005-06. No reasons for non-recovery of royalty has been furnished by the Corporation.

#### **2.1.5 Non-realization of show tax.**

Section 84(2) (d) of Himachal Pradesh Municipal Corporation Act 1994 and section 66(1) (5) of Himachal Pradesh Municipal Committees Act, 1994 provide that every urban local body is empowered to levy show tax on every cinema house situated in their jurisdiction.

Out of fifteen test checked Urban Local Bodies (ULBs), in respect of five urban local bodies, an amount of Rs. 9.53 lakh (Shimla: Rs. 4.64 lakh, Mandi: Rs.0.64 lakh, Kullu: Rs. 2.29 lakh, Sundernagar: Rs. 1.01 lakh and Solan: Rs. 0.95 lakh) (Appendix-7) on account of show tax pertaining to the period from 2003-04 onwards was outstanding from cinema owners as of March 2006. The concerned officers of urban local bodies stated that efforts were being made to effect the recovery.

#### **2.1.6 Outstanding conservancy/sanitary tax.**

The conservancy tax at the rate of 5 percent of the assessed annual rental value of the property had been imposed (July 1964) by Solan Municipality.

Test check of records revealed that the conservancy tax amounting to Rs. 26.47 lakh was outstanding as of March 2006 in Solan. The Executive Officer stated (December 2006) that notices had been issued for recovery.

In addition, the Executive Officer, Solan had raised(July 2003) a bill for Rs. 15.92 lakh on account of sanitary tax for the period from 1994-95 to 2002-03 to Mohan Meakin Brewery Limited, Solan. However, neither the outstanding amount was recovered nor bills for the subsequent period were raised. The Executive Officer stated (December, 2006) that it was agreed upon by the firm in

the meeting to deposit the outstanding amount but nothing had been received so far.

In Municipal Council Nahan, sanitary tax of Rs. 12.41 lakh for the period from 2003-04 to 2005-06 was outstanding (March 2006) for recovery. The Executive Officer stated (December, 2006) that the work of collection of sanitary tax for 2006-07 was subsequently entrusted to contractor and prior outstanding amounts would be recovered at the earliest. Further developments were awaited.

### **2.1.7 Outstanding Teh Bazari.**

Under the provisions of Municipal Corporation Act, the corporation is empowered to impose a tax on trade and profession.

In Shimla town an amount of Rs. 4.96 lakh was outstanding as of March 2006 on account of Teh Bazari from identified vendors. Yearwise break up of outstanding amount was not made available to audit. In reply, it was stated (September 2006) that action had been initiated to recover the amount. Further developments were awaited.

## **2.2 Loss of Revenue.**

### **2.2.1 Loss of revenue due to non-imposition of House Tax.**

Under the provisions of section 65 of the HP M.C., Act, 1994, the imposition of house tax is a statutory binding on every municipality of the State and non imposition thereof tantamount to default in performance of duty imposed upon the municipalities by the Act *ibid*. In order to get the provision of the Act implemented, the Urban Development Department through a notification (28 August 1997) imposed house tax on the buildings and lands on the annual rental value within the jurisdictional areas of fifteen Municipal Councils/Nagar Panchayats at specified rates with effect from 1<sup>st</sup> September, 1997.

In five urban local bodies (Appendix 8) test checked no house tax had been imposed between September 1997 and March 2006) and resultantly loss of revenue to the extent of Rs. 860.86 lakh (Bilaspur: Rs. 482.57 lakh, Sundernagar:

Rs. 116.00 lakh, Solan: Rs. 110.31 lakh, Nahan: Rs. 116.87 lakh and Sunni: Rs. 35.11 lakh as assessed by concerned urban local bodies in their records on this account was suffered by these bodies. In Sundernagar and Nahan, the collection of house tax had been started from January 2003 and April 2002 respectively.

The concerned urban bodies stated that elected house did not approve the imposition of house tax. The reply was not tenable as the imposition of house tax was mandatory as per section 65 of Municipal Acts, 1994.

### **2.2.2 Loss of revenue due to non-revision of rates of House Tax.**

The Director (Urban Development) informed (November 2003) all the urban local bodies that as per the recommendations of the State Finance Commission there shall be a percentage increase in the rate of house tax every year so as to reach the level of 12.5 percent at the end of 2006-07. Accordingly, the rates were to be enhanced at the rate of one percent each year beginning at the end of 2002-03 to 2006-07.

In eight test checked urban local bodies (Appendix-9) the instructions had not been followed for revision of rates of house tax resulting into loss of revenue to the tune of Rs. 28.87 lakh. The concerned officers of urban local bodies stated that action would be taken to revise the rates.

### **2.2.3 Non-revisions of agreements of shops.**

As per conditions of agreements for allotment of various shops/stalls, the agreements were required to be revised after expiry of initial period.

In seven urban local bodies test checked, 397 shops/stalls (Appendix-10) were initially allotted for a period ranging from 11 months to 60 months. However, agreements in all cases had not been revised/renewed after expiry of original period. Thus the urban local bodies have been losing revenue which would have been fetched as a result of revision of agreements.

## **CHAPTER-III**

### **3. ESTABLISHMENT.**

#### **3.1.1 Excess expenditure on establishment.**

As per section 53(i) (c) of Himachal Pradesh Municipal Act and section 75(i) of Himachal Pradesh Municipal Corporation Act, 1994 the expenditure on establishment charges should not exceed one third of the total expenditure of the urban local body.

In ten urban local bodies test checked, the expenditure of Rs. 2726.57 lakh (Appendix-11) was incurred in excess of prescribed norms during the period of 2003-04 to 2005-06. The excess expenditure was attributed to increase in expenditure due to merger of 50 percent ADA, regularization of services of daily waged staff and limited resources of funds. The reply was not tenable as excess expenditure was due to non adherence of prescribed norms and also deployment of excess staff in four Urban Local Bodies@ (Shimla, Dharamshala, Solan, Kullu) and no effective steps had been taken by the concerned local bodies to deploy the staff within sanctioned strength. Besides, urban local bodies should ensure optimum collection of various taxes so that the limit of one third expenditure on establishment could be fulfilled.

#### **3.1.2 Surplus staff.**

Consequent upon the abolition of toll tax by the State Government with effect from April 2001, 16 tax guards were rendered surplus in M.C. Kullu. Their services were temporarily placed (2001-02) at the disposal of Excise & Taxation Department for utilizing them for the collection of tax of that department. However, the staff was repatriated in June 2002 due to awarding of tax collection work to contractor by the Excise & Taxation Department and since then the staff was idle on which an expenditure of Rs. 54.21 lakh (upto March, 2006) had been incurred on their pay and allowances. The Executive Officer (EO) stated (November 2006) that the matter had been taken up (January 2004) with the Govt.

for adjustment of these tax guards. The decision was awaited (March 2006).The reply as no further steps to pursue the matter was taken by the EO since January, 2004.

**3.1.3** In Municipal Corporation, Shimla against sanctioned strength of 1011 posts of various categories of staff as on 31 March 2006 there were 1418 employees working in the Corporation. Thus, 407 employees (40 percent) were in excess of sanctioned strength which mainly includes mate, masons, majdoors and drivers. Expenditure of Rs. 256.94 lakh had been incurred on their wages during the test checked period of 2003-04 to 2005-06. The Corporation stated (September 2006) that the matter for creation of posts had been taken up (August 2005) with the Govt. Further developments were awaited.

**3.1.4** In Municipal Council, Dharamshala, against sanctioned strength of 21 posts, 94 employees were in position as under:-

Category	Sanctioned Strength	Staff in position	Excess
Mason	3	9	6
Mate	1	3	2
Balder	<u>17</u>	<u>82</u>	<u>65</u>
<b>TOTAL</b>	<b>21</b>	<b>94</b>	<b>73</b>

Evidently, the deployment of staff was not justified as compared to sanctioned strength and expenditure of Rs.85.85 lakh incurred on their pay and allowances from 2002-06 was un-authorized. The Executive Officer stated that the staff was engaged by the then Administrator for execution of various works departmentally.

The reply was not tenable as the deployment of staff was required to be made in accordance with sanctioned strength. Moreover, during the year 2003-04 to 2005-06 an expenditure of Rs. 179.39 lakh was incurred on the construction of

deposit works whereas expenditure of Rs. 39.08 lakh (22 percent) was only incurred on the works executed departmentally. Thus the services of excess staff largely remained under-utilisation.

**3.1.5** In Municipal Council, Solan, two posts of meter readers were filled up in September, 1998 and January, 1999 against sanctioned strength of one post. Therefore, one post of Meter Reader had been surplus and expenditure of Rs. 4.85 lakh incurred till March 2006 on pay and allowances of one meter reader which was un-authorized. No norms had been fixed for reading of water meter by a meter reader.

## **CHAPTER- IV**

### **4. OTHER TOPICS OF INTEREST**

#### **4.1.1 Construction of Rehan Basera in non-identified areas.**

Programme guidelines of National Slum Development Programme (NSDP) provide that the works sanctioned under the programme should be executed only in identified slum pockets.

The Secretary, Nagar Panchayat, Arki, notified (September 2000) ward No. 3 (Mohala Kulari) and ward No. 5 (Mohala Murasi) as slum pockets within the jurisdiction of N.P. Arki. The department accorded (December 2001) technical sanction for Rs. 9.09 lakh for the construction of Rehan Basera at Arki under NSDP. However, contrary to the guidelines/stipulations in the sanction, Rehan Basera building had been constructed (May 2004) at a cost of Rs.16.40 lakh in ward No. 4 which was not declared as slum pocket. It was further noticed that the building was still not put to use (August 2006) for want of electricity and water supply. On this being pointed out in audit, the Secretary N.P. stated (August, 2006) that there was no land available for construction in the identified slum pocket and there was no demand for use of Rehan Basera building. This has resulted in irregular expenditure of Rs.16.40 lakh.

**4.1.2** Likewise, contrary to the guidelines for construction of Rehan Basera only in identified slum pockets, in three urban local bodies the construction of Rehan Baseras were also taken up in non-identified slum pockets. Therefore, expenditure of Rs. 33.40 lakh (Dharamshala: Rs.21.45 lakh, Manali: Rs. 6.80 lakh and Rewalsar: Rs. 5.15 lakh) incurred thereon had been irregular. The officers of concerned urban local bodies stated that no land was available in identified slum pockets. The replies were not tenable as no relaxation/approval in this regard was obtained from Government.

In Mandi, the Rehan Basera was constructed on second floor of existing building of municipality at Gandhi Chowk at a cost of Rs. 9.94 lakh. The construction was also irregular as the said building was not in slum pocket.

#### **4.1.3 Irregular expenditure under National Slum Development Programme**

Guidelines of NSDP provide that the slum pockets are to be declared for execution of works under the programme.

It was noticed that no areas have been declared as slum pockets in Shimla town by the Government. However, the Municipal Corporation, Shimla had identified certain pockets having slum like characteristics within area of corporation for which approval of State Government was awaited as of September 2006. Thus in the absence of specific approval for declaration of slum pockets which were having slum like characteristics, the expenditure of Rs. 79.02 lakh incurred between 2000-01 and 2005-06 under NSDP was irregular.

#### **4.1.4 Blocking of funds.**

The funds amounting to Rs. 10.00 lakh were received between October 2003 and April 2005 by the Nagar Panchayat, Bhota for the construction of Rehan Basera. It was noticed that the work was not started even as of October 2006 for want of clearance for felling of trees standing at the selected site. Beside, the selected site was also not in identified slum pockets. Thus Rs. 10.00 lakh remained blocked. On this being pointed out in audit, the Secretary stated that the tenders were floated but the work could not be started for want of permission for felling of trees and that there was no land available in identified slum pockets. The reply was not tenable as the proposed construction was against the guidelines of the programme.

#### **4.2 Outstanding contingent advances.**

**4.2.1** Rules provide that the adjustment of contingent advances should be made promptly so that money should not remain outside the accounts.

- (a) It was noticed in audit that as per records, contingent advances

aggregating Rs. 1579.34 lakh paid to various departments of Municipal Corporation, Shimla between 1945 and 2005-06 for meeting expenditure on various activities were awaiting adjustment as of March 2006. The department wise break-up of outstanding contingent advances were as under:-

<u>Name of department</u>	<u>Period</u>	<u>(Rs. in lakh)</u> <u>Amount</u>
1. Water Supply	Between 1945 & 3/2006	303.18
2. Roads and building	Between 1955 & 3/2006	1003.90
3. Health	Between 1948 & 3/2006	203.21
4. General	Between 1959 & 3/2006	63.91
5. Forest	Between 1960 & 3/2006	5.14
		1579.34

In reply to audit query, it was stated that almost all the advances had been utilised for the purpose for which sanctioned but the concerned departments of the corporation had not submitted the adjustment accounts. The reply was not tenable as records does not bring out that effective steps had been taken for securing adjustment of old pendency.

**4.2.2** Test check of the records of Municipal Council, Kullu, revealed that advances aggregating Rs. 25.73\* lakh had been paid to officials between 1998-1999 and 2005-06 for meeting petty expenditure but adjustment accounts thereof were awaited(November 2006). No action had been taken to get the advances adjusted by the urban local body.

### **4.3**

#### **4.3.1 Non-construction of modern slaughter House.**

Government of India sanctioned (March 1995) Rs. 40.75 lakh as grant-in-aid for construction of a modern slaughter house at Shimla at an estimated cost of Rs. 1.25 crore. Construction cost of slaughter house was to be shared on 50:50 basis between Central and State Government. For the purpose. Rs. 95.00 lakh

\* 1998-99 Rs. 2.87 lakh, 1999-2000 Rs. 1.33 lakh, 2000-01 Rs. 2.09 lakh, 2001-02 Rs. 3.14 lakh, 2002-03 Rs. 2.90 lakh, 2003-04 Rs. 3.72 lakh, 2004-05 Rs. 4.50 lakh and 2005-06 Rs. 5.18 lakh.

were provided by the State Government during March 1996(Rs. 20.00 lakh) and April 1998 (Rs. 75.00 lakh) in addition to Central Share of Rs. 40.75 lakh released during March 1995. Of this, Rs. 28.98 lakh were spent on preparation of Project Report, consultancy, survey, compensatory afforestation and site development etc. However, no physical progress in respect of construction of modern slaughter house was made as of September 2006 and the funds amounting to Rs. 106.77 lakh were lying unspent with the Municipal Corporation Shimla. It was further noticed that there was delay in selection of site as Government of India, Ministry of Forest raised objections regarding title of land. After getting clearance and completing other formalities the site was handed over to H.P.Housing Board in 2001 for construction of work. The veterinary Public Health officer of Municipal Corporation Shimla stated (September 2006) that the Housing Board was in the process of inviting tenders for civil works. The reply was not tenable as the construction of slaughter house had been hanging fire since 1995.

#### **4.3.2. Construction of Rest Houses.**

(i) The construction of Rest House at Bhuili (Mandi) consisting of three bed rooms, dining hall, drawing room and Chowkidar room was taken in 1999 Out of total grant of Rs.4.90 lakh received between 1987-88 and 1999-2000,an expenditure of Rs. 5.07 lakh had been incurred upto November 2003. Thereafter no further work had been done as of November 2006 as no further grants were received after 1997-98 for this work and the building had been lying incomplete(November 2006). This had resulted into unfruitful expenditure. In reply, the Executive Officer stated (November 2006) that the Municipal Council was not in a position to spare funds out of their own funds for completion of rest house and the matter was being taken up with the Deputy Commissioner, Mandi for providing funds for completion of remaining works. Further development was awaited (March 2007).

(ii) The construction of Rest House at Shimla was approved (March 1992) by the Municipal Corporation, Shimla for Rs. 10.59 lakh. As per approved designs

and drawings, two dormitories (basement) four suits in ground floor and VIP suit and kitchen in first floor were to be constructed. While executing the work, the scope of work was increased and estimate revised to Rs. 24.50 lakh which was approved (January 1997). As per revised scope of work two dormitories and four suits in basement floor, four suits, reception/lounge and chowkidar/attendant accommodation in ground floor and in first floor VIP suit and kitchen were to be constructed.

The contractor to whom work was awarded (January 1994) for Rs. 16.28 lakh executed the work to the extent of Rs. 16.90 lakh upto 1997. Total expenditure of Rs. 27.44 lakh stood incurred which include Rs.21.89 lakh on account of construction of building, (Rs. 16.90 lakh on building and Rs. 4.99 lakh on construction of Breast Wall and providing of grills and tiles) Rs.3.05 lakh on sanitary fitting and Rs. 2.50 lakh on electric fittings and work since October 2001 had been lying abandoned by the contractor as he refused to execute the work beyond awarded amount. The final bill of contractor was yet to be finalised.

As Rs.27.44 lakh had already been incurred for the construction of Rest House and Rs.19.90 lakh were further required for making the Rest House operational and completion of remaining works viz. Boudnrywall tarring of compound and furnishing etc. for which the proposal for seeking ex-post facto sanction from the Government was placed before the House(September, 2002) for consideration The house instead of considering the proposal referred the case to the vigilance Department for investigation of irregularities alleged in the construction of building. The matter was still (September 2006) pending with the Himachal Pradesh Vigilance Department. Thus, the expenditure of Rs. 27.44 lakh incurred upto 2001 not only remained unfruitful but the possibility of deterioration of incomplete building due to non-maintenance can not be ruled out.

The out come of vigilance department was also awaited. Had the House been considered the proposal for seeking ex-post facto sanction instead of

referring it to the Vigilance Department, the funds for completion of Rest House could have been received in time.

#### 4.3.3 Construction of Town Hall.

The town hall building at Mandi was constructed by the HPPWD at a cost of Rs. 213.93 lakh and handed over (February 2003) to Municipal Council, Mandi for utilisation for commercial purpose. The built up area of building was 2336.37 square meters and mainly consisted of various halls (four), VIP suits (four) and dormitories (four).

The position of income and expenditure of town hall since February 2003 (date of handing over) was as under:-

Year	Income	Expenditure Rs. in lakh
2002-03	---	-----
2003-04	1.25	0.37
2004-05	0.64	0.99
2005-06	<u>0.36</u>	<u>0.76</u>
	<u>2.25</u>	<u>2.12</u>

The above position would indicate that the position of income generated out of town hall for which expenditure of Rs. 213.93 lakh incurred was not encouraging. It was also noticed that the above income was only from Table Tennis Hall and negligible amount was received from other halls. No income had been received from suits and dormitories as two suits were occupied by the Executive Officer and Municipal Engineer besides change room had been occupied by the supervisor of municipal council. The construction of suits in the town hall had not been for permanent residential purpose and as such the occupation of suits was irregular.

The Executive Officer stated(November 2006) that the reasons for less income were attributed to less demand by the public due to non-availability of adequate facilities in the town hall. The reply was not tenable as no concrete steps had been taken in this regard.

#### 4.3.4 Non-allotment of Advocate Chambers.

The construction of car parking near High Court Shimla was completed in November, 2004 at a cost of Rs. 2.07 crore. The structure includes the provisions for construction of Advocate Chambers/Cabins for allotment to Advocates.

It was noticed that 15 Advocate Chambers completed (November 2004) at a cost of Rs. 63.87 lakh (worked out by the Corporation at the rate of Rs. 0.30 lakh per square meter) were awaiting allotment as of October 2006. Non-allotment of Advocate Chambers had not only resulted into unfruitful expenditure of Rs. 63.67 lakh but Corporation was also deprived of revenue. It was further noticed that Advocate Chambers were handed over to Estate Branch (February, 2006) by Road and Building Department (R&B). The auction process was started (March, 2006) but no tender was received. Re-auction process was started after seeking clarification from R&B Department whether these chambers could be auctioned to other than Advocates. Further developments awaited.

#### 4.3.5 Encroachment of land.

Perusal of status report on the encroachments on Municipal Corporation land submitted (September 2006) to the Director (Urban Development) had revealed that 2072 cases of encroachments were detected between 1998 and 2005-06 by the Municipal Corporation, Shimla. Of which, encroachments in 380 cases had been removed and out of remaining cases, 1497 cases were under trial in various courts as under:-

<u>Name of court</u>	<u>Number of cases pending</u>
1. Divisional Forest Officer's court	536
2. Collector M.C. court	880
3. Municipal Commissioner's court	<u>81</u>
	<u>1497</u>

However, the decisions of under trial cases was awaited as of October 2006. It was further noticed that 147 employees/ex-employees of the Corporation had also raised structures on the encroached forest land of the Corporation for

which no action had been taken by the Municipal Corporation. In reply to audit query, it was stated (September 2006) that action was being initiated against offenders. Further developments were awaited. Action in respect of remaining 48 cases has been initiated.

#### **4.3.6 Execution of works without technical sanctions**

As per H. P. Municipal Works Rules, 1973 no work is to be taken up for execution without obtaining technical sanction from competent authority .

In six urban local bodies, 128 works (Appendix-12) estimated to cost Rs.1.80 crore were taken up for execution without obtaining technical sanctions. Thus, the correctness of the estimates of these works could not be ascertained in audit. The concerned bodies stated that necessary technical sanctions would be obtained in future.

#### **4.3.7 Blocking of funds due to non completion of IDSMT project.**

With a view to promoting resource generating schemes, Integrated Development of Small & Medium Town project was sanctioned (1997-98) for Rs.1.26 crore. As per approved components of the project, one of the component viz. construction of guest house at Kullu was to be completed at a cost of Rs. 20.35 lakh out of funds amounting to Rs. 80.00 lakh were received between 2000-01 and 2004-05.

It was noticed that the President, M.C Kullu requested (June 2002) the Govt. to substitute the construction of Guest House to construction of parking at various places. The request was approved in June 2002 by the Govt. However the construction of parking could not be taken up since 2002 due to site dispute and present house of M.C Kullu vide resolution dated 24-5-2006 decided to construct the guest house as per originally approved provision of the project. The decision for substitution of component was awaited (December 2006) from Government. Thus the funds amounting to Rs. 20.35 lakh had been blocked since 2004-05 due to frequent change in the scope of work.

#### **4.3.8 Held up works under IDSMT**

The Forest Conservation Act, 1980 prohibits the use of forest land for non-forestry purpose without prior approval of Forest Department.

The IDSMT project for Dharmashala town was sanctioned (1999) for Rs. 2.17 crore. As per approved components of the project, five roads in different locations involving 8.460 kms. were required to be constructed at a cost of Rs. 66.74 lakh. These works were started by the Municipal Council Dharamsala in 2002-03 and after incurring an expenditure of Rs. 57.24 lakh upto March, 2004 on the construction of 8.460 kms of road. Further construction was held up due to objection of the Forest Department as forest land had been falling in the alignments of these roads for which prior approval was not obtained. Thus the desired objective of construction of Rs. 8.460 kms has not been achieved.

The Executive Officer stated (November 2006) that the matter had been taken up with the Forest Department through Deputy Commissioner, Kangra. The reply was not tenable as the works had been held up since March 2004 and no further progress made as of November 2006. The project would be closed at the end of 2006-07.

#### **4.3.9 Diversion of funds**

The IDSMT project was approved (2002-03) by the Govt. for Manali Town for Rs. 1.36 crore (Central grant: Rs. 48.00 lakh, State grant: Rs. 32.00 lakh and loan: Rs. 55.64 lakh). The funds aggregating to Rs. 80.00 lakh were released (2002-03 Rs. 24.00 lakh 2003-04 Rs. 40.00 lakh and 2005-06 Rs. 16.00 lakh).

Perusal of records revealed that as per approved components of IDSMT project, a shopping complex consisting of 53 shops was to be constructed at Manali at a cost of Rs. 53.72 lakh. Instead of construction of shopping complex parking place was constructed at a cost of Rs. 29.46 lakh in view of the decision

taken by the High Powered Committee constituted for the development of Manali. However, no approval was obtained for this change either from State level sanctioning committee or from State Govt. as of November 2006. Thus, the funds amounting to Rs. 29.46 lakh were diverted out of IDSMT funds for construction of parking which was irregular.

#### **4.3.10 Non start of work**

The IDSMT project for Solan town envisages/construction of shopping complex at the existing bus stand which was in the possession of the local body. 74 shops at an estimated cost of Rs. 55.20 lakh were propose to be constructed in the shopping complex.

It was noticed that the funds amounting to Rs.55.20 lakh were received between 2000-01 to 2004-05 for construction of shops, but the work was not started (November, 2006) which resulted into blocked of Government funds. The Executive Officer stated that the work could not be started at the proposed site which involved transfer of some land under the possession of Military authorities for which matter was under consideration by the Defence Ministry.

#### **4.3.11 Incomplete Project**

The Integrated Development of Small and Medium town was approved (1999) for Rs. 140.80 lakh for Bilaspur town. Funds for the project amounting to Rs. 73.01 lakh were received between June 1999 and April 2005 (DC, Bilaspur: Rs. 17.00 lakh and Director, UD: Rs. 56.01). The project was to be completed within a period of five years.

As per approved components of the project, shopping complex, multipurpose commercial hall, office block, open parking passages and construction of Yatri Niwas were to be constructed. The construction of project was started by the Himachal Pradesh Housing Board in June, 2002 and an

expenditure of Rs. 39.80 lakh had been incurred upto March, 2006 for the following items of work:

Name of component	Expenditure incurred	Progress achieved
	(Rs. in lakh)	
C/o Approach road	3.00	Retaining wall constructed
C/o Covered parking (instead of open parking)	30.00	RCC slab on 41 numbers of penal laid in parking area, stair case, soling of basement and parking area completed
Paid to HPPWD	5.00	
Paid to Architect	1.80	
Total :	39.80	

The remaining works of project were not taken up for execution due to non handing over the site by the Public Works Department as this involve dismantling of PWD store. However, site was handed over (August, 2006) by PWD without dismantling the store building. This has not only resulted into unfruitful expenditure incurred on half built structure but the Municipality was also deprived from revenue which would have been earned from completed parking.

#### **4.3.12 Outstanding recoveries of HUDCO loan**

HUDCO loan amounting to Rs. 2.79 lakh was received by M.C Bilaspur during 1993-1995 for distribution to housing and shelter up gradation of BPL families. The amount was paid to 93 families at the rate of Rs. 3000 per family during above period. The repayment was to be made within nine years inclusive of interest

It was noticed that recovery amounting to Rs. 2.86 lakh inclusive of interest was outstanding from 67 beneficiaries as of October 2006. 20 beneficiaries from whom amount of Rs. 0.90 lakh was outstanding had since expired. The Executive Officer stated (October 2006) that efforts would be made to recover the loan from defaulter and legal heirs of deceased beneficiaries.

Like wise, an amount of Rs. 1.90 lakh was received (1992) by M.C Solan as loan from HUDCO. The loan was distributed amongst 39 beneficiaries between 1994 and 1998. Out of this, an amount of Rs. 1.74 lakh (inclusive of interest) from 24 beneficiaries was outstanding as of November 2006. Out of 24 defaulters, three beneficiaries had since expired.

#### **4.3.13 Payment without approval of deviations**

(i) The construction of car parking at cart Road Shimla was awarded (April 1999) to a contractor for Rs. 135.93 lakh by the Municipal Corporation, Shimla.

It was noticed that the contractor completed that work during November 2004 at a cost of Rs. 206.87 lakh. The payment of Rs. 204.62 lakh had been released to contractor upto 14<sup>th</sup> running account bill. The 15<sup>th</sup> and final bill stood entered in Measurement Book in January 2005 which was not passed for payment (net amount of Rs. 2.24 lakh) as of September 2006. Thus there was deviation of Rs. 68.69 lakh (50.53 percent) with reference to awarded amount. As such the release of payment without approval for deviated items and revision of estimate from competent authority was irregular.

(ii) Technical sanction for Rs. 37.42 lakh was accorded (March 2000) by the Director (Urban Development) for the construction of community Hall at Kotwali Bazar Dharmashala. The work was awarded (August 2000) to contractor at a cost of 38.57 lakh.

The work was started by the contractor (August 2000) and upto October 2004 (the date of last measurement in MB) he executed the work to the extent of Rs. 67.10 lakh. Neither deviation statement was prepared to know the position of various items of the work awarded and actually executed nor estimate was revised. However the final bill had also not been prepared as of November 2006. As such the payment of Rs. 67.10 lakh without approval/revision of estimate was irregular. The Executive Officer Dharmshala stated (November 2000) that the action would be taken to revise the estimate.

(iii) Technical sanction for Rs.39.07 lakh for the construction of Guest House, at Solan was accorded (January 2002) by the Director (Urban Development).

It was noticed that after inviting tenders, the work was awarded (March 2002) to a contractor for Rs. 47.74 lakh to be completed in one year. The contractor completed the work (August 2004) at a cost of Rs. 72.23 lakh. However, upto date payment of Rs. 60.40 lakh had already been released to the contractor vide 8<sup>th</sup> running account bill. Thus there was over all deviation of Rs. 24.49 lakh (51.29 percent) worked out w.r.t. awarded amount. The Executive Officer stated (December, 2006) that deviation was attributed to deep foundation as well as requiring provisions for retaining wall not earlier provided in the estimate. The reply was not tenable as neither approval before release of payment in access of awarded amount was obtained nor extra items were got approved.

#### **4.3.14 Loss of revenue due to less assessment of house tax Rs. 327-36 lakh**

Rule 81(1) of Himachal Pradesh MC Act 1994 provides that when any property assessed to a tax under clause (a) of section 65 which is payable by the year or by instalments has remained unoccupied and unproductive of rent throughout the year or the period in respect of which any instalment is payable, the MC/NP shall remit the amount of the tax or of the instalment, as, the case may be.

Rule 81(6) further provides that the enquiry necessary for a decision whether any relief should be granted under this section shall be held by the executive officer or the secretary who shall make such recommendations to the municipality as he may deem proper.

It was noticed that Nagar Panchayat Manali was charging house tax on the basis of annual occupancy of 60 days from the owners of various hotels in Manali up to the year 1992-93. From 1993-94 the assessment was made on the basis of 30 days annual occupancy. Again vide resolution No. 846 dated 23-12-98 the assessment was ordered to be made on the basis of 10 days annual occupancy from the assessment years 1998-99 and the same basis were being followed as of

November 2006 (2005-06). The secretary Nagar Panchayat Manali had not recommended such reduction in assessment of house tax as required under rule. This has resulted in to under assessments of house tax and loss of revenue to the tune of Rs. 327-36 lakh upto 2005-06.

#### **4.3.15 Non- Commencement of works**

(i) The Dy. Commissioner, Bilaspur sanctioned 28 development works amounting to Rs. 14.81 lakh between 1985-86 and 2005-06 for execution by the Municipal Council, Bilaspur. Year wise breakup of works sanctioned was as under:

<u>Year</u>	<u>Numbers of works sanctioned</u>	<u>Amount sanctioned (Rs in lakh.)</u>	<u>Nature of Work</u>
1985-86	1	0.50	Providing ornamental plant in District.
1987-88	2	0.08	Repair of roads etc.
1991-92	1	0.42	Tarring of paths.
1992-93	2	0.18	c/o Retaining wall etc.
1994-95	1	0.50	c/o Gymnasium hall.
1995-96	2	0.61	c/o Retaining of wall and rain-shelter.
2001-02	1	0.50	Repair of link road.
2002-03	3	2.00	Restoration of link road and path etc.
2003-04	1	1.00	c/o room in school.
2004-05	8	4.55	c/o pucca path etc.
2005-06	6	4.47	c/o Playground and stair etc.
<b>Total</b>	<b>28</b>	<b>14.81</b>	

The works were required to be completed with in the same financial year in which the amount was sanctioned, but these works had not been started upto

October, 2006. This has resulted into blockade of Government funds besides depriving the beneficiaries from intended benefits.

(ii) The Director, Tourism and Civil Aviation Shimla placed funds amounting to Rs. 26.56 lakh between 1993-94 and 2005-06 at the disposal of Commissioner, Municipal Corporation, Shimla for execution of works as under:-

<b>Year</b>	<b>Amount released (Rs. in lakh)</b>	<b>Purpose for which sanctioned</b>
1993-94	0.98	providing and fixing water tanks in various Zones in Shimla.
1993-94	0.69	C/o Toilets Block at Jodha Niwas Shivalik Hotel.
1998-99	10.00	Land scapping work at Ridge Garden parking in Shimla.
2005-06	12.00	Development of Rani Jhansi Park under integrated development of Tourist Circuit Shimla.
2005-06	2.89	C/o of Rain Shelter near Holly Lodge Jakhu Shimla.
<b><u>Total Rs.26.56</u></b>		

It was noticed that these works had not been started (September 2006) by the Municipal Corporation, Shimla and funds were lying unutilised. Thus, this has not only resulted in blocking of funds but the people were also deprived of the intended facilities. Reasons for non-commencement of works were not forthcoming.

#### **4.3.16 Solid Waste Management Plant.**

The work for setting up of bio-conversion Municipal Solid Waste Management plant capable of processing of 100 M T garbage at Darni-Ka-Bagicha (Shimla) was awarded (March 1999) on turnkey basis to M/S Larson and

Turbo Limited by the Municipal Corporation Shimla. The firm completed the project in December, 2001 at a cost of Rs. 322 lakh. As per terms and conditions of agreements, the Municipal Corporation shall lease out the plant for five years on payment of lease money of Rs. 10 lakh annually by the firm. The firm shall also pay royalty at the rate of 5 percent ex-factory sale price of the finished manure produced.

It was noticed that the plant was constructed on the basis of assessment of techno-feasibility of site conducted by the L & T Limited and site was found suitable for setting up of bio-conversion plant of 100 MT capacity. It was further noticed that the plant did not function satisfactorily after completion for the reasons that EXCEL Technology required to be adopted was not used by the firm in the installation of plant and these facts were also highlighted in the Press. The Commissioner Municipal Corporation Shimla informed (December, 2003) the Principal Secretary (UD) that Hon'ble Chief Minister visited the site in May, 2003 and had observed that the present site was neither sufficient nor ideal for running of the plant and directed the Municipal Corporation for identification of alternative location/site for shifting of the plant. The Hon'ble Court also issued (September 2003) directions on PIL for closure of this plant and subsequent shifting thereof to new site as it was not functioning properly and present site was also not found conducive. There was no penalty clause in the agreement for in proper functioning of the plant as the plant was to run successfully for five years after completion by the L&T. The plant did not function properly and court ordered to shift the plant from present site. The new site has now been identified on Tara Devi Tutu bye-pass. An amount of Rs. 3.45 lakh (out of total amount of Rs. 6.90 lakh) had been remitted (July, 2006) to the National Productivity Council New Delhi for preparation of detailed Project Report for setting up of solid waste management plant at new site. Besides, amount of Rs. 24.70 lakh also stood remitted (December 2004) to the Forest Department for compensatory afforestation. Thus due to selection of un suitable and inadequate site which led to improper functioning of plant the Municipal Corporation had to suffer huge

financial loss as this plant would be shifted to new site in due course of time on the directions of High Court.

(ii) The Government of India sanctioned (1999) Solid Waste Management Project for Dharamsala Town. The construction was to be carried out in two phases and expenditure of Rs. 50 lakh and Rs. 46 lakh was to be incurred since first and second phase. Funds amounting to Rs. 50 lakh were placed (December 1999: Rs.5.00 lakh and April 2000: Rs. 45 lakh) at the disposal of Municipal Council Dharamsala. The work of first phase was taken up (2001) and expenditure of Rs. 21.05 lakh stood incurred (2001-02) for site development, awareness programme purchase of dustbins and installation of 63 kva sub-station. An agreement for installation of garbage treatment plant based on STAC technology was entered (January 2003) with the Sulabh International Social Service Organization for Rs. 28.72 lakh. The payment of Rs.18.03 lakh was released to the firm between March and October 2003. Thereafter neither any funds were released to the firm nor had the firm completed (November, 2006) the awarded work. It was further noticed that no time schedule had been fixed in the agreement for completion of the project. Thus due to non completion of the project, the expenditure of Rs. 21.05 lakh incurred during 2001-02 had been rendered as unfruitful. The Municipal Council had also been deprived revenue from sale of manure which would be produced out of garbage processing. In reply it was stated (November 2006) that maximum work had been completed and remaining work would be completed very soon. The reply was not tenable as the council had not released further payment after October 2003.

#### **4.3.17 Internal Audit of Urban Local Bodies**

Under the provisions of Municipal Corporation and Municipal Committees Acts, 1994, the accounts of local body shall be audited by a separate and independent agency.

The Local Audit Department under the direct control of Director Urban Development conducts internal audit of urban local bodies. All the urban local bodies are required to be audited annually.

It was noticed that coverage of audit by the local audit department was between 12 and 37 percent during last three years. The Director stated (August 2006) that due to shortage of staff, the audit of all the local bodies could not be conducted.

## **Conclusion**

Preparation of budget proposals/estimates were found to be un-realistic. Huge differences in the figures of balances of cash book and that of bank account were lying un-reconciled. The urban local bodies failed to liquidate the un-discharged liabilities. The utilisation certificates for the grants released three years back to various urban local bodies were awaited. The pace of recovery of revenue realization such as taxes, rent, fees etc. was very slow and huge amount on this account remaining outstanding year after year. There was loss of revenue due to non-imposition of house tax and non-revision of rates of house tax and outstanding amount of water charges. The expenditure on establishment was in excess of prescribed norms. Engagement of excess staff, retention of idle employees were indicative of inadequate manpower management. The Rehan Baseras under National Slum Development Programme (NSDP) were constructed in non-identified slum pockets. The various components of Integrated Development of Small and Medium Town (IDSMT) projects were lying incomplete and numbers of other works were also awaiting completion. Contingent advances were outstanding for recovery/adjustment since long.

## **Recommendation**

Following measures are recommended to ensure financial discipline in ULBs and improve efficiency of implementation of various developmental programmes and schemes:

- Budget proposals should be prepared on realistic basis.
- Proper and timely action should be taken to reconcile the difference.
- Speedy and timely recovery of revenue realization such as taxes, rent, fees, tehbazari etc should be ensured,
- Efficient and timely utilisation of grants should be ensured.
- Timely revision of Tax and rent should be ensured.
- Utilisation of existing manpower needs in-depth analysis to ensure useful deployment of employees and to avoid wasteful expenditure.
- Early action to recover/adjust the outstanding advances should be ensured.

- The guidelines for implementation of centrally sponsored schemes and state schemes should be followed.
- Early completion of incomplete works should be ensured.
- The government should suitably amend the relevant Acts/Rules to incorporate provisions for certification of accounts by the statutory auditors.

**Shimla**  
**The**

**(Bipan Vyas)**  
**Deputy Accountant General**  
**Local Bodies Accounts & Audit**  
**Himachal Pradesh**

**Appendix----1 (Refer Paragraph 1.7 Page -4)****LIST OF URBAN LOCAL BODIES AUDITED****MUNICIPAL CORPORATION**

<b>Sr.No</b>	<b>Name of ULBs</b>	<b>Period covered</b>
1	Shimla	2004-05 to 2005-06

**MUNICIPAL COUNCILS**

1.	Bilaspur	2003-04 to 2005-06
2.	Dharamshala	2003-04 to 2005-06
3.	Kullu	2003-04 to 2005-06
4.	Mandi	2003-04 to 2005-06
5.	Nahan	2003-04 to 2005-06
6.	Palampur	2003-04 to 2005-06
7.	Solan	2003-04 to 2005-06
8.	Sundernagar	2003-04 to 2005-06

**NAGAR PANCHAYATS**

1.	Arki	2003-04 to 2005-06
2.	Bhota	2003-04 to 2005-06
3.	Manali	2003-04 to 2005-06
4.	Nagrota Bagwan	2003-04 to 2005-06
5.	Rewalsar	2003-04 to 2005-06
6.	Suni	2003-04 to 2005-06



**Appendix-----2 (Refer Paragraph 1.8.1; Page-5)****Statement of Budget Estimates and actual expenditure of ULBs for the year 2004-05****MUNICIPAL CORPORATION***(Rs. in lakh)*

<b>Sr. No.</b>	<b>Name of ULBs</b>	<b>Budget Estimate</b>	<b>Actual Expenditure</b>	<b>Savings(+) excess (-)</b>	<b>Percentage of overall utilisation</b>
1	Shimla	2697.05	2051.09	645.96	76.04

**MUNICIPAL COUNCILS**

1.	Bilaspur	102.87	106.43	3.56 (-)	103.46
2.	Dharmshala	177.87	163.67	14.20	92.01
3.	Kullu	295.25	225.10	70.15	76.24
4.	Mandi	255.91	257.60	1.69(-)	100.56
5.	Nahan	196.40	213.74	17.34(-)	108.82
6.	Palampur	110.79	87.45	23.34	78.93
7.	Solan	525.32	356.99	168.33	67.95
8.	Sundernagar	209.28	189.87	19.41	90.72
		1873.69	1600.85	272.84	85.44

**NAGAR PANCHAYATS**

1.	Arki	30.21	22.17	8.04	73.38
2.	Bhota	18.69	14.83	3.86	79.34
3.	Manali	171.79	150.55	21.24	87.63
4.	Nagrota Bagwan	81.40	70.37	11.03	86.46
5.	Rewalsar	22.69	12.02	10.67	52.97
6.	Sunni	31.74	21.58	10.16	67.98
		356.52	291.52	65.00	81.76

**TOTAL****4927.26****3943.46****938.80****80.03**

**Appendix-----2 (Refer Paragraph 1.8.1 Page-5)****Statement of Budget Estimates and Actual Expenditure of ULBs for the year 2005-06****MUNICIPAL CORPORATION***(Rs. In lakh )*

<b>Sr. No.</b>	<b>Name of ULBs</b>	<b>Budget Estimate</b>	<b>Actual Expenditure</b>	<b>Savings(+) excess (-)</b>	<b>Percentage of overall utilisation</b>
1	Shimla	2937.54	2019.45	918.09	68.74

**MUNICIPAL COUNCILS**

1.	Bilaspur	102.52	99.21	3.31	96.77
2.	Dharmashala	186.86	173.34	13.52	92.76
3.	Kullu	296.40	250.13	46.27	84.38
4.	Mandi	272.32	276.10	3.78(-)	101.38
5.	Nahan	198.90	247.80	48.90(-)	124.58
6.	Palampur	113.29	78.46	34.83	69.25
7.	Solan	559.93	343.33	216.60	61.31
8.	Sundernagar	223.09	196.62	26.47	88.13
		1953.31	1664.99	288.32	85.24

**NAGAR PANCHAYATS**

1.	Arki	33.61	21.42	12.19	63.73
2.	Bhota	17.71	13.37	4.34	75.49
3.	Manali	203.75	173.76	29.99	85.28
4.	Nagrota Bagwan	78.86	54.48	24.38	69.08
5.	Rewalsar	18.16	18.33	0.17(-)	100.93
6.	Sunni	27.23	19.44	7.79	71.39
		379.32	300.80	78.52	79.30

<b>TOTAL</b>	<b>5270.17</b>	<b>3985.24</b>	<b>1284.93</b>	<b>75.61</b>
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**Appendix-----3 (Refer Paragraph 1.8.3; Page-6)**

Statement showing un-reconciled difference between cash book and bank pass books

**MUNICIPAL CORPORATION***(Rs. in lakhs)*

Sr. No.	Name of ULB	As on	Cash balance as per cash book	Cash balance as per Bank pass book	Difference
1	Shimla	31-03-2006	141.80	134.88	6.92

**MUNICIPAL COUNCILS**

1.	Kullu	31-3-06	29.05	30.87	1.82
2.	Palampur	--do-	52.11	53.52	1.41
3.	Sunder Nagar	--do--	84.58	83.29	1.29
			21.40	37.50	16.10
4.	Solan	--do--	84.12	87.51	3.39

**NAGAR PANCHAYATS**

1	Nagrota Bagwan	31-03-06	13.17	13.99	0.82
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**31.75****(-) 6.92****Grand Total:****24.83**

**Appendix-----4 (Refer Paragraph 1.8.4; Page-7)**

**Statement showing the details of un-paid liabilities on account of energy charges payable to HPSEB.**

**MUNICIPAL CORPORATION***(Rs. in lakh)*

<b>Sr. No.</b>	<b>Name of ULB</b>	<b>Period upto</b>	<b>Amount of unpaid liabilities</b>
1.	Shimla	March 2006	404.10

**MUNICIPAL COUNCILS**

1. Bilaspur	March 2006	7.58
2. Dharmashala	----do----	9.02
3. Kullu	----do----	106.83
4. Mandi	----do----	261.33
5. Palampur	----do----	13.92
6Solan	----do----	61.63
		460.61

**NAGAR PANCHAYATS**

1.Nagrota Bagwan	March 2006	6.94
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**Grand Total:                    871.35**

**Appendix-----5 (Refer Paragraph 2.1.1;Page-9)****Statement of arrears of property tax as on 31 March, 2006****MUNICIPAL CORPORATION**

(Rs. in lakh)

Sr. No.	Name of ULBs	Arrear as on 1-4-2003	Demand between 2003-04 to 2005-06	Total demand	Collection between 2003-04 to 2005-06	Arrear as on 31 March, 2006
1	Shimla	596.00	560.91	1156.92	556.50	600.42

**MUNICIPAL COUNCILS**

1.	Bilaspur	121.22	51.96	173.18	40.70	132.48
2.	Kullu	17.80	10.16	27.96	6.33	21.63
3.	Mandi	88.02	27.38	115.40	24.82	90.58
4.	Nahan	83.29	32.61	115.90	20.81	95.09
5.	Palampur	18.37	11.43	29.80	8.55	21.25
6.	Sundernagar	45.71	28.27	73.98	9.59	64.39
		374.41	161.81	536.22	110.80	425.42

**NAGAR PANCHAYATS**

1.	Arki	11.95	6.62	18.57	0.40	18.17
2.	Bhota	3.15	1.99	5.15	1.99	3.16
3.	Manali	6.78	25.34	32.12	----	32.12
4.	Nagrota Bagwan	1.39	2.33	3.72	0.55	3.17
5.	Rewalsar	22.43	3.00	25.43	0.39	25.04
		45.70	39.28	84.99	3.33	81.66

**TOTAL                      1016.11                      762.00                      1778.13                      670.63                      1107.50**

**Appendix-----6 (Refer Paragraph 2.1.2 Page-10)****Statement showing non-realization of rent from stalls/Shops.****MUNICIPAL CORPORATION***(Rs. in lakh)*

Sr. No	Name of ULBs	Year	Outstanding Amount
1	Shimla	March 2006	241.43

**Total****241.43****MUNICIPAL COUNCILS**

1	Bilaspur	March 2006	37.22
2	Dhramashala	March 2006	18.27
3	Kullu	March 2006	62.75
4	Mandi	March 2006	78.41
5	Nahan	March 2006	16.49
6	Palampur	March 2006	47.02
7	Solan	March 2006	23.24
8	Sunder Nagar	March 2006	14.89

**Total****298.29****NAGAR PANCHAYATS**

1	Arki	March 2006	2.15
2	Bhota	March 2006	0.85
3	Mandi	March 2006	51.41
4	Nagrota Bagwan	March 2006	13.57
5	Rewalsar	March 2006	1.69
6	Sunni	March 2006	1.17

**70.84****Grant Total: 610.56**

**Appendix-----7 (Refer Paragraph 2.1.5; Page-11)****Statement of outstanding show tax****MUNICIPAL CORPORATION***(Rs. in lakh)*

<u>Sr. No</u>	<u>Name of ULB</u>	<u>Period</u>	<u>Amount Rs.(in lakhs)</u>
1.	Shimla	upto March 2006	4.64

**MUNICIPAL COUNCIL**

1	Kullu	up to March 2006	2.29
2	Mandi	up to March 2006	0.64
3	Solan	up to March 2006	0.95
4	Sundernagar	up to March 2006	1.01
			4.89

**Grand Total: =9.53**

**Appendix-----8 (Refer Paragraph 2.2.1; Page-12)**

**Statement showing loss of revenue due to non-imposition of House Tax**

**MUNICIPAL COUNCILS**

*( Rs. in lakh)*

<b>Sr.No</b>	<b>Name of ULBs</b>	<b>Period</b>	<b>Amount of loss of revenue</b>
1	Bilaspur	1-9-97 to31-03-06	482.57
2	Solan	1-9-97 to31-03-04	110.31
3.	Sundernagar	1-9-97 to 31-12-02	116.00
4.	Nahan	1-9-97 to 2001-02	116.87

**825.75**

**NAGAR PANCHAYAT**

1	Sunni	1-9-1997 to 31-03-2006	35.11
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**Grand Total: 860.86**

**Appendix-----9 (Refer Paragraph 2.2.2; Page-13)**

**Statement showing the details of loss of revenue due to non-revision of rates of House Tax**

**MUNICIPAL COUNCIL***(Rs. in lakh)*

1	Nahan	2003-04 to 2005-06	4.89
2	Palampur	2005-06	10.00
3	Sundernagar	2005-06	4.84

**19.13****NAGAR PANCHAYATS**

1	Arki	2003-04 to 2005-06	0.20
2	Manali	2005-06	0.38
3	Nagrota Bagwan	2003-04 to 2005-06	2.33
4	Rewalsar	2003-04 to 2005-06	2.47
5	Sunni	2004-05 to 2005-06	4.36

**9.74****TOTAL: 28.87**

**Appendix-----10 (Refer Paragraph 2.2.3; Page-13)****Statement showing non-revision of lease deeds/agreement of shops/stalls.**

Sr. No.	Name of ULBs	Initial Period of allotment	Number of lease deeds/agreements not renewed
1.	Municipal Corporation Shimla	One year	170
2.	Municipal Council Bilaspur	11 months	150
3.	Municipal council Palampur	5 years	19
4.	Municipal council Sundernagar	11 months	14
5.	Nagar Panchayat Nagrota Bagwan	One year	10
6.	Nagar Panchayat Rewalsar	11 months	25
7.	Nagar Panchayat Sunni	Not known	9

**Total: 397**

**Appendix-----11 (Refer Paragraph 3.1.1; Page-14)**

**Statement showing expenditure incurred on Establishment in excess of prescribed norms**

**MUNICIPAL CORPORATION***(Rs. in lakh)*

<b>Sr. No.</b>	<b>Name of ULB</b>	<b>Year</b>	<b>Expenditure incurred in excess of prescribed norms.</b>
1.	Shimla	2003-04 to 2005-06	1625.91

**MUNICIPAL COUNCILS**

<u>1.</u>	Bilaspur	2003-04 to 2005-06	95.38
<u>2.</u>	Dharamshala	2003-04 to 2005-06	141.78
<u>3.</u>	Kullu	2003-04 to 2005-06	94.77
<u>4.</u>	Mandi	2003-04 to 2005-06	298.39
<u>5.</u>	Nahan	2003-04 to 2005-06	173.35
<u>6.</u>	Solan	2003-04 to 2005-06	150.74
<u>7.</u>	Sunder Nagar	2003-04 to 2005-06	98.29
			<b>1052.70</b>

**NAGAR PANCHAYATS.**

1.	Arki	2003-04 to 2005-06	14.00
2.	Nagrota Bagwan	2003-04 to 2005-06	33.96
			<b>47.96</b>

**Grand Total: 2726.57**

**Appendix-----12 (Refer Paragraph 4.3.6; Page-24)**

**Statement showing works not technically approved.**

**MUNICIPAL COUNCILS**

*(Rs. in Lakh)*

<b>Sr. No</b>	<b>Name of ULBs</b>	<b>Period</b>	<b>Number of Works</b>	<b>Amount</b>
1	Bilaspur	March 2006	14	8.64
2	Dharmashala	March 2006	28	31.30
3	Mandi	March 2006	33	42.77
4	Nahan	March 2006	34	74.17
5	Solan	March 2006	16	22.68

**179.56**

**NAGAR PANCHAYATS**

<b>Sr. No</b>	<b>Name of ULBs</b>	<b>Period</b>	<b>Number of Works</b>	<b>Amount</b>
1	Bhota	March 2006	3	0.81

**Grand Total = 180.37**