

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 by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. Chapter-I of the Report contains a brief introduction on the functioning of the Panchayati Raj Institution alongwith the financial profile.
3. Chapter II to IV of the Report contains audit findings on the accounts of Panchayati Raj Institutions.
4. The cases mentioned in the report are among those which came to notice mainly in course of test check of accounts of 337 Panchayati Raj Institutions during the year 2007-08. Matters relating to the periods subsequent to 2006-07 have also been included, wherever necessary.

CHAPTER-1

AN OVERVIEW ON THE ACCOUNTS AND FINANCES OF THE PANCHAYTI RAJ INSTITUTIONS

1.1 Introduction

1.1.1 Panchayati Raj Systems (PRS) in Himachal Pradesh has been established in 1954 under the provisions of the Himachal Pradesh Panchayati Raj Act (HPPRA) 1952. In November 1966, the hilly areas of Punjab were merged in this State. In the merged area, a three tier¹ PRS was in existence, whereas two tier² system was prevalent in the old area of the State. With a view to bring uniformity in the PRS of the old and the newly merged areas HPPRA 1968 was enacted in November 1970 and two tier system was established throughout the State and judicial functions were also transferred to Gram Panchayats.

In order to give effect to the 73rd constitutional amendment, revised HPPRA was enacted in 1994 repealing all existing Acts, to establish a three-tier Panchayati Raj Institution (PRI) system in the state. There are 12 Zila Parishads (ZPs), 75 Panchayat Samities (PS) and 3243 Gram Panchayats (GPs) in the state. The representatives for PRIs are elected every five years, the first general election of PRI was held in December, 1995 and last general election was held in December, 2005.

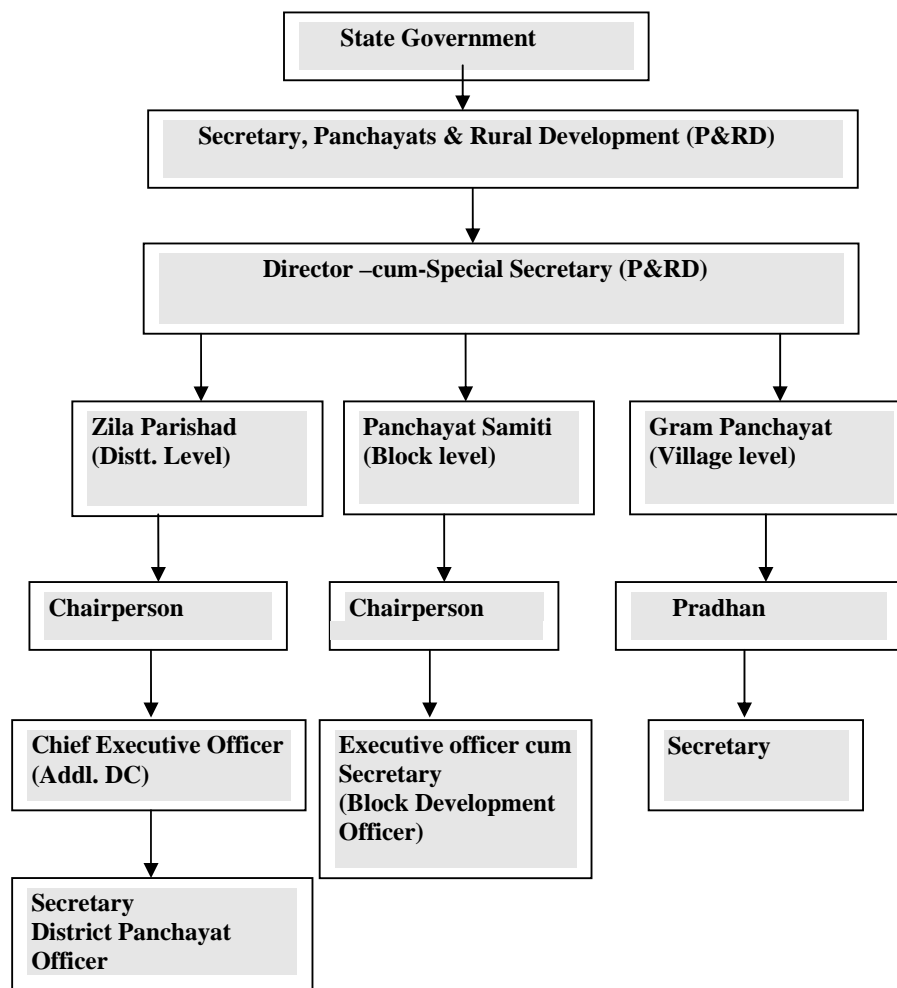
1.1.2 The Eleventh Finance Commission had recommended exercising control and supervision over maintenance of accounts of PRIs and their audit for all three tier by C&AG. Consequently the State Government has entrusted the audit of PRIs to the CAG of India (December, 2003) vide executive order according to which the Accountant General office will be at liberty to conduct audit of such number of PRIs in such manner as it deemed fit. Proper notification in this regard for technical guidance by the C&AG is still awaited from the State Government.

¹ Gram Panchayat, Panchayat Samiti and Zila Parishad.

² Gram Panchayat and Panchayat Samiti.

1.2 Organizational Set up.

The organogram given below depicts the organizational structure of the department and the PRIs at the District, Block and Village level:



The Chairman heads both ZP and PS whereas the Pradhan heads GP.

1.3 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 house tax, rent from shops/stalls, service fee and fee for issue of fishing licenses, tehbazari³ etc. The

³ Small Khokhas/shops given on rent.

following table shows the budget allotment & expenditure incurred during the last four year ending March, 2007 as under:-

(Rs. In lakh)

Year	Budget Allotment	Revenue expenditure	Capital expenditure	Total Expenditure
2004-05	3569.45	3549.45	20.00	3569.45
2005-06	4770.27	4419.83	350.44	4770.27
2006-07	6889.37	6319.42	569.95	6889.37

The department could not supply consolidated information regarding the own revenue of the PRIs.

1.4 Audit Coverage

Audit of accounts of 6 ZPs (out of 12), 25 PSs (out of 75) and 306 GPs (out of 3243) were conducted during 2007-08 (Appendix-1). The important audit findings are discussed in the succeeding chapters.

1.5 District Planning Committees

As per Article 243-ZD of the Constitution, District Planning Committee (DPCs) are to be constituted by the State Governments so as to consolidate the development plans formulated by the local bodies. It was noticed during test check that the DPCs were constituted in the State, but they are functional only in Chamba and Sirmour districts. Director PRI stated (August 2008) that the process to make DPC functional in remaining districts is in progress. In the absence of non-functioning of the DPCs the District Planning could not be effective.

1.6 Utilisation of Twelfth Finance Commission Grants.

As per the Twelfth Finance Commission (TFC) guidelines, the TFC Grants should be used to improve the service delivery of Panchayats in respect of Water Supply and Sanitation. The Panchayats also needed to be encouraged to take over the water supply assets created under the Sawajaldhara Programme and maintain them with the help of these grants.

The TFC earmarked Rs. 147.00 crore for the PRIs of Himachal Pradesh for the period 2005-2010. According to TFC recommendations it is mandatory for the State Government to transfer the grants released by the Government of India to the PRIs within fifteen days of the amount being credited to the State Accounts.

Details of delayed release of grants by DPO's.

(ii)

(Rs. in lakh)

Sr. No.	Year	No. of installments	Date of drawal by DPOs	Amount	Date of release	Delay (days)
1.	2005-06	1 st Installment	25-03-06	164.31	20-04-06 to 20-06-06	11 to 78
		2 nd Installment	29-03-06 to 20-04-06	<u>175.79</u> 340.10	12-04-06 to 20-08-06	20 to 118

Further scrutiny of the records of six⁴ DPOs revealed that funds of Rs. 340.10 as 1st and 2nd installments were released to ZPs, PSs and GPs during 2005-06 after a delay of 11-118 days. In Sirmour District funds worth Rs. 3.91 lakh as 2nd Installment was received by DPO on 13-04-06 which could not be disbursed to PRIs due to non receipts of letter regarding funds to be released amongst ZPs, PSs & GPs. After receiving the letter from Director Panchayati Raj Rs. 3.91 lakh was released to the concerned PRIs between January 2008 and June 2008.

1.7 Database of PRIs

As per recommendation of EFC a portion of the local bodies grants provided by the Government of India was to be utilised for the development of database on finances of PRIs at District/State level. For this purpose the data was to be collected and compiled in standard formats prescribed by C&AG of India. It was noticed that the Panchayati Raj Department has not adopted the draft formats so far. However, Rs. 7.99 crore has been spent by the department for purchase of articles/materials such as computers, printers, furnitures and LAN cabling etc. for supplying to PRIs. Director, Panchayati Raj stated (August 2008) that the process for fully computerization of all the GPs is in progress and after that database formats shall be adopted.

1.8 Outstanding audit objections

The PRIs are required to comply with the observations contained in the Inspection Reports (IRs) on priority and send their compliance report to get the paras settled. From the position of outstanding paras as on March, 2008 given below it may be seen that no effective steps have been taken by the PRIs to get outstanding paras settled. The details of inspection reports and outstanding paragraphs as on March 2008:-

⁴ Bilaspur, Hamirpur, Kullu, Mandi, Sirmour, and Solan

Sr.No.	Year of issue of Inspection Reports	No. of Inspection Reports	No. of outstanding paragraphs.
1.	2005-06 & 2006-07	195	580
2.	2007-08	337	505

1.9 Internal Audit.

Sub-Section (I) of section 118 of the Himachal Panchayati Raj Act, 1994 provides that there will be a separate and independent Internal 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 agency is required to conduct audit of all the three tier of PRIs annually. The position of internal audit conducted during the year 2006-07 was as under:-

Name of Institution	Total units	Nos. of units audited	No. of units not audited	Percentage of short fall
1. Zila Parishad	12	12	Nil	Nil
2. Panchayats Samiti	75	49	26	35
3. Gram Panchayats	3037	2704	333	11

From above it may be seen that 26 units of PSs and 333 units of GPs could not be covered by the Internal Audit Agency. The Director Panchayati Raj stated (February, 2008) that the targets for the audit could not be achieved during 2006-07 as the staff remained busy for imparting training to the newly elected representatives of the PRIs.

CHAPTER-II

ACCOUNTS & FINANCES

2.1 Accounting arrangements.

The Eleventh Finance Commission had recommended exercising control and Supervision over maintenance of accounts of PRIs of all three tier by the C&AG. But the Government of Himachal Pradesh has still not adopted budget and accounting formats prescribed by C&AG. Government of Himachal Pradesh stated (September 2008) that matter regarding adoption of budget & accounts formats prescribed by the C&AG was under process.

2.2 Non-reconciliation of balances in cash book with the pass book.

Rule 15 (10) (b) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the balances of the pass book of the PS/GP shall be checked with reference to the cash book at the close of every month by way of reconciliation.

In five⁵ PSs test checked an amount of Rs. 13.32 lakh remained un-reconciled as of March, 2008.

Similarly in 117 GPs test checked differences of Rs. 30.04 lakh in both accounts in pass book and cash book remained un-reconciled as of March, 2008. Thus, the un-reconciled balance does not reflect true financial position of PRIs. The concerned Executive Officers (EOs) of PSs and Secretary of GPs stated (May 2007 to December 2007) that the efforts were being made to reconcile the differences. The replies were not tenable as compliance of rules for monthly reconciliation was not ensured.

2.3 Outstanding advances

Rule 30 of the Himachal Pradesh Panchayati Raj Rules 2002 provides that whenever any advance is paid to an office bearer or officer/official of GP for carrying out the developmental works a record thereof shall be kept in the register of temporary advances in Form-9 and such advances should be adjusted within one year.

In 15 GPs test checked advances amounting to Rs. 3.06 lakh had been paid between 1990 and 2007 to the Pradhans/Secretaries for meeting the expenditure for developmental works, but adjustments of accounts was neither submitted by them

⁵ Chowari Rs. (-) 0.07 lakh, Rait Rs. (-) 1.52 lakh, Baijnath Rs. 11.40 lakh, Kunihar Rs. 2.18 lakh and Sulh Rs. 1.33 lakh.

nor balance amount deposited as of March, 2008. The department records show that no action had been taken to get these advances adjusted.

2.4 Non maintenance of records/registers

Rule 34 of Himachal Pradesh Panchayati Raj General Rules 1997 provides that every GP 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 six PSs and 156 GPs, test checked the above records were not found maintained during the period 2002-2007 (Appendix-2) on account of which the correctness of financial transactions could not be ascertained. No reasons for non maintenance of records were intimated by the concerned institutions.

2.5 Retention of cash in hand in excess of permissible limit

(i) Rule 18 (2) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the PS and ZP may allow the accumulation of cash in the departmental cash chest upto a maximum limit of Rs. 2500 and Rs.5000 respectively, at one time.

In violation of the rules, the EOs of six PSs (Chamba, Chauntra, Dhrampur, Rait, Sujampur and Solan) were found to have retained cash ranging between Rs. 2882 and Rs. 39870 thousand at a time during the period from 2002 to 2007.

(ii) Rule 10 (3) of the Himachal Pradesh Panchayati Raj 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 43 GPs test checked the cash ranging between Rs. 1007 and Rs. 159893 was left in hand as imprest during 2002-2007. The retention of cash in excess of prescribed limit was not only irregular but there was every likelihood of its being temporarily mis-utilised.

The concerned institutions admitted the facts and stated (May 2007 to December 2007) that such irregularities would not be repeated in future.

2.6 Non opening of separate account

Rule 4 (i) of Himachal Pradesh Panchayati Raj Rules, 2002 provides that separate "A" and "B" accounts shall be opened by every ZP/PS/GP for income from own resources and the grants in aid received, funds allocated for special purposes and loans etc.

In two ZPs, nine PSs and 49 GPs (Appendix-3) test checked, separate “A” & “B” accounts had not been opened. 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 (May 2007 to December 2007) that needful would be done in future.

2.7 Expenditure incurred without preparing any budget.

According to Rule 38 of Himachal Pradesh Panchayati Raj (Finance, Budget, Accounts, Audit etc) Rules 2002 every PS and ZP shall prepare annually a budget estimates of its receipt and expenditure in form 12 for the year commencing on 1st day of the following April. The budget estimates shall be prepared by the Secretary of the PS or the ZP, as the case may be by 31st December and submit it to the Finance, Audit and Planning Committee of the PS or the ZP, 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 PS or the ZP, as the case may be for approval on or before the 15th February,

It was noticed that in two ZPs and four PSs test checked budget estimates for the period from 2003-07 had not been prepared. However expenditure of Rs. 161.00 lakh had been incurred between 2003-04 to 2006-07 without valid authorization in the form of budget, which was irregular (details in Appendix-4). The concerned institutions stated (April 2007 to February 2008) that in future, budget estimates would be prepared in time.

2.8 Purchase of material without inviting quotations.

Rule 67 (5) (b) of the Himachal Pradesh Panchayati Raj Rules 2002 provides that the purchases of stores for more than Rs. 1000/- but less than Rs. 50,000/- are to be made by inviting quotations.

Scrutiny of purchase vouchers in 30 selected GPs (Appendix-5) revealed that purchases of various material costing Rs. 74.25 lakh were made during 2002-07 without inviting quotations which was in contravention of the above rule. It was further noticed that goods were purchased from one or two shops without inviting quotations. Had the quotations been invited, the possibilities of less payment for cost of material purchased could not be ruled out. Concerned GPs stated (July 2007 to January 2008) that in future the purchases would be made as per rules.

2.9 Non-recovery of house tax.

Rule 33 of Himachal Pradesh Panchayati Raj Rules 2002 provides that the Secretary of the GP shall see that all revenue are correctly, promptly and regularly assessed, realised and credited to the accounts of funds of the Panchayat concerned.

Rs. 4.07 lakh on account of house tax for the period falling 2002-07 was recoverable in 37 test checked GPs (details given in Appendix-6) as of March, 2008 which was indicative of a lack of initiative and poor control in GPs, resulting in weakening of their own resource base. Besides, the GPs had not taken any action to levy panality on defaulters for non-payment of house tax as envisaged in section 114 (i) of the HP Panchayati Raj Act 1994. The concerned GPs stated (June 2007 to March 2008) that the action to recover the house tax would be taken immediately.

2.10 Non-recovery of duty on account of installation of mobile towers.

Himachal Pradesh Government authorised (November 2006) the GPs to levy duty on installation of mobile communication towers at the rate of Rs. 4,000/- per tower and annual renewal of fee at the rate of Rs. 2,000/- per annum installed in their jurisdiction.

In 11 GPs test checked mobile towers were installed during 2004-2007 in their jurisdiction, but the GPs have neither levied nor recovered the amount of Rs. 2.36 lakh on account of installation duty and renewal fee as of March, 2008 (Appendix-7). The concerned GPs stated (June 2007 to February 2008) that the action would be taken to recover the dues.

2.11 Outstanding rent

The PSs/GPs had been renting out the shops/stalls in their jurisdiction on monthly rent basis to the public. It was noticed in five test checked PSs and 10 test checked GPs that an against the demand for Rs. 5.19 lakh for the period from 1999-2007, only an amount of Rs. 0.52 lakh was recovered by the PRIs leaving an outstanding balance of Rs. 4.67 lakh. The concerned PRIs stated that action would be taken to recover the rent.

CHAPTER-III

IMPLEMENTATION OF SCHEMES

3.1 Irregularities in release of funds.

As per guidelines of TFC the repair and maintenance of water supply and sanitation schemes in rural areas having monetary value of less than Rs. 0.50 lakh shall not be sanctioned by PS. 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 PS for sanction of schemes out of its budget share.

It was noticed that contrary to the provisions of guidelines, funds amounting to Rs. 12.57⁶ lakh were sanctioned/released by PS during 2006-07 for 86 schemes having monetary value of less than Rs.0.50 lakh. However, the works under the schemes were being executed but these schemes were not out of priorities fixed by the respective Gram Sabha. Thus, the release of funds to non-priority works was irregular. The Secretary of concerned PS stated 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. 0.50 lakh and more. Relaxation from Government is awaited.

3.2 Excess expenditure on material component

As per instructions issued (July 2003) by the Government, the 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, 64 percent expenditure was incurred on material component and 36 per cent made on labour component during the year 2002-2007 on 587 works such as construction of grounds, path, bowri and tanks etc. approved by the Gram Sabha and executed in 40 Panchayats resulting in excess expenditure on material component of Rs. 22.70 lakh. No reasons for excess expenditure on material component were advanced by any of GPs.

3.3 Incomplete works.

As per condition of sanctions, works were required to be completed within one year from the date of sanction. During test check of works registers and other relevant records, it was noticed that in seven PSs, 89 works totaling to Rs. 21.44

⁶ PS Dharampur Rs. 1.60 lakh five schemes, Sujampur Rs. 2.59 lakh 15 schemes, Chamba Rs. 5.34 lakh 60 schemes, Reconge peo Rs. 1.46 lakh five schemes and Basantpur Rs. 1.58 lakh one scheme.

lakh were approved (2002-07) through annual shelf works and funds of Rs. 21.44 lakh were sanctioned for execution of works. These works were to be executed by the various GPs under the control of seven PSs during the year 2002-2007 under SGRY scheme (details in Appendix-8). It was further noticed that out of above works of Rs. 21.44 lakh, an expenditure of Rs. 11.10 lakh was incurred as of March, 2008 and a balance of Rs. 10.34 lakh remained unutilised. A period of one to six years has elapsed from the date of sanction of funds, but the balance funds of Rs. 10.34 lakh has not been utilised (August 2008).

Thus non-completion of these works even after stipulated period has resulted into unfruitful expenditure besides depriving the public from intended benefits. The concerned EOs stated (June 2007 to February 2008) that some of the works had been completed but accounts were awaited from concerned GPs. It was further stated that incomplete works could not be completed due to local disputes and lack of interest of concerned GPs.

3.4 Expenditure in excess of sanctioned grant.

Rules 46 of the Himachal Pradesh Panchayati Raj Rules 2002 provides that Secretary of the GP shall keep the proper control over expenditure and closely acquainted with the progress of the expenditure.

It was notice that 34 GPs had incurred an expenditure of Rs. 21.63 lakh (Appendix-9) in excess of sanctioned amount of grant in respect of works during 2002-07 for which no approval was obtained from competent authority. No reasons for excess expenditure were advanced. The works had been completed after incurring expenditure in excess of sanctioned amount which resulted into non-execution of other works timely due to shortage of funds.

3.5 Diversion of funds.

Para 4.3 of guidelines of SGRY scheme provides that 22.5 percent of annual allocation of PS must be spent on individual beneficiary/group schemes for the benefit of SC/STs living below the poverty line. Diversion of funds meant for this purpose was not permitted. For this purpose schemes are proposed in the house of PRIs and approved by the Gram Sabha.

Out of Rs. 239.75 lakh allocated to four⁷ PSs for 539 schemes between 2003-04 and 2006-07, a sum of Rs. 53.95 lakh (22.5 percent) was required to be spent

⁷ Nimand 114, Nichar 130, Kalpa 134 and Ani 161.

for individual beneficiaries of SC/STs living below the poverty line. It was however noticed that out of 539 schemes no scheme was sanctioned and approved by the Gram Sabha for individual benefit of SC/STs living below the poverty line. Thus the sum of Rs. 53.95 lakh meant for individual benefit of SC/STs living below the poverty line was diverted to other programmes of SGRY scheme.

The concerned EOs stated (June 2007 to November 2007) that while sanctioning the schemes, the guidelines would be followed in future.

3.6 Non-Execution of works by the Panchayat Samities.

Rule 93 of Himachal Pradesh Panchayati Raj Rules 2002 provides that the PS shall execute works out of the funds available through the participatory⁸ committee constituted by the PS and the separate participatory committee should be framed for each works for maintaining complete transparency in its functioning.

It was noticed that seven test checked PSs had not constituted any participatory committee for execution of works approved by the house of PS. Consequently funds amounting to Rs. 38.90 lakh were released during 2005-07 (Appendix-10) to the blocks for further execution of works by the concerned Panchayats. Which was irregular on the participant of common man was missing in the execution of these works. The concerned institutions stated that the corrective action would be taken in future.

⁸ Includes two members of concerned GP, three members of the village who are to be benefited from works, two women members of Mahila Mandal, one teacher and two representative from Non Government Organization (NGO).

CHAPTER-IV

4. OTHER IMPORTANT TOPICS

4.1 Irregular payments on Muster Rolls.

Rule 102 of Himachal Pradesh Panchayati Raj Rules 2002 provides that the Secretary or any other official under him shall maintain a Muster Roll (MR) in such a form as is used by the PWD for the work executed departmentally, every payment of MR shall be made and witnessed by the official, who shall certify to the payments individually or by groups.

Scrutiny of MRs in 15 GPs revealed cases of double and doubtful payments by employing same Labourers at two places at the same time, which has resulted into double payments of Rs. 0.75 lakh (Appendix-11). The concerned GPs stated (June 2007 to March 2008) that matter would be investigated.

4.2 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 PS under head grant in aid. The funds released by the department were to be credited to PLA account of the respective PSs. 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 12 PSs test checked (Appendix-12) there was opening balance of Rs. 48.82 lakh as on 1st April 2003 and an amount of Rs. 8.61 lakh was received between 2003-04 and 2006-07 against which expenditure of Rs. 31.75 lakh was incurred leaving unspent balance of Rs. 25.68 lakh as of March 2008. Thus, funds amounting to Rs. 25.68 lakh stood blocked and purpose for which the funds were released also remained un-achieved. PS Nichar stated (July 2007) that the details of works/scheme for which these funds were made available were being worked out and other PS stated (June 2007 to February 2008) that funds would be utilised after the approval from the house of PS.

4.3 Awaited Utilisation.

Government of Himachal Pradesh vide notification dated 17-03-1971 issued orders that the work or service for which grant-in-aid (GIA) has been received

from the Government should be utilised within a period of two years from the date receipts of GIA.

The Director Panchayati Raj has been releasing various grants to PRIs for developmental schemes and concerned institutions were required to furnish Utilisation Certificates (UCs) within two years (2004-05 Rs. 8.72 crore, 2005-06 Rs. 26.32 crore) from receipt of grants. It was noticed that UCs for Rs. 35.04 crore were awaited as of March 2008. The Department stated (March, 2008) that effective efforts were being made to collect the UCs.

4.4 Conclusion and Recommendations.

(1) Conclusion

The department has neither issued notification for technical guidance by CAG relating to exercising control and supervision over maintenance of accounts of PRIs and their audit nor accepted/approved standard draft format prescribed by CAG for data base of finance. PRI was not maintaining complete information regarding its own revenue. DPC was constituted by the State Government, but not functional except in two districts. The accounting irregularities such as un-reconciled balances, excess expenditure over allotted funds, diversion of funds, long outstanding advances and pending UCs were noticed.

(2) Recommendations.

The following measures are recommended to ensure discipline in PRIs and to improve efficiency of implementation of various developmental programmes and schemes.

- *Notification for technical guidance by the CAG of India needs to be issued on priority*
- *Standard draft format for database of finance needs to be finalised on priority.*
- *District Planning Committee need to be functional throughout the State.*
- *Internal control mechanism in the Panchayati Raj Department needs to be strengthened for effective financial management.*
- *Incomplete works needs to be given priority for completion over the new work.*

Shimla
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Appendix-1 (Refer to Paragraph-1.4 Page-3)

Details of Institutions audited during 2007-08

Zila Parishad

1. Solan
2. Kinnaur
3. Chamba
4. Kangra
5. Una
6. Nahan

Panchayat Samities

1. Kunihar
2. Basantpur
3. Solan
4. Dharampur (Solan)
5. Baijnath
6. Panchrukhi
7. Nichar
8. Kalpa
9. Nagrota Bagwan
10. Sullah
11. Bhawarna
12. Rait
13. Sujanpur Tihra
14. Chauntra
15. Drang
16. Bhatiyat (Chuwari)
17. Rampur
18. Nirmand
19. Ani
20. Chamba
21. Dharampur (Mandi)
22. Bijhari
23. Pachhad
24. Nahan
25. Bhoranj

Gram Panchayats

Total No. of Gram Panchayats Audited = 306

Appendix-2 (Refer to Paragraph- 2.4 Page-7)

Detail of non-maintenance of Records by the institutions.

Panchayat Samities

<i>Sr. No.</i>	<i>Name of P.S</i>	<i>Period</i>
1.	Rampur Busher (Shimla)	2004-07
2.	Nirmand (Kullu)	2004-07
3.	Nichar (Kinnaur)	2004-07
4.	Recongepeo (Kinnaur)	2004-07
5.	Ani (Kullu)	2004-07
6.	Dharpur (Mandi)	2004-07

Gram Panchayats

<i>Sr.No.</i>	<i>Name of Gram Panchayats</i>	<i>Period</i>
1.	Thanedhar (Narkanda)	2002-07
2.	Zar (Narkanda)	---do---
3.	Kirti (Narkanda)	---do---
4.	Samthola (Narkanda)	---do---
5.	Bhutti (Narkanda)	---do---
6.	Sinhal (Narkanda)	---do---
7.	Jarol (Narkanda)	---do---
8.	Kumarsain (Narkanda)	---do---
9.	Bhareri (Narkanda)	---do---
10.	Mehlen (Narkanda)	---do---
11.	Khaneti (Narkanda)	---do---
12.	Deab (Narkanda)	---do---
13.	Madhuvani (Narkanda)	---do---
14.	Mangsu (Narkanda)	---do---
15.	Sandhu (Narkanda)	---do---
16.	Kelvi (Theog)	---do---
17.	Mahari (Theog)	---do---
18.	Bharana (Theog)	---do---
19.	Shilaru (Theog)	---do---
20.	Chikhar (Theog)	---do---
21.	Sharmala (Theog)	---do---
22.	Kayartoo (Theog)	---do---
23.	Cheog (Theog)	---do---
24.	Kerasa (Rohru)	---do---
25.	Samoli (Rohru)	---do---
26.	Baswala (Rohru)	---do---
27.	Serontha (Rohru)	---do---
28.	Varasali (Rohru)	---do---
29.	Hastadi (Rohru)	---do---
30.	Sekhai (Rohru)	---do---

31.	Karivan (Rohru)	---do---
32.	Pujrali-4 (Rohru)	---do---
33.	Lower Koti (Rohru)	---do---
34.	Munchkanda (Rohru)	---do---
35.	Banchti (Nahan)	---do---
36.	Vikram bag (Nahan)	---do---
37.	Satiwala (Nahan)	---do---
38.	Nahan (Nahan)	---do---
39.	Panar (Nahan)	---do---
40.	Thana Kasog (Nahan)	---do---
41.	Ramadhauan (Nahan)	---do---
42.	Palio (Nahan)	---do---
43.	Dadahou (Nahan)	---do---
44.	Verma Papri (Nahan)	---do---
45.	Mejher (Theog)	---do---
46.	Bahaloon (Rohru)	---do---
47.	Trilokpur (Nahan)	---do---
48.	Dharpur (Theog)	---do---
49.	Ambwala Sairwala (Nahan)	---do---
50.	Chambi (Sundar Nagar)	---do---
51.	Bhanotu (Chamba)	---do---
52.	Naun (Gohar)	---do---
53.	Kiling (Gohar)	---do---
54.	Bahawa (Gohar)	---do---
55.	Sakoh (Rait)	---do---
56.	Gheeri (S/Nagar)	---do---
57.	Haripur (Chamba)	---do---
58.	Barour (Chamba)	---do---
59.	Dehar (S/Nagar)	---do---
60.	Rajnagar (Chamba)	---do---
61.	Rakoh (Gopalpur)	---do---
62.	Anusui (Rait)	---do---
63.	Sarol (Chamba)	---do---
64.	Prahnavi (Chamba)	---do---
65.	Dalhar (Chamba)	---do---
66.	Batwara (S/Nagar)	---do---
67.	Banuri (Panchrukhi)	---do---
68.	Pukhri (Chamba)	---do---
69.	Saho (Chamba)	---do---
70.	Kandi Kamrunag (Gohar)	---do---
71.	Bayola (Gohar)	---do---
72.	Chattar (Gohar)	---do---
73.	Shilhinoo (Gohar)	---do---
74.	Kothi (R/Peo)	---do---
75.	Saroa (Gohar)	---do---
76.	ChailChowk (Gohar)	---do---
77.	Majothi (Gohar)	---do---
78.	Kharasi (Gohar)	---do---
79.	Dugrai (S/Nagar)	---do---
80.	Maleg (Karsog)	---do---
81.	Panjehra (Nalagarh)	---do---
82.	Sach (Chamba)	---do---
83.	Fatehpur (Gopalpur)	---do---

84.	Nawai (Gopalpur)	---do---
85.	Nanj (Karsog)	---do---
86.	Rajpura (Nalagarh)	---do---
87.	Khera (Nalagarh)	---do---
88.	Churag (Karsog)	---do---
89.	Paanta (Gopalpur)	---do---
90.	Manthal (Karsog)	---do---
91.	Manpura (Nalagarh)	---do---
92.	Barian (Nalagarh)	---do---
93.	Jamani (Gopalpur)	---do---
94.	Bhathan (Nalagarh)	---do---
95.	Sunerh (Nalagarh)	---do---
96.	Sarol (Ghumarwin)	---do---
97.	Dangar (Ghumarwin)	---do---
98.	Gahar (Ghumarwin)	---do---
99.	Dabla (Ghumarwin)	---do---
100.	Lahi (Nalagarh)	---do---
101.	Mundla (Rait)	---do---
102.	Rait (Rait)	---do---
103.	Basnoor (Rait)	---do---
104.	Mundkhar (Bhoranj)	---do---
105.	Paplah (Bhoranj)	---do---
106.	Manjgran (Rait)	---do---
107.	Bhawarna (Bhawarna)	---do---
108.	Ghar (Bhawarna)	---do---
109.	Ghorav (Nagrota)	---do---
110.	Khalardoo (Gopalpur)	---do---
111.	Ghumarwin (Ghumarwin)	---do---
112.	Nandpur (Nalagarh)	---do---
113.	Patta (Ghumarwin)	---do---
114.	Vakarta (Gopalpur)	---do---
115.	Sarnan (Karsog)	---do---
116.	Pukhi (Karsog)	---do---
117.	Chouridhar (Karsog)	---do---
118.	Lower Karsog (Karsog)	---do---
119.	Teban (Karsog)	---do---
120.	Gawalpur (Karsog)	---do---
121.	Barchawad (Gopalpur)	---do---
122.	Khajjiar (Chamba)	---do---
123.	Panjah (Chamba)	---do---
124.	Thana (Nalagarh)	---do---
125.	Kothi (Ghumarwin)	---do---
126.	Duni (Kinnour)	---do---
127.	Baldwara (Gopalpur)	---do---
128.	Kirpalpur (Nalagarh)	---do---
129.	Palasi Kalan (Nalagarh)	---do---
130.	Malpur (Nalagarh)	---do---
131.	Chachot (Gohar)	---do---
132.	Radyali (Nalagarh)	---do---
133.	Badehar (Bhoranj)	---do---
134.	Kakar (Bhoranj)	---do---
135.	Jahoo (Bhoranj)	---do---

136.	Padlayag (Ghumarwin)	---do---
137.	Dadhol (Ghumarwin)	---do---
138.	Pater (Ghumarwin)	---do---
139.	Amroh (Ghumarwin)	---do---
140.	Dohab (Rait)	---do---
141.	Rajol (Rait)	---do---
142.	Kotgarh (Thanedahar)	---do---
143.	Bhukkar (Bhoranj)	---do---
144.	Makroti (Rait)	---do---
145.	Sihuwani (Rait)	---do---
146.	Hano (Bhoranj)	---do---
147.	Chaitru (Rait)	---do---
148.	Meherna (Rait)	---do---
149.	Amvadi (Rait)	---do---
150.	Manwin (Bhoranj)	---do---
151.	Luder Mahadev (Bhoranj)	---do---
152.	Bahenvi (Bhoranj)	---do---
153.	Dhirad (Bhoranj)	---do---
154.	Rehelu (Rait)	---do---
155.	Basal Lower (Una)	---do---
156.	Kuthar Khurd (Una)	---do---

Appendix-3 Refer to Paragraph- 2.6 Page-7)

Non-opening of Separate Accounts

Zila Parishad

<i>Sr. No.</i>	<i>Name of Zila Parishads</i>	<i>Period</i>
1.	Chamba	2004-07
2.	Solan	2004-07

Panchayat Samities

<i>Sr. No.</i>	<i>Name of P.S</i>	<i>Period</i>
1.	Chauntra (Mandi)	2004-07
2.	Sulah at Bhedu Mahadev (Kangra)	2004-07
3.	Nirmand (Kullu)	2004-07
4.	Chamba (Chamba)	2004-07
5.	Chuwari Bhatiyat (Chamba)	2004-07
6.	Sujanpur (Hamirpur)	2004-07
7.	Darang (Mandi)	2004-07
8.	Bijhari (Hamirpur)	2004-07
9.	Bhoranj (Hamirpur)	2004-07

Gram Panchayats

<i>Sr.No.</i>	<i>Name of Gram Panchayats</i>	<i>Period</i>
1.	Sandhu (Theog)	2002-07
2.	Mahori (Theog)	--Do---
3.	Bharana (Theog)	-Do-
4.	Chikkar (Theog)	-Do-
5.	Sharmala (Theog)	-Do-
6.	Karyatu (Theog)	-Do-
7.	Cheog (Theog)	-Do-
8.	Bashala (Theog)	-Do-
9.	Serontha (Rohru)	-Do-
10.	Varasali (Rohru)	-Do-
11.	Karivan (Rohru)	-Do-
12.	Majhar (Theog)	-Do-
13.	Kathog (Theog)	-Do-
14.	Devridhar (Theog)	-Do-
15.	Kayara (Theog)	-Do-
16.	Balh (Kullu)	-Do-
17.	Bhajyani (Kullu)	-Do-
18.	Bandrol (Kullu)	-Do-
19.	Malan (Kullu)	-Do-
20.	Choprassa (Kullu)	-Do-
21.	Darpa (Gopalpur)	-Do-
22.	Haribehana (Gopalpur)	-Do-

23.	Banuri (Panchrukhi)	-Do-
24.	Kandi Kamrunag (Gohar)	-Do-
25.	Shillnoo (Gohar)	-Do-
26.	Sarua (Gohar)	-Do-
27.	Chail Chowk (Gohar)	-Do-
28.	Kharasi (Gohar)	-Do-
29.	Ghar (Bhawarna)	-Do-
30.	Bhawarna (Bhawrana)	-Do-
31.	Khalarloo (Gohar)	-Do-
33.	Bhambla (Gopalpur)	-Do-
34.	Baldwara (Gopalpur)	-Do-
35.	Jashtha (Kullu)	-Do-
36.	Chachot (Gohar)	-Do-
37.	Murhag (Gohar)	-Do-
38.	Hat (Kullu)	-Do-
39.	Fatehpur (Gopalpur)	-Do-
40.	Nawai (Gopalpur)	-Do-
41.	Poanta (Gopalpur)	-Do-
42.	Sulpur (Gopalpur)	-Do-
43.	Gahar (Gumarwin)	-Do-
44.	Rait (Rait)	-Do-
45.	Basnoor (Rait)	-Do-
46.	Jahu (Bhoranj)	-Do-
47.	Dadhol (Ghumarwin)	-Do-
48.	Makrori (Rait)	-Do-
49.	Sihuwain (Rait)	-Do-

Appendix-4 (Refer to Paragraph- 2.7 Page-8)

Non-preparation of Budget Estimates.

Zila Parishads

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of Zila Parishads</i>	<i>Period</i>	<i>Amount spent</i>
1.	Reconge Peo (Kinnour)	2003-07	28.81
2.	Kangra	2005-06	21.68
		<i>Total</i>	<i>50.49</i>

Panchayat Samities

<i>Sr.No.</i>	<i>Name of P.S</i>	<i>Period</i>	<i>Amount spent</i>
1.	Chauntra (Mandi)	2004-07	18.75
2.	Sujanpur Tihra (Hamirpur)	2004-07	4.80
3.	Darang (Mandi)	2004-07	18.62
4.	Reconge Peo (Kinnour)	2004-07	68.34
		<i>Total</i>	<i>110.51</i>
		<i>Grant Total</i>	<i>161.00</i>

Appendix-5 (Refer to Paragraph- 2.8 Page-8)

Material Purchase without inviting quotation.

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of G.P</i>	<i>Period</i>	<i>Amount</i>
1.	Iama (Bhawarna)	2004-07	5.74
2	Sarhan (Karsog)	2002-07	5.51
3.	Kelodhar (Karsog)	2002-07	0.54
4.	Teban (Karsog)	2002-07	0.56
5.	Gowalpur (Karsog)	2002-07	1.48
6.	Kunshal (Bajjnath)	2002-07	1.50
7.	Kirpalpur (Nalagarh)	2002-07	3.63
8.	Churag (Karsog)	2002-07	1.33
9.	Manthal (Karsog)	2002-07	0.53
10.	Sarol (Ghumarwin)	2002-07	1.04
11.	Dabla (Ghumarwin)	2002-07	0.25
12.	Mundkhar (Bhoranj)	2002-07	3.15
13.	Badehar (Bhoranj)	2002-07	1.95
14.	Kakar (Bhornaj)	2002-07	0.29
15.	Jahu (Bhoranj)	2002-07	1.60
16.	Pater (Ghumarwin)	2002-07	0.37
17.	Amroh (Ghumarwin)	2005-07	0.96
18.	Bhukkar (Bhoranj)	2006-07	0.40
19.	Manwin (Bhoranj)	2003-05	2.31
20.	Luder Mahadev (Bhoranj)	2002-06	0.84
21.	Bahanvi (Bhoranj)	2004-07	0.85
22.	Dhirad ((Bhoranj)	2002-07	2.46
23.	Chalola (Una)	2002-07	5.53
24.	Basal lower (Una)	2002-07	6.61
25.	Kuthar Kurd (Una)	2002-07	3.85
26.	Nagni (Nurpur)	2002-07	0.71
27.	Rampur (Una)	2002-07	5.48
28.	Kotla Kalan (Una)	2002-07	5.09
29.	Fatehpur (Una)	2002-07	4.68
30.	Barnoh (Una)	2002-07	5.01
		Total	74.25

Appendix-6 (Refer to Paragraph-2.9 Page-9)

Details of Non-recovery of House Tax.

Gram Panchayats

(Rs. in lakh)

<i>Sr.No</i>	<i>Name of G.P</i>	<i>Amount</i>	<i>Period</i>
1.	Bhanota (Chamba)	0.27	2002-07
2.	Haripur (Chamba)	0.11	2002-07
3.	Braur (Chamba)	0.09	2002-07
4.	Mahakal (Baijnath)	0.11	2001-07
5.	Upper Karsog (Karsog)	0.12	2005-06
6.	Bandian (Baijnath)	0.02	2003-07
7.	Palyur (Chamba)	0.23	2002-07
8.	Sarol (Chamba)	0.11	2002-07
9.	Prahanvi (Chamba)	0.07	2002-07
10.	Paratha (Chamba)	0.42	2002-07
11.	Draman (Chamba)	0.05	2002-07
12.	Pukhri (Chamba)	0.11	2002-07
13.	Saho (Chamba)	0.16	2002-07
14.	Ghorav (Nagrota Bagwan)	0.01	2002-07
15.	Nandpur (Nalagarh)	0.03	2002-07
16.	Lower Karsog (Karsog)	0.08	2002-07
17.	Panjah (Chamba)	0.14	2002-07
18.	Thana (Nalagarh)	0.15	2002-07
19.	Gulkhala (Nalagarh)	0.11	2002-07
20.	Palasi Kalen (Nalagarh)	0.08	2002-07
21.	Radiyali (Nalagarh)	0.17	2002-07
22.	Kaila (Chamba)	0.21	2002-07
23.	Rajpura (Nalagarh)	0.10	2002-07
24.	Khera (Nalagarh)	0.09	2002-07
25.	Manthal (Karsog)	0.08	2002-07
26.	Manpura (Nalagarh)	0.11	2002-07
27.	Bhatain (Nalagarh)	0.02	2002-07
28.	Sunerh (Nalagarh)	0.07	2002-07
29.	Lehi (Nalagarh)	0.09	2002-07
30.	Majgran (Rait)	0.02	2002-07
31.	Sihuwan (Rait)	0.13	2002-07
32.	Chaitru (Rait)	0.05	2002-07
33.	Rehalu (Rait)	0.03	2002-07
34.	Basal Lower (Una)	0.05	2002-07
35.	Jach (Nupur)	0.07	2002-07
36.	Mubarik Pur (Amb)	0.12	2002-07
37.	Thora (Nurpur)	0.19	2002-07
Total		4.07	

Appendix-7 (Refer to Paragraph- 2.10 Page-9)

Non-recovery of duty on account of installation of Mobile Towers.

Gram Panchayats

(Rs. in lakh)

<i>Sr.No</i>	<i>Name of G.P</i>	<i>Period since outstanding</i>	<i>Amount</i>
1.	Badwar (Nurpur)	2006-07	0.06
2.	Nagani (Nurpur)	2006-07	0.24
3.	Anoh (Nurpur)	2006-07	0.06
4.	Nihri Nauranga (Amb)	2006-07	0.26
5.	Rehan (Nurpur)	2004-05	0.08
6.	Dadh (Bhawarna)	2006-07	0.06
7.	Indora (Indora)	2006-07	0.06
8.	Basantpur (Basantpur)	2002-07	0.70
9.	Paraur (Bhawarna)	2005-07	0.08
10.	Mohalti (Indora)	2006-07	0.60
11.	Gagwal (Indora)	2005-07	0.16
		<i>Total</i>	<i>2.36</i>

Appendix-8 (Refer to Paragraph-3.3 Page-11)

Incomplete Works

Panchayat Samities

(Rs. in lakh)

Sr. No.	Name of P.S	Year of sanctioned	Total amount sanctioned	Total expenditure incurred	Unspent balances	No. of works
1.	Nirmand (Kullu)	2005-07	1.35	0.42	0.93	4
2.	Baijnath (Kangra)	2002-06	8.42	5.95	2.47	54
3.	Ani (Kullu)	2002-07	2.00	1.80	0.20	3
4.	Basantpur (Shimla)	2004-07	1.84	0.52	1.32	7
5.	Solan (Solan)	2005-06	5.35	1.20	4.15	4
6.	Bijhari (Hamirpur)	2002-07	0.69	0.38	0.31	8
7.	Bhoranj	2002-07	1.79	0.83	0.96	9
		Total	21.44	11.1	10.34	89

Appendix-9 (Refer to Paragraph- 3.4 Page-11)***Statement of Expenditure in Excess of Sanctioned Grants******Gram Panchayats******(Rs. in lakh)***

Sr. No.	Name of Panchayat Samiti	Year	Amount sanctioned	Expenditure incurred	Excess expenditure	No. of works
1.	Zar (Narkanda)	2002-07	1.52	2.20	0.68	15
2.	Shamlkala (Narkanda)	2002-07	6.94	8.66	1.72	16
3.	Sinhal (Narkanda)	2003-07	1.26	1.94	0.68	9
4.	Jarol (Narkanda)	2003-07	0.08	1.83	1.75	5
5.	Kumarsain (Narkanda)	2003-07	2.97	3.47	0.50	19
6.	Mehlan (Narkanda)	2004-07	3.29	4.17	0.88	12
7.	Deeb (Narkanda)	2004-07	1.18	2.38	1.20	2
8.	Madhavani (Narkanda)	2002-07	1.55	1.79	0.24	5
9.	Mangsu (Narkanda)	2002-07	2.78	3.16	0.38	9
10.	Thana Kasog (Nahan)	2006-07	0.80	1.07	0.27	3
11.	Banakaten (Nahan)	2006-07	2.39	3.14	0.75	6
12.	Balh (Kullu)	2002-07	1.79	2.14	0.35	3
13.	Bhalyani (Kullu)	2004-07	2.35	3.60	1.26	3
14.	Baaheman (Kullu)	2003-07	2.34	3.11	0.76	9
15.	Rakoh (Gopalpur)	2002-07	1.85	2.93	1.08	12
16.	Chaprasa (Kullu)	2002-07	3.76	5.20	1.44	10
17.	Sarao (Gohar)	2002-07	0.30	0.73	0.43	3
18.	Khalerdo (Gopalpur)	2002-07	1.59	2.64	1.05	4
19.	Ghumarwin (Ghumarwin)	2002-07	0.17	0.49	0.32	3
20.	Kothi (Ghumarwin)	2002-07	1.24	2.04	0.80	8
21.	Chachyot (Gohar)	2002-07	1.06	1.47	0.41	4
22.	Poanta (Gopalpur)	2002-07	0.68	0.87	0.19	4
23.	Jamni (Gopalpur)	2002-07	0.80	0.98	0.18	4
24.	Sarol (Ghumarwin)	2002-07	1.90	2.25	0.35	6
25.	Dabla (Ghumarwin)	2002-07	2.10	2.40	0.30	3
26.	Dahb (Rait)	2006-07	1.36	1.42	0.06	4
27.	Bhukkar (Bhoranj)	2006-07	0.22	0.48	0.26	3
28.	Dhirad (Bhoranj)	2006-07	1.62	2.66	1.04	11
29.	Chalola (Una)	2003-06	5.03	5.69	0.66	6
30.	Mubarik pur (Amb)	2004-06	2.72	2.83	0.11	2
31.	Shivpur (Amb)	2002-06	1.39	1.53	0.14	7
33.	Barnoh (Una)	2002-05	1.13	1.52	0.39	5
34.	Ghuggher (Bhawarna)	2002-04	4.52	5.52	1.00	6
		Total	64.68	86.31	21.63	

Appendix-10 (Refer to Paragraph- 3.6 Page-12)

Non execution of works by Panchayat Samities.

(Rs. in lakh)

<i>Sr.No.</i>	<i>Name of P.S</i>	<i>Year</i>	<i>Amount released</i>
1.	Ani (Kullu)	2005-07	4.22
2.	Nirmand (Kullu)	2005-07	3.88
3.	Dhrampur (Solan)	2005-07	5.00
4.	Rait (Kangra)	2005-07	9.15
5.	Paddar (Mandi)	2005-07	6.57
6.	Bijhari (Hamirpur)	2005-07	7.07
7.	Bhoranj (Hamirpur)	2005-07	3.01
<i>Total</i>			38.90

Appendix-11 (Refer to Paragraph- 4.1 Page-13)

Details of Irregular Payment on Must Rolls

(Rs. in Thousand)

<i>Sr.No.</i>	<i>Name of G.P</i>	<i>Period of Audit</i>	<i>Amount</i>
1.	Sakoh (Rait)	2002-07	1500
2.	Bhawarna (Bhawarna)	2002-07	407
3.	Jahal (Gohar)	2002-07	2275
4.	Raidyalu (Rait)	2002-07	6871
5.	Majothi (Gohar)	2002-07	25142
6.	Ghar (Bhawarna)	2002-07	760
7.	Tiwan (Karsog)	2002-07	16170
8.	Churag (Karsog)	2002-07	550
9.	Majgran(Rait)	2002-07	4559
10.	Makrori (Rait)	2002-07	2600
11.	Rehelu (Rait)	2002-07	2225
12.	Jach (Nurpur)	2002-07	1989
13.	Sadwan (Nurpur)	2002-07	2160
14.	Gharyana (Basantpur)	2002-07	780
15.	Jooni (Basantpur)	2002-07	7060
		<i>Total</i>	<i>75048</i>

Appendix-12 (Refer to Paragraph- 4.2 Page-13)**Non-utilisation of PLA grants.****Panchayat Samities****(Rs. in lakh)**

Sr. No.	Name of P.S.	Period 2003-04	OB	Receipt	Total	Expenditure	Balance
1.	Rampur Bushehr	2003-04	0.14	0.60	0.74	0.04	0.70
2.	Chountra (Mandi)	2004-05	2.37	0.38	2.75	0.11	2.64
3.	Rait	2003-07	2.44	0.79	3.23	0.94	2.29
4.	Darang at Paddhar	2004-07	1.31	0.24	1.55	0.36	1.19
5.	Nichar (Kinnour)	2003-07	14.50	4.62	19.12	11.53	7.59
6.	Nagrota Bagwan (Kangra)	2004-05	1.88	0.53	2.41	0.62	1.79
7.	Reconge Peo (Kinnour)	2003-07	6.20	0	6.20	0.48	5.72
8.	Baijnath (Kangra)	2004-07	2.21	0.38	2.59	0.41	2.18
9.	Kunihar (Solan)	2004-07	0.96	0	0.96	0.45	0.51
10.	Pachhad (Sirmour)	2004-07	1.14	0.30	1.44	1.24	0.20
11.	Nahan (Sirmour)	2004-07	13.47	0.31	13.78	13.04	0.74
12.	Bijhari (Hamirpur)	2004-07	2.20	0.46	2.66	2.53	0.13
Total			48.82	8.61	57.43	31.75	25.68

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. Chapter-I of the Report contains a brief introduction on the functioning of the ULBs alongwith their financial profile.
3. The remaining chapters deal with the finding of the audit of accounts of ULBs.
4. The cases mentioned in this report are those, which came to notice in the course of test check of accounts of 17 Urban Local Bodies during the year 2007-08. Matters relating to the periods subsequent to 2006-07 have also been included, wherever necessary.

CHAPTER - I

AN OVERVIEW OF THE URBAN LOCAL BODIES

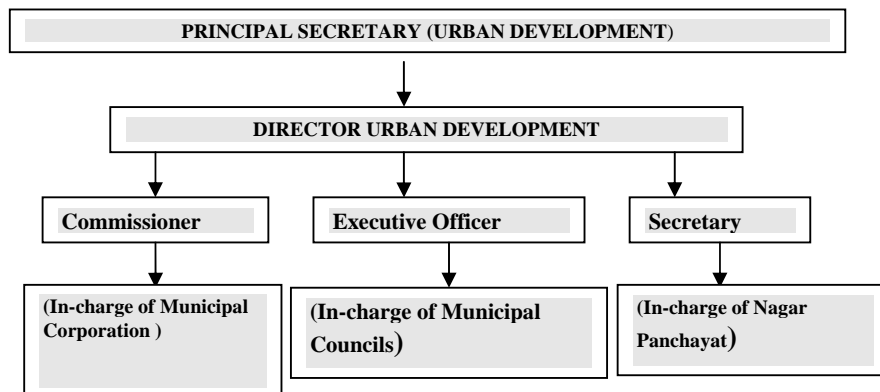
1.1 Introduction

The 74th Constitutional Amendment paved the way for decentralization of powers and transfer of 18 functions as listed in the 12th schedule of the Constitution alongwith funds and functionaries to the local bodies. To incorporate the provision of the 74th Constitutional Amendment, the Himachal Pradesh (Local Self Government) enacted the Himachal Pradesh Municipal Corporation Act, 1994 and Himachal Pradesh Municipal Act, 1994. Prior to enactment of these Acts, the functions listed in the 12th schedule of the Constitution were not devolved upon the ULBs, however the obligatory and discretionary functions were with ULBs.

The Eleventh Finance Commission (EFC) recommended that 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 State Government accordingly allowed (April 2004) the audit of accounts of ULB to be done by the Accountant General according to which Accountant General will be at liberty to conduct audit of such number of ULBs in such manner as it deems fit since all ULBs were in receipt of grants from the consolidated fund of the Centre/State and issue audit/inspection reports. Notification in this regard was also issued by the State Government in October, 2008.

1.2 Organizational Set up.

The Organizational set up of ULBs is as under:-



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

The Mayor heads the Municipal Corporation whereas the President heads both MCs and NPs.

1.3 Powers and functions

To function as institution of self-government and to carry out the responsibilities conferred upon them, the ULBs exercise their powers and functions in accordance with the provisions of the Constitution. Some obligatory functions of the ULBs are as follows:-

- **Water supply for public and private purpose;**
- **Construction and maintenance of sewage and drainage system;**
- **Collection and disposal of solid waste;**
- **Construction and maintenance of streets, bridges, culverts etc;**
- **Construction and maintenance of public latrines, urinals and similar conveniences;**
- **Lighting of public streets and other public places;**
- **Construction and maintenance of markets;**
- **Preventing and checking spread of dangerous diseases including immunization;**
- **Town planning and development including preservation of monuments, places of historical, artistic and other importance;**
- **Overall administration including survey, removal of encroachment, dangerous buildings, registration of births and deaths and pollution control of all kinds.**

Further, the ULBs may at their discretion provide the following services either wholly or partially out of its property and fund:

- **Education;**
- **Sanitation;**
- **Music and other entertainments in public places;**
- **Houses for deaf, dumb, disabled and destitute persons;**
- **Public works relating to relief, care of sick, medical service;**
- **Measure to promote public safety, health, convenience or general welfare.**

The State Government may impose or transfer any such functions and duties of the Government to the ULBs including those performed by the departments.

1.4 Audit Coverage.

Test check of the records of one Municipal Corporation, Shimla, seven¹ MCs and nine² NPs out of 20 MCs and 28 NPs was conducted during 2007-08. The important audit findings are incorporated in the succeeding paragraphs.

1.5 Sources and allocation of Funds.

For execution of various developmental works, the ULBs mainly received funds from the Government of India and the State Government in the form of Grants. The Government of India Grants include Grants assigned under the recommendations of EFC and Twelfth Finance Commission (TFC). The State Government Grants are received through devolution of net proceeds of the total tax revenue under the recommendation of the State Finance Commission (SFC). Besides, the source includes the revenue mobilized by the ULBs in the form of taxes, rent, fees, issue of license, etc.

Position of funds released to the ULBs during 2004-07 is given below:-

Year	Receipts				Total expenditure incurred ³
	State Govt.	Central Govt.	Own revenue	Total	
2004-05	2778.80	56.00	3301.88	6136.68	6392.16
2005-06	2702.10	28.00	3648.03	6378.13	6483.56 ⁴
2006-07	4410.91	81.98	4135.42	8223.50	8223.50
Total	9891.81	165.98	11085.33	20738.31	21099.22

The grants are allocated among the Municipal Corporation, MCs and NPs on the basis of total population and revenue earned by them from their own resources.

1.6 Utilisation of Twelfth Finance Commission Grants.

(i) The TFC has earmarked Rs. 8.00 crore for the ULBs of Himachal Pradesh for the period 2005-2010 with the recommendations to provide at least 50 percent of the grants-in-aid for solid waste management. According to the recommendation, it is mandatory for the State Government to transfer the grants

¹ Hamirpur, Kangra, Nurpur, Parwanoo, Poanta Sahib, Rampur Bushehar & Theog.

² Banjar, Bhuntar, Chowari, Dehra, Daulatpur Chowk, Joginder Nagar, Jubbal, Kotkhai & Rohru.

³ The department has no separate detail of expenditure incurred under revenue and capital.

⁴ More expenditure made as the ULBs received grants from other departments.

released by the Government of India to the ULBs within fifteen days of the amount being credited to the State Accounts.

TFC grants released by the Government of India during the year 2005-06 and 2006-07 are given below:-

(Rs. in lakh)

Sr.No.	Year of release	No. of installments	Amount	Date of credit in State Govt. Account	Date of release of funds to ULBs	Delay
1.	2005-06	1 st	80.00	20-12-2005	18-02-2006	45 days
2.	2005-06	2 nd	80.00	23-03-2006	18-02-2006	---
3.	2006-07	1 st	80.00	20-07-2006	15-11-2006	102 days
4.	2006-07	2 nd	80.00	14-03-2007	17-01-2006	--

The above table would indicate that the State Government has released the first installment of Rs. 80.00 lakh each during the year 2005-06 & 2006-07 to ULBs after 45 days and 102 days after its receipts from Government of India respectively. However, second instalment of Rs. 0.80 crore each for the year 2005-06 and 2006-07 was released in anticipation of its receipt from the Government of India.

(ii) As per TFC guidelines, the funds released should be utilised on priority for implementation of Solid Waste Management Project.

Test check of records of MCs Parwanoo and Poanta Sahib revealed that Director, Urban Development released (*March, 2006*) Rs. 51.29 lakh to each of the MCs for implementation of Solid Waste Management Projects. Of this Rs. 17.93 lakh (Parwanoo: Rs. 5.15 lakh and Poanta Sahib: Rs.12.78 lakh) was spent on Solid Waste Management, leaving unspent amount of Rs. 84.65 lakh (Parwanoo: Rs.46.14 lakh and Poanta: Rs. 38.51 lakh). While MC Parwanoo kept the amount in fixed deposit with UCO Bank, MC Poanta kept the unspent amount in the saving bank account. EO MC Parwanoo stated (*September 2008*) that the amount was lying unspent due to non-availability of suitable land as the land allotted for this project was in slopping site which was not suitable. Besides for seeking some clarifications, the matter was pending with the Director, Urban Development. Now the work is in progress and Rs. 36.14 lakh has been incurred so far (*September 2008*). While EO MC Poanta stated (*September,2008*) that land provided by Deputy Commissioner Sirmour for implementation of Solid Waste Management Project was out of MC area and villagers of that area have objected for development of the site, as such the work

could not be started. However, to finalise the site the matter has now been taken with the State Government.

1.7 Audit Arrangement.

The recommendations of EFC stipulate that the Comptroller and Auditor General of India shall be responsible for exercising control and supervision over proper maintenance of the accounts of ULBs and their audit.

The audit of ULBs 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 EFC. For this purpose the State Government has given executive orders only but has not issued any notification for this purpose.

1.8 Pending of Audit objections.

The Commissioner/Executive Officer/Secretary of the Municipal Corporation, MC and NP respectively having administrative powers are required to comply with the observations contained in the Inspection Reports (IRs) issued by this office and rectify the defects/omissions and report their compliance to settle the observations. The detail of IRs and paragraphs outstanding as on 31st March 2008 are given below:-

Year of issue	No. of IRs issued	No. of outstanding paragraphs
2006-07	15	183
2007-08	17	207

1.9 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 ULBs. All the ULBs are required to be audited annually. It was noticed that coverage of audit by the local audit department was between 18 and 37 percent during the last three years as shown below:-

Sr. No.	Year	Total units/units to be audited	Numbers of units actually audited	Percentage of units audited
1.	2004-05	49/49	14	29
2.	2005-06	49/49	18	37
3.	2006-07	49/49	09	18

The Director stated (*February 2008*) that due to shortage of staff, the audit of all the local bodies could not be conducted.

CHAPTER - II

ACCOUNTS AND FINANCES

ACCOUNTS

2.1 Budget Estimates.

The budget estimates of ULBs are prepared as per Himachal Pradesh Municipal Code 1975 in the prescribed form keeping in view the budget estimates of expected income and expenditure for the next financial year and placed before the house of the committee for passing the same. After passing the budget by the house of the committee it is submitted to the Director Urban Development for approval. The overall budget provisions and the expenditure there against of one Municipal Corporation, seven MCs and nine NPs for the year 2004-05 to 2006-07 were as under:- (Unit-wise position in Appendix- 1):-

(Rs. in lakh)

<i>Year</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Savings (-) Excess (+)</i>	<i>Percentage over all utilisation</i>
2004-05	4012.28	3063.66	(-)948.62	76%
2005-06	4464.06	2995.54	(-)1468.52	67%
2006-07	4262.82	3576.19	(-)686.63	84%

Perusal of above table would indicate that the budget estimate were not realistic as the expenditure during 2004-07 was between 67 and 84 percent of the budget estimate. No reasons for less utilization of budget had been furnished.

2.2 Non Reconciliation of Balances.

Rule 19 (2) Chapter-III of Municipal Code 1975 enjoins 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.

From the record of MC Kangra it was noticed that a difference of Rs. 13.63 lakh between the cash balances as per cash books and that of bank accounts at the end of *March, 2008* remained unreconciled.

In two NPs⁵ test checked, there were unreconciled balance of Rs. 3.69 lakh as of *March 2008*. The un-reconciled balances not only reflect incorrect financial status of the ULBs but the possibility of misappropriation of Government funds could not be ruled out. The concerned officers of ULBs stated (May 2007 to March 2008) that efforts were being made to reconcile the differences.

2.3 Advances lying un-adjusted.

Financial rules provide that the advances made to individuals/contractors/suppliers for departmental purposes should be promptly adjusted and the unspent balances refunded/recovered immediately.

Test check of records of three MCs⁶ revealed that advances of Rs. 10.54 lakh given during the years between 1985-86 to 2007-08 to Government officials had not been adjusted (March 2008). This is indicative of weak internal control mechanisms to follow up of regular adjustment of advances resulting in blocking of institutional funds.

2.4 Un-discharged liabilities

(i) The Irrigation and Public Health Department (IPH) had been providing drinking water to MC Nurpur on payment basis for further distribution to the public. Test check of records of MC Nurpur revealed that Rs. 1.18 lakh on account of water charges payable to IPH Department were outstanding (*March 2008*). Year-wise break-up of the pendency was not made available to audit.

(ii) The ULBs 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 two ULBs test checked, un-discharged liability amounting to Rs. 54.45 lakh (Nurpur Rs. 7.97 lakh, Hamirpur Rs. 46.48 lakh) on account of energy charges payable to HPSEB were outstanding (*March 2008*). 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 ULBs.

2.5 Non-Certification of Accounts

With no specific provision in the State Acts/Rules, certification of accounts by any agency was not in existence in the ULBs. In the absence of

⁵ Kotkhai Rs. 0.05 lakh, Rohru Rs. 3.64 lakh.

⁶ Nurpur Rs. 0.61 lakh (1985-86) Poanta Sahib Rs. 2.05 lakh (2004-07) Rampur Rs. 7.88 lakh (1998-2007).

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 ULBs could be given.

2.6 Awaited utilisation certificates.

Utilisation certificate are required to be sent on annual basis in respect of grants utilised.

Test check of GIA records maintained in the Directorate, Urban Development revealed that utilisation certificates (UCs) amounting to Rs. 248.64 lakh pertaining to various grants released during 2005-06 were awaited (*February 2008*) from five⁷ ULBs although their prescribed utilisation period of two years from the date of its receipt had since been over. No specific reasons were advanced for non submission of UCs by concerned local bodies.

FINANCES

2.7 Non realization of rent

(i) Section 258 (i) (b) (2) of Himachal Pradesh Municipal Act, 1994 provides that any amount which is due to the municipality and remains unpaid for fifteen days after the same is due, the E.O/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 the 15 ULBs test checked (*Appendix-2*) an amount of Rs. 153.27 lakh on account of rent from persons to whom shops/stalls (owned by these bodies) were rented out was outstanding as of *March, 2007*. Yearwise breakup of outstanding amount was not made available to audit. Although the concerned local bodies has issued notices to defaulters for recovery of rent but no case of recovery as arrear of land revenue had been initiated.

(ii) Test check of records of MC Parwanoo revealed that in *October 1992* two rooms were rented out to Assistant Commissioner (AC) Protocol Parwanoo without entering into the agreement. As no amount in respect of the rent was received

⁷ 2005-06:- Municipal Corporation Shimla Rs. 97.07 lakh, MC Bilaspur 48.44 lakh, NP Baddi 83.79 lakh. Chopal Rs. 5.59 lakh and Sarkaghat Rs. 13.75 lakh.

from AC (Protocol) Parwanoo, the MC Parwanoo raised (*April 2001*) the bill of Rs. 10.52 lakh for the period from *October 1992 to April 2001* on account of rent of premises and related civic amenities, but no amount was received. However, no bill had been raised for the period from *May 2001 to March 2008*, for outstanding amount of Rs. 18.97 lakh, calculated on the basis of formula adopted for working out the amount raised in the bill. E.O. stated (*May 2007*) that the matter has been taken with the higher authorities, but no progress has been made.

2.8 Loss of revenue due to non-revision of rates of House Tax.

The Director, Urban Development informed (*November, 2003*) all the ULBs that, as per the recommendations of the 2nd State Finance Commission (SFC) there shall be a percentage increase in the rate of house tax every year so as to reach the level of 12.5 per cent at the end of 2006-07. Accordingly, the rates were to be enhanced at the rate of one percent each year beginning of year 2002-03.

In ten test checked ULBs (*Appendix-3*) the instructions had not been followed for revision of rates of house tax resulting into loss of revenue to the tune of Rs. 1.32 crore. The concerned officers of ULBs stated (*May 2007- February 2008*) that action would be taken to revise the rates.

2.9 Outstanding House tax.

In test checked 14 ULBs (*Appendix-4*) an amount of Rs. 346.10 lakh on account of house tax was outstanding as of *March, 2008*. Yearwise breakup of outstanding amount was not made available to audit. The non-recovery of House tax reduce the revenue of these ULBs to that extant. EO of MC Parwanoo and Theog stated that recovery could not be effected due to shortage of staff and other ULBs stated that the cases would be filed against the defaulters.

CHAPTER- III

IMPLEMENTATION OF SCHEMES

3.1 Implementation of Solid Waste Management in Himachal Pradesh.

3.1.1 Introduction

Under the powers conferred by the Environment (protection) Act, 1986, the Municipal Solid Waste (Management and Handling) Rules 2000 were notified by the Government of India. The objectives of the rule is to make every municipal authority within the territorial area of the municipality responsible for implementation of the provisions of these rules and for any infrastructure development for collection, segregation, storage, transportation, processing and disposal of municipal solid waste. Section 42 of the Himachal Pradesh Corporation Act, 1994 and Section 45 of Municipality Act 1994 renders the responsibility for management of solid waste on Himachal Pradesh Municipal Corporation and Municipal Councils/Nagar Panchayats respectively within its area.

Audit observations relating to compliance to Municipal solid waste by 21⁸ municipalities is discussed below:-

3.1.2 Planning

Clause 4 of the Municipal Solid Waste (M&H) Rules stipulates that setting up of waste processing and disposal facilities were to be developed by 31 December 2003. It was noticed that out of 21 municipalities, the waste processing and disposal facilities were set up by two⁹ municipalities by due date. Four¹⁰ municipalities had set up waste processing and disposal facilities after due date upto August 2007 and remaining 15 Municipalities have not set up the waste processing and disposal facilities for want of authorization from Pollution Control Board. Thus, waste processing and disposal facilities were not set up by the due date, indicate weakness in planning and management of municipal solid waste as well as violation

⁸ Bilaspur, Chamba, Dalhousie, Dharamshala, Hamirpur, Kangra, Kullu, Mandi, Nurpur, Nahan, Naina Devi, Nalagarh, Palampur, Poanta Sahib, Parwanoo, Rampur, Solan, Shimla, Sundernagar, Theog and Una.

⁹ Municipal Corporation, Shimla and MC Solan.

¹⁰ MC Dharamshala, Hamirpur, Kullu and Nahan.

of municipal solid waste rules and therefore, Municipal Solid Waste was being disposed of/dumped without proper landfill.

3.1.3 Segregation

The implementation schedule in the Municipal Solid Waste rules specified activities to be taken up by the municipality to ensure that segregation of Municipal solid waste takes place. This would ensure that collected waste is segregated and processed accordingly, with the organic waste being processed and non organic waste being disposed of in landfills. It was noticed in audit that the concept of door to door collection, segregation, transport and disposal of municipal Solid waste has not been introduced in any of municipalities in the state. However, the Municipal Corporation, Shimla has entered into agreement in April 2007 with private agency for door to door collection in few wards of corporation. In Mandi municipality door to door collection has been started in four out of 13 wards. In remaining municipalities un-segregated municipal solid waste was being collected. Thus segregation at source was not taking place leading to all kinds of waste being mixed together for dumping. However, segregation after collection was being done by the rag-pickers only where waste processing and disposal facilities were set up.

3.1.4 Storage

Municipal Solid Waste rules provide that Municipal authorities should establish and maintain storage facilities in such a manner that they do not create unhygienic and unsanitary conditions around it. It was noticed that in 21 municipalities, 1505 number of waste facilities (bins) having capacity of 262 ton municipal solid waste daily were available, of which only 796 numbers were covered storage facility and 709 number were open storage facility. Thus the waste was not being properly stored. The frequency of clearance of waste bins was between daily to fortnightly. The problem of poor storage of waste was compounded by the fact that daily clearance of storage bins was not taking place and would lead to accumulation of waste and creation of un-hygienic conditions due to open storage facilities.

3.1.5 Transportation.

Municipal Solid Waste rules provide that covered vehicles should be used for transportation of waste so as to prevent waste not being visible to public or exposed to open environment and preventing their littering/scattering. It was noticed

that out of 91 vehicles in 21 municipalities, 58 covered vehicles and 33 open vehicles were being used for transportation of waste. Thus usage of uncovered trucks/vehicle would cause scattering besides exposed to open environment.

3.1.6 Disposal

Municipal Solid Waste rules specified that land filling should be restricted to non-biodegradable, inert waste and other waste that are not suitable either for recycling or for biological processing and that land filling of mixed waste should be avoided. It was noticed that landfill site already identified in Shimla municipality stood exhausted in 2003. Thereafter no landfill sites had been developed as of September 2007 in the state as per the provisions of Municipal Solid Waste (MH) rules 2000. In the absence of landfill the municipalities resorted to dumping of waste in open dumpsites. This posed immense risks to health of the public as well as causing contamination of the environment.

3.2 Expenditure on construction of Rehan Basera in non-identified areas Rs. 55.28 lakh.

3.2.1 Guidelines of National Slum Development Programme (NSDP) provide that the Rehan Basera should be constructed only in the identified slum pockets.

The MC Kangra identified ward no. 1, 2 and 4 as slum pockets. The construction of Rehan Basera building was awarded to a contractor (2004), and expenditure of Rs. 42.82 lakh incurred on its construction in ward no. 5, which was not declared as slum pocket. The said building was lying incomplete (November, 2007) as the finishing works had not been completed. This resulted in inadmissible and unfruitful expenditure of Rs. 42.82 lakh. E.O stated (December, 2007) that the construction of Rehan Basera was taken up in un-identified area as there was no land available in identified slum pockets.

3.2.2 Likewise, contrary to the guidelines for construction of Rehan Basera, MC Theog (Rs. 3.93 lakh) and MC Poanta Sahib (Rs. 8.53 lakh) had incurred expenditure of Rs. 12.46 lakh for construction of Rehan Basera in non-identified slum pockets. Therefore, expenditure of Rs. 12.46 lakh incurred thereon was irregular. The concerned EOs stated (January 2008) that no land was available in identified slum pockets.

The above replies were not tenable in view of the fact that Rehan Basera were constructed in non-identified areas, defeating the objective of the scheme.

3.2.3 Rs. 10 lakh for construction of Rehan Basera in Rampur area was received from Director, Urban Development Shimla during 2003-04 and 2004-05 which was kept in MC account operated in State Bank of India at Rampur. The work had not been started so far (February 2008) as the area, where Rehan Basera was to be constructed, falls within flood prone area. However, MC Rampur vide resolution No. (34) 5 decided (June 2006) to change site near Bus stand with estimated cost of Rs. 34.46 lakh. EO stated (February 2008) that the work could not be started due to insufficient funds. Thus initial improper planning had resulted in non utilisation of funds received previously.

3.3 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 area has been declared as slum pocket by the Government. However, Five¹¹ ULBs had identified certain pockets having slum like characteristics within area without seeking approval of State Government. In the absence of specific approval for declaration of slum pockets which were having slum like characteristics, the expenditure of Rs. 53.65 lakh incurred between 1999-2000 and 2006-2007 under NSDP was irregular.

3.4 Construction of IDSMT Project.

(i) Blocking of funds due to non-completion of IDSMT Project.

With a view to slow down migration from Rural areas and Smaller towns to large cities by development of selected small and medium towns which are capable of generating economic growth and employment, a project under centrally sponsored scheme of “*Integrated Development of Small and Medium Town*” (IDSMT) for development of Rampur Bushahr was sanctioned in 1997-98 for Rs.1.00

¹¹ MC Parwanoo Rs. 23.91 lakh, NP Chowari Rs. 1.58 lakh, Jubbal Rs. 10.55 lakh, Kotkhair Rs. 6.59 lakh and Rohru Rs. 11.02 lakh.

crore. Funds for this scheme amounting to Rs. 1.00¹² crore was received between 1998-2002.

Scrutiny of records revealed that as per approved components of the project, shopping complex, development of roads, parks and drains in the colonies were to be constructed. An amount of Rs. 72.00 lakh was incurred for construction of shopping complex and drains in the colonies, but the following components had not been started so far (February, 2008) even though these works were sanctioned in June 1999.

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of components</i>	<i>Amount sanctioned</i>	<i>Expenditure incurred</i>	<i>Balance amount</i>
1.	Construction & Development of road to Khopri	16.00	0.27 lakh (Trace cutting)	15.73
2.	Construction & Development of road from Brow Bridge to Graveyard.	6.92	-----Nil-----	6.92
3.	Development of Hanuman Ghat Park	8.21	3.28 (retaining wall)	4.93
<i>Total</i>		<i>31.13</i>	<i>3.55</i>	<i>27.58</i>

The EO stated (December 2007) that the construction of Khopri road could not be started due to change of alignment, the construction of road from Brow Bridge to Grave Yard could not be started as the site was washed away in the flood and after incurring an expenditure of Rs. 4.93 lakh for retaining wall in Hanuman Ghat Park, no further amount was utilised as the area falls within flood zone. The facts remain that projects were not chosen properly and as such Rs. 27.58 lakh was blocked and lying with MC Rampur Bushahr.

(ii) **Unfruitful expenditure due to non-completion of IDSMT Project.**

The IDSMT project was sanctioned by Government of India (2001) for Rs. 139.96 lakh for Poanta Sahib. Funds amounting to Rs. 120.45 lakh for construction of the project were received by MC between 2001 and 2007.

As per the approved components of the project shopping complex, parking, road, community hall, construction and improvement of drainage system were to be executed. The construction of project was started in 2001-02 and

¹² Central grant Rs. 48.40 lakh, State grant Rs. 32.00 lakh and loan Rs. 19.60 lakh.

expenditure of Rs. 119.05 lakh had been incurred (*March, 2007*) for construction of shopping complex (Rs.79.87 lakh), parking-cum-community hall (Rs. 39.18 lakh). Only shopping complex was completed (*January, 2005*) from where Rs. 30,000/- monthly income as rent was being received by MC. The work on other components of the project had not been taken up (*January, 2008*) which has not only resulted into unfruitful expenditure but also deprived the MC from earning revenue. E.O. stated that the IDSMT project could not be completed for want of funds. But facts remains that the MC itself has not contributed its share of funds.

3.5 Non-utilisation of Slaughter House.

Construction of Slaughter House under IDSMT scheme at Theog near Economically Weaker Section Colony at Kotkhai road was awarded for Rs. 4.92 lakh to a contractor (*November, 2003*) by the MC Theog. The work was completed in *January, 2005* at a cost of Rs. 9.55 lakh, but the possession of the premises was taken over in *June, 2007* by the MC Theog. The scrutiny of the project report revealed that an income of Rs. 1.80 lakh annually and 5 per cent increase in every year as a lease rent was expected to generate from the proposed slaughter house. It was noticed that instead of starting Slaughter House, the Industrial Training Institute (ITI) was housed (*August, 2007*) in the premises without finalization of the rent deed with ITI which resulted into diversion of funds spent for construction of Slaughter House. Moreover, MC Theog had taken over the possession of premises after 34 months from the date of its completion, which has resulted into revenue loss of Rs. 5.10 lakh approximately, worked out on proposed income of Rs. 1.80 lakh annually.

3.6 Non Commencement of work.

Four¹³ ULBs had received Rs. 32.22 lakh between 2003-04 & 2006-07 for execution of various developmental works such as Rehan Basera, Paths and Community Hall etc. Test check of record revealed that although a period of one to four years had elapsed, no execution of work had been taken up. EO Theog stated (*November 2007*) that works could not be started due to non-availability of trained staff. Other EOs stated (*May 2007 to November 2007*) that works could not be started due to non-approval of estimates and non-completion of other codal formalities. Non-

¹³ MC Parwanoo Rs. 5.00 lakh, Rampur Rs. 10.00 lakh, Theog Rs. 6.25 lakh. and NP Chowari Rs. 10.97 lakh

commencement of work not only resulted into blockade of Government funds but also deprived the intended benefits to the beneficiaries.

CHAPTER-IV

OTHER INTERESTING TOPICS

4.1 Blocking of funds in Personal Ledger Account

(i) The State Government had been releasing funds to Municipal Corporation Shimla for execution of various developmental works such as laying of water lines, construction of rain shelter, renovation of public toilets etc. The funds released by the State Government were credited into Personal Ledger Account (PLA) of the Municipal Corporation. The funds were to be utilised within one year from the date of its release.

Test check of record of Municipal Corporation Shimla revealed that the total funds of Rs. 221.39 lakh received from the State Government was deposited in PLA during 1997-98 to 2004-05, out of which Rs. 159.58 lakh was spent leaving unspent balance of Rs. 61.81 lakh (as on 31st March 2008) resulting into blockade of funds.

(ii) Similarly an amount of Rs. 1.85 lakh was drawn by E.O. MC Rampur Bushahr in *July, 1998* and kept in PLA. The amount was lying in PLA unutilised, which has resulted into blockade of Government funds.

4.2 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 ULBs.

In seven¹⁴ ULBs test checked, the expenditure of Rs.164.23 lakh was incurred in excess of prescribed norms during 2004-05 to 2006-07. The test checked ULBs stated (November 2007 to March 2008) that the excess expenditure was due to increase of allowances/regularization of services of daily waged staff etc. The reply was not tenable as excess expenditure was due to non restricting establishment charges upto one third of total expenditure of the ULBs and by not taking effective

¹⁴ MC Kangra Rs. 38.97 lakh, Nurpur Rs. 33.41 lakh and Theog Rs. 22.81 lakh.
NP Banjar Rs. 9.33 lakh, Chowari Rs. 0.68 lakh, Dehra Rs. 45.37 lakh & Joginder Nagar Rs. 13.66 lakh.

steps by the concerned local bodies to ensure optimum collection of various taxes for the execution of various developmental works so that the limit of one third expenditure on establishment could be ensured.

4.3 Conclusion and Recommendation.

(i) Conclusion

The department has not issued final notification for technical guidance by CAG relating to exercising control and supervision over maintenance of accounts by ULBs and their audit. Funds under TFC for Solid Waste Management were not properly utilised. Budget proposals/ estimates were found to be un-realistic. Accounting irregularities such as unreconciled balances, excess expenditure over allotted funds, diversion of funds, long outstanding advances and pending UCs were noticed. The projects were constructed in non-identified pockets and various components of projects were lying incomplete.

(ii) Recommendation

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

- ✓ **Budget proposals need to be prepared on realistic basis.**
- ✓ **TFC grants specially for Solid Waste Management scheme needs to be utilised on priority.**
- ✓ **The Government should suitably amend the relevant Acts / Rules to incorporate provisions for certification of accounts by the statutory auditors.**
- ✓ **Incomplete works need to be given priority for completion before taking up any new work.**

Shimla
The

(Adarsh Pal Chopra)
Deputy Accountant General
Local Bodies Accounts & Audit
Himachal Pradesh

Appendix---1 (Refer Paragraph; 2.1 Page-7)

Statement of Budget Estimates and actual expenditure of ULBs for the year 2004-05.

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of ULBs</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Saving(-) Excess (+)</i>	<i>Percentage of over all utilisation</i>
1.	Municipal Corporation, Shimla	2697.05	2051.09	(-) 645.96	76.05
	Total	2697.05	2051.09	(-) 645.96	76.05
<u>Municipal Council</u>					
1.	Hamirpur	126.83	181.85	(+) 55.02	143.38
2.	Kangra	150.09	80.25	(-) 69.84	53.47
3.	Nurpur	99.26	69.46	(-) 29.80	69.98
4.	Poanta	145.90	95.66	(-) 50.24	65.57
5.	Parwanoo	106.46	85.17	(-) 21.29	80.00
6.	Rampur	150.99	94.72	(-) 56.27	62.73
7.	Theog	95.04	58.90	(-) 36.14	61.97
	Total	874.57	666.01	-208.56	76.15
<u>Nagar Panchayat</u>					
1.	Bhunter	56.70	44.20	(-) 12.50	77.95
2.	Banjar	16.23	11.94	(-) 4.29	73.57
3.	Chowari	38.32	40.56	(+) 2.24	105.85
4.	Dehra	59.07	46.23	(-) 12.84	78.26
5.	Daulatpur Chowk	62.69	56.96	(-) 5.73	90.86
6.	Jubbal	30.72	21.88	(-) 8.84	71.22
7.	Joginder Nagar	74.57	47.34	(-) 27.23	63.48
8.	Kotkhai	19.75	28.48	(+) 8.73	144.20
9.	Rohru	82.61	48.97	(-) 33.64	59.28
	Total	440.66	346.56	-94.10	78.64
	Grand Total	4012.28	3063.66	-948.62	76

Appendix---1 (Refer Paragraph; 2.1 Page-7)

Statement of Budget Estimates and actual expenditure of ULBs for the year 2005-06.

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of ULBs</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Saving(-) Excess (+)</i>	<i>Percentage of over all utilisation</i>
1.	Municipal Corporation, Shimla	2937.54	2019.45	(-) 918.09	68.75
Total		2937.54	2019.45	(-) 918.09	68.75
<u>Municipal Council</u>					
1.	Hamirpur	205.48	132.82	(-) 72.66	64.64
2.	Kangra	192.18	103.00	(-) 89.18	53.60
3.	Nurpur	81.53	101.09	(+) 19.56	123.99
4.	Poanta	150.33	101.21	(-) 49.12	67.33
5.	Parwanoo	182.24	89.82	(-) 92.42	49.29
6.	Rampur	143.56	97.70	(-) 45.86	68.06
7.	Theog	137.14	45.68	(-) 91.46	33.31
Total		1092.46	671.32	-421.14	61.45
<u>Nagar Panchayat</u>					
1.	Banjar	15.33	14.07	(-) 1.26	91.78
2.	Bhunter	52.14	42.92	(-) 9.22	82.32
3.	Chowari	40.18	29.01	(+) 11.17	72.20
4.	Daulatpur Chowk	50.97	46.95	(+) 4.02	92.11
5.	Dehra	53.27	46.15	(-) 7.12	86.63
6.	Jubbal	26.57	12.60	(-) 13.97	47.42
7.	Joginder Nagar	77.25	47.31	(+) 29.94	61.24
8.	Kotkhai	29.07	13.08	(-) 15.99	44.99
9.	Rohru	89.28	52.68	(-) 36.60	59.01
Total		434.06	304.77	-129.29	70.21
Grand Total		4464.06	2995.54	-1468.52	67

Appendix---1 (Refer Paragraph; 2.1 Page-7)

Statement of Budget Estimates and actual expenditure of ULBs for the year 2006-07.

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of ULBs</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Saving(-) Excess (+)</i>	<i>Percentage of over all utilisation</i>
1.	Municipal Corporation, Shimla	2583.66	2407.74	(-) 175.92	93.19
Total		2583.66	2407.74	(-) 175.92	93.19
<u>Municipal Council</u>					
1.	Hamirpur	238.64	162.65	(-) 75.99	68.16
2.	Kangra	248.91	111.92	(-) 136.99	44.96
3.	Nurpur	85.13	91.70	(+) 6.57	107.72
4.	Poanta	211.37	140.93	(-) 70.47	66.67
5.	Parwanoo	155.42	134.80	(-) 20.62	86.73
6.	Rampur	175.92	128.52	(-) 47.40	73.06
7.	Theog	125.37	46.13	(-) 79.24	36.80
Total		1240.76	816.65	-424.11	65.81
<u>Nagar Panchayat</u>					
1.	Banjar	18.72	13.21	(-) 5.51	70.57
2.	Bhunter	55.63	51.35	(-) 4.28	92.31
3.	Chowari	43.03	24.82	(-) 18.21	57.68
4.	Dehra	63.86	58.73	(-) 5.13	91.97
5.	Daulatpur Chowk	56.12	48.73	(-) 7.39	86.83
6.	Jubbal	30.34	15.03	(-) 15.31	49.54
7.	Joginder Nagar	61.66	56.21	(-) 6.45	91.16
8.	Kotkhai	18.18	20.17	(+) 1.99	110.95
9.	Rohru	90.86	63.55	(-) 27.31	69.94
Total		438.4	351.8	-86.60	80.25
Grand Total		4262.82	3576.19	-686.63	84

Appendix---2 (Refer Paragraph; 2.7 Page-9)

Non-realization of Rent.

Municipal Council

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of ULBs</i>	<i>Year</i>	<i>Outstanding amount</i>
1.	Hamirpur	2004-07	14.74
2.	Kangra	2004-07	5.98
3.	Nurpur	2004-07	7.55
4.	Poanta	2004-07	23.68
5.	Parwanoo	2004-07	0.93
6.	Rampur	2004-07	17.53
7.	Theog	2004-07	18.58
		<i>Total</i>	88.99

Nagar Panchayat

1.	Bhuntar	2004-07	9.81
2.	Chowari	2004-07	4.27
3.	Dehra	2004-07	11.10
4.	Daulatpur Chowk	2004-07	0.48
5.	Jubbal	2004-07	9.63
6.	Joginder Nagar	2004-07	3.92
7.	Kotkhai	2004-07	13.48
8.	Rohru	2004-07	11.59
		<i>Total</i>	64.28
		<i>Grand Total</i>	153.27

Appendix---3 (Refer Paragraph; 2.8 Page-10)

Loss of Revenue due to non revision of rates of house tax.

Municipal Council

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of Unit</i>	<i>Period</i>	<i>Amount</i>
1.	Kangra	2004-07	4.87
2.	Parwanoo	2004-07	74.91
3.	Poanta	2004-07	15.80
4.	Rampur	2004-07	12.96
5.	Theog	2004-07	4.39
		Total	112.93
<u>Nagar Panchayat</u>			
1.	Banjar	2004-07	3.26
2.	Bhuntar	2004-07	2.71
3.	Dehra	2004-07	2.73
4.	Jubbal	2004-07	2.23
5.	Joginder Nagar	2004-07	8.44
		Total	19.37
		Grand Total	132.30

Appendix---4 (Refer Paragraph; 2.9 Page-10)

Statement of outstanding house tax.

Municipal Council

(Rs. in lakh)

<i>Sr. No.</i>	<i>Name of ULBs</i>	<i>years</i>	<i>Amount</i>
1.	Hamirpur	2004-07	85.24
2.	Kangra	2004-07	14.79
3.	Nurpur	2004-07	19.93
4.	Parwanoo	2004-07	18.42
5.	Poanta	2004-07	22.12
6.	Rampur	2004-07	57.22
7.	Theog	2004-07	51.45
Total			269.17

Nagar Panchayat

1.	Bhuntar	2004-07	4.85
2.	Chowari	2004-07	2.30
3.	Dehra	2004-07	5.56
4.	Daulatpur Chowk	2004-07	16.57
5.	Joginder Nagar	2004-07	30.43
6.	Jubbal	2004-07	5.12
7.	Rohru	2004-07	12.10
Total			76.93
Grand Total			346.10