

## **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 entrusted by the State Government vide letter no. PCH-HC(10)10/2002-23447 dated 8 December 2003 in terms of Eleventh Finance Commission's recommendation.

2. Chapter-I of the report contains a brief introduction to the functioning of the PRIs alongwith financial position of allocation and utilization of fund. Chapter-II of the report contains Performance Review of Asset Management in PRIs Chapter-III deals with the observations on transaction audit arising out of inspections of PRIs.

3. The cases mentioned in the Report are among those which came to notice mainly in course of test check of accounts of 336 Panchayati Raj Institutions conducted during the year 2009-10.

## OVERVIEW

This Report contains three chapters. The first chapter contains observations of audit on the accounts and finances of the Zila Parishads, Panchayat Samities and Gram Panchayats Chapter I and chapter- III contains paragraphs based on audit of financial transactions of the Panchayati Raj Institutions (PRIs). Chapter-II contains performance review an Asset Management in PRIs. A synopsis of the findings contained in the Report is presented in this overview.

There are 12 Zila Parishads, 76 Panchayat Samities and 3243 Gram Panchayats in the State. The representatives of PRIs are elected after every five years.

(Paragraph-1)

The State Government through its notification (July 1996) entrusted only 26 functions, out of 29 functions listed in the Eleventh Schedule of the Constitution relates to PRIs. The State Government had neither transferred the functionaries nor vested the PRIs with powers to administratively control the functionaries associated in implementation of the devolved functions.

(Paragraph-1.3.1.1 & 1.3.2)

The State Government had constituted (May 2006) the DPCs in all the districts, but these are functional only in two districts (Chamba and Sirmour).

(Paragraph-1.4)

The major source of funds of PRIs during 2005-06 to 2008-09 was State Government (55%) and Central Government (39%) grants. The own revenue and other revenue is meager as compared to central and state grants

(Paragraph-1.5)

The CAG has prescribed standard formats for budget and accounting system, but the Government of Himachal Pradesh has still not adopted these formats.

(Paragraph-1.6)

Comptroller and Auditor General of India conduct audit of PRIs under Technical Guidance and Support (TGS) arrangement as requested by the State Government.

(Paragraph-1.8)

An expenditure of ` 10.14 crore<sup>1</sup> had been incurred between 2006-09 without approval of the estimates which was irregular

(Paragraph-1.10.1)

It was observed that important registers like stock register, immovable property register, works register, muster roll register, etc., were not being maintained.

(Paragraph-1.10.2)

It was noticed that difference of ` 2.43 crore as detailed in between cash books and pass book at the close of the year 2008-09 was not reconciled by 109 PRIs.

(Paragraph-1.10.3)

The delay in release of grants to ZPs, PSs and GPs by the DPOs of the State ranged between 5 and 133 days during 2008-09. No interest was allowed by the State Government to the PRIs for delayed payment of TFC grants.

(Paragraph-1.11.3)

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<sup>1</sup> ZPs: ` 3.44 crore and PSs ` 6.70 crore

In 13 PSs, 97 Panchayat Ghars for which ` 2.30 crore were sanctioned between 2005-09 had not been constructed as of January 2010.

(Paragaraph-2.3.3)

Zila Parishad Bhawan Shimla had not been started as of December 2009 despite ` 54 lakh were placed at the disposal of H.P.P.W.D. in June 2008.

(Paragaraph-2.3.4)

Seventy community centers constructed at a cost of ` 0.53 crore between 1998-99 and 2008-09 were being used by the public free of cost and had not augmented the income of PRIs.

(Paragaraph-2.3.5)

The Internal control system relating to assets management available in the PRIs was not effective as annual physical verification was not being done. The assets registers were either not maintained or incomplete.

(Paragaraph-2.6)

PRIs failed to maintain prescribed limit for retention of cash –in-hand.

(Paragaraph-3.1)

Twenty one GPs did not take action to recover the outstanding advances of ` 39.37 lakh.

(Paragaraph-3.2)

Funds amounting to ` 25.56 lakh earmarked for minor irrigation schemes remained un-utilised in PLAs.

(Paragaraph-3.3)

Revenue of ` 9.03 lakh remained un-realised on account of installation/renewal charges of Mobile Towers in 73 PRIs.

(Paragaraph-3.4)

Sixty GPs purchased material costing ` 2.19 crore without inviting quotations/tenders.

(Paragaraph-3.5)

Non investment of surplus funds resulted in loss of ` 6.00 Lakh.

(Paragaraph 3.6)

Loss of Revenue of ` 11.65 lakh due to non-realisation of House Tax by eighty one GPs.

(Paragaraph 3.7)

Twenty three PRIs failed to relies rent of shops amounting to ` lakh.

(Paragaraph 3.8)

Fifty six GPs incurred expenditure of ` 4.24 crore on 738 works without preparation of estimates.

(Paragaraph 3.9)

Expenditure of ` 30.00 lakh on construction of Panchayat Ghar remained unfruitful.

(Paragaraph-3.10)

## **CHAPTER-1**

### **ACCOUNTS AND FINANCES OF THE PANCHAYTLRAJ INSTITUTIONS**

#### **1. Introduction**

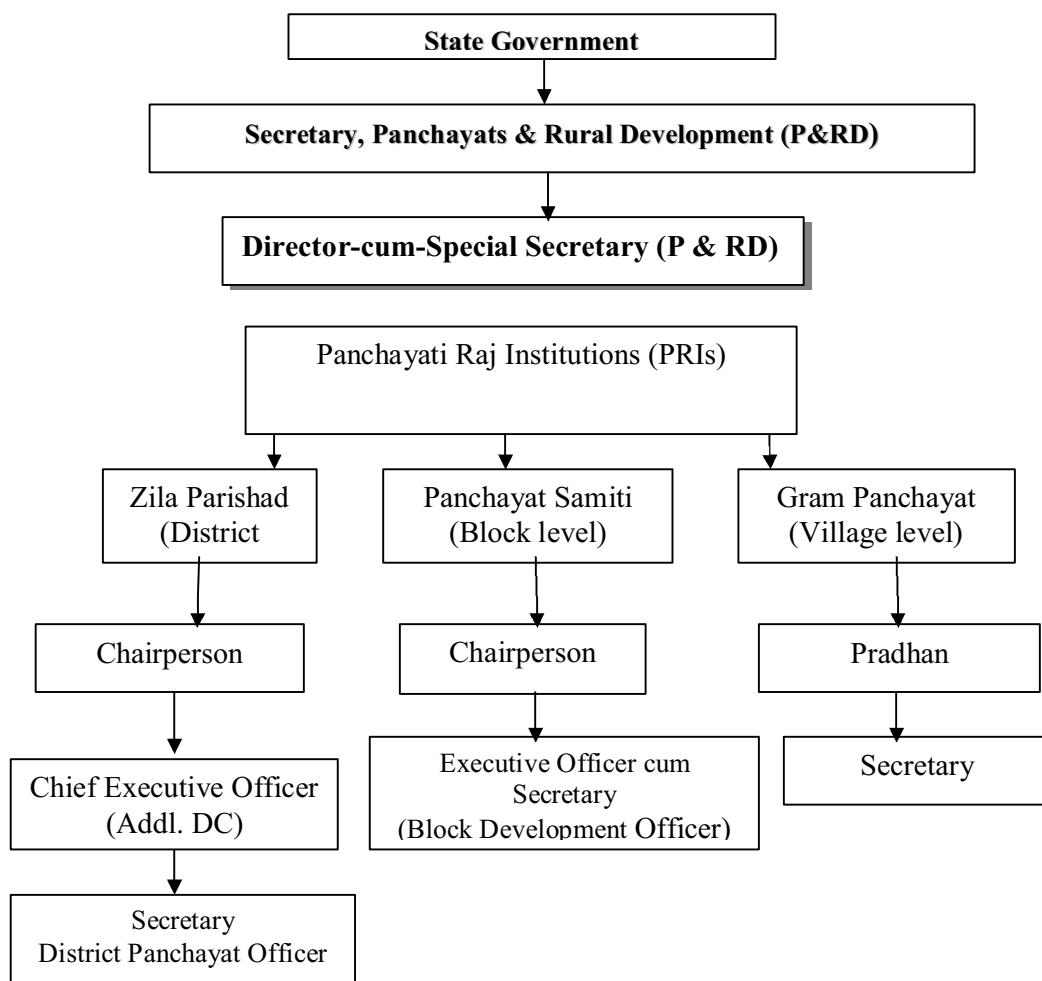
Seventy third Constitutional amendment gave constitutional status to PRIs and established a system of uniform structure, regular elections and regular flow of funds through Finance Commissions etc. As a follow up the states were required to entrust these bodies with such powers, functions and responsibility so as to enable them to function as institutions of self government. In particular, the PRIs were required to prepare plans and implement schemes for economic development and social justice including those included in the Eleventh Schedule of the Constitution.

Post seventy third amendment the State Government enacted Himachal Pradesh Panchayati Raj act 1994 and framed Himachal Pradesh Panchayati Raj (General) Rules 1997 and Himachal Pradesh Panchayati Raj (Finance, Budget, Accounts, Audit, Works, Taxation and Allowances) Rules 2002 to work as third tier of the government.

There are 12 Zila Parishads, 76 Panchayat Samities and 3243 Gram Panchayats in the State. The representatives of PRIs are elected after every five years. The last general election was held in December 2005.

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

The organograms given below depict the organizational structure of the Sate Government Panchayati Raj department and the PRIs at the ZP, PS, and GP level:



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

### 1.3 Devolution of Funds, Functions and Functionaries to PRIs

The 73 rd Constitutional Amendment Act envisages a three tier system of Panchayati Raj Institutions. Accordingly three tier Panchayati Raj system was provided under H.P. Panchayati Raj Act enacted in 1994. The State Government has been empowered under the Act to decide and confer powers and responsibility to the PRIs from among the 29 functions listed in the Eleventh Schedule.

#### 1.3.1 Devolution of functions.

##### 1.3.1.1 Inadequate transfer of functions.

The State Government through its notification (July 1996) entrusted only 26 functions, (**Appnedix-1**) out of 29 functions listed in the Eleventh Schedule of the Constitution relates to PRIs. Transfer of three functions namely i) Rural

electrification including distribution of electricity, ii) Adult and non-formal education and iii) Cultural activities, though mandated under the HPPR Act, 1994 for transfer, were not transferred and these functions are still (May 2009) being implemented by the respective departments. The Director (PR) stated (June 2006) that PRIs were not capable of handling these functions and hence the functions were not transferred.

#### **1.3.1.2 Activity Mapping.**

Activity Mapping is the sound foundation of Panchayati Raj. In order to avoid overlapping of function and its balance distribution among various tiers of PRIs, a mechanism for inter tier coordination was to be evolved for the 26 transferred functions. It was, however, noticed that the Activity Mapping has not been done by the State Government. Director, Panchayati Raj stated (April 2009) that Activity Mapping has been approved by the Chief Minister in December 2008 and the same had been sent to the concerned Departments for taking policy decision at Government level with regard to finalizing an Activity mapping so as to devolve function, power and functions and related functionaries to PRIs. Thus due to non-finalization of Activity Mapping, the principal of subsidiarity has not been achieved.

#### **1.3.1.3 Non-transfer of Institutions.**

Government order (July 1996) transferring functions also envisages transfer of institutions relating to transferred functions. Thus schools, primary health centers and hospitals, farm, post matric hostels, veterinary hospitals were to be transferred to the respective PRIs. The income accruing from these intuitions was to be treated as own income of the PRIs concerned. However, the actual control is still with the concerned departments and functions of these institutions were being carried out by respective departments.

#### **1.3.2 Devolution of functionaries.**

The transferred functions were to be accompanied by requisite devolution of functionaries and the State Government was therefore to provide required administrative structure and support to make the institutions and functionaries of the devolved functions accountable to the PRIs. The State Government had neither transferred the functionaries nor vested the PRIs with powers to

administratively control the functionaries associated in implementation of the devolved functions. The following deficiencies were noticed.

**1.3.2.1 Non-merger of DRDA with Zila Parishad.**

DRDAs created for implementation of Rural Development Programmes being sponsored by the Central Government were registered bodies under Societies Registration Act 1960. With the setting up of District Planning Committees (DPCs) and the provisions of the Act, DRDAs were either to be abolished or legitimately merged with the respective ZPs to function as a technical support agencies of the PRIs. However, DRDAs continue to exist as separate and distinct bodies. The Director (PR) admitted (June 2009) that there was no linkage between DRDA and Panchayati Raj Department. Due to non linkage between DRDA and Panchayati Raj Department monitoring of functions and funds becomes difficult. GPs may receive funds from both the departments for the same purpose. If DRDAs are merged with ZPs, the functions of PRIs can be monitored in a better way.

**1.3.2.2 Lack of unified control of PRIs.**

The administration and monitoring of three tier system of PRIs is not under unified control. First and third tier (ZP & GP) are under the department of Panchayati Raj while second tier (PS) is under Rural Development Department. In order to improve the functioning, monitoring and for administrative purposes, all the PRIs should have remained with a single department. The Director (PR), however, stated (June 2009) that the control of three tiers of PRIs though vested with Panchayati Raj and Rural Development Departments, all the three tiers of PRIs were independent constitutional bodies and role of both the departments was to guide the PRIs as per provisions of the HPPR Act 1994. The reply was not tenable as for improving the functioning and for accountability, the control should have been remained with one department.

**1.3.2.3 Administrative control over functionaries.**

The BDO had been designated to act as Executive Officers cum Secretary to the Second tier (PS) of PRIs. Similarly functionaries like Panchayats Secretaries, Panchayat Sahayak and Panchayat Inspectors were working in GP & PS for implementation of various PRI schemes but were under

administrative control of State Rural Development Department. These employees were being covered under the service conditions of their parent department and their salaries and allowances were also being paid by the respective departments. Thus for all purposes, these functionaries continued to perform as Government Servants subject to control by their parent department and not of the PRIs, thereby negating the basic objective of the decentralization. The Director (PR) while admitting (June 2009) the facts stated that the mechanism was being developed to deal with such problem by the department.

### **1.3.3 Devolution of funds.**

Devolution of funds to PRIs should be a natural corollary to implement the transferred functions. The State Government has however not made the requisite devolution of funds as yet and the respective line departments continued to make separate budget for operation of the schemes involving devolved functions to PRIs.

#### **1.3.3.1 Non-provision of funds under Panchayat Sector.**

As agreed (October 2005) in the meeting between the State Chief Minister and Union Minister for Panchayati Raj, 'Panchayat Sector' in the State budget was to be created from the year 200607 for effective performance of the functions devolved to the Panchayats through activity mapping by entrustment of all schemes pertaining to the activities devolved upon the PRIs. 'Panchayat Sector' in the state budget was not opened as of 2008-09 and the respective line departments continued to make separate budget for operation of departmental schemes. Consistent with the development of functions, the matching funds to carry out the functions were not provided to the PRIs except assignment of the State revenue through State Finance Commission (SFC).

### **1.4 District Planning Committees.**

As per Article 243-ZD of the Constitution of India, District Planning Committees (DPCs) are to be constituted by the State Governments so as to consolidate the development plans formulated by the local bodies. The State Government had constituted (May 2006) the DPCs in all the districts, but these are functional only in two districts (Chamba and Sirmour). Regarding non functioning of DPC in the remaining 10 districts, reply from the Director, PRI is awaited (September, 2010)



## 1.5 Sources of Funds.

Execution of various developmental works is carried out with funds provided by the Government of India and State Government and 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, tehbazari,<sup>1</sup> etc. The following table shows the financial position of PRIs for the last four years:-

### Financial position of PRIs<sup>2</sup>

(` in lakh)

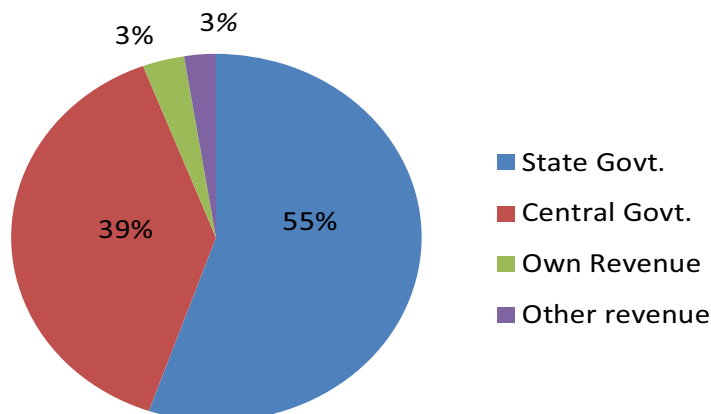
Sr. No.	Years	Receipts						Expenditure		
		State Govt.	Central Govt.	Own Revenue	Loans	Other revenue	Total	Capital	Revenue	Total
1.	2005-06	10650.23	7611.43	588.38	1.00	538.01	19389.05	12796.11	6592.94	19389.05
2.	2006-07	12337.32	8078.57	610.73	11.00	554.15	21591.77	14231.05	7360.72	21591.77
3.	2007-08	14101.82	8792.42	633.81	20.00	570.77	24118.82	16000.10	8118.72	24118.82
4.	2008-09*	6593.25	6175.75	735.15	0	338.10	13842.25	11765.91	2076.14	13842.05
5.	Total	43682.62	30658.17	2568.07	32.00	2001.03	78941.89	54793.17	24148.52	78941.69

\*Figures for the year 2008-09 provided by the other departments to the PRIs is not available with the Panchayati Raj Department.

It was however, noticed that all the funds provided by the Panchayati Raj Department to the PRIs have been shown as expenditure. The exact figures of expenditure by the PRIs were not available with the Panchayati Raj Department.

Chart showing the trend of receipts during 2005-09 is given below:

### Source of Funds of PRIs



<sup>1</sup> Small Khokhas/shops given on rent.

<sup>2</sup> Source-Director (PRI)

The major source of funds of PRIs during 2005-06 to 2008-09 was State Government (55%) and Central Government (39%) grants. The own revenue and other revenue is meager as compared to central and state grants.

### 1.5.1 Allocation of funds under Central/ State Schemes.

PRIs also receive funds from Rural Development Department (RDD) for various State Schemes and Centrally sponsored schemes. Three schemes namely, i) Community Development Programme (CDP), ii) Atal Awas Yojna (AAY) and iii) Mahila Mandal Protsahan Yojna (MMPY) are hundred percent State Sponsored Schemes. The position of funds allotted to the PRIs under these schemes during 2004-09 is given below:-

(` in lakh)

Year	CDP	AAY	MMPY
2004-05	125.49	1145.32	64.80
2005-06	123.58	1169.43	60.00
2006-07	426.44	1556.05	60.00
2007-08	411.67	1525.38	75.00
2008-09	672.35	2971.82	74.85

Besides, seven schemes namely i) Samproon Gramin Rojgar Yojna (SGRY) ii) Swaran Jayanti Swarojgar Yojna (SGSY), iii) Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS), iv) Indira Awas Yojna (IAY), v) Integrated Watershed Development Project (IWDP), vi) National Benefit Scheme and vii) Total Sanitation Campaign Project (TSC) are Centrally sponsored schemes.

While no funds were released during 2004-09 under National Benefit Scheme, the position of funds allocated to PRIs under other schemes is given below:-

#### The position of allocation of Fund under major central schemes<sup>3</sup>

(` in lakh)

Year	SGRY	SGSY	MGNREGS	IAY	IWDP	TSC
2004-05	2925.42	975.53	0	981.29	1425.64	50.00
2005-06	2664.61	448.75	500.00	794.005	2919.705	661.06
2006-07	2441.06	1232.93	5075.15	1020.685	1936.765	270.065
2007-08	1399.66	1247.05	13454.86	1155.518	1659.58	1074.50
2008-09	21.12	1326.12	44128.14	2310.17	2938.06	1207.32

<sup>3</sup> Source: Director Rural Development Department

These Centrally sponsored/ State sponsored schemes are implemented by the Gram Panchayats which are under the control of Panchayati Raj Department, but the funds are released by the Rural Development Department to the Gram Panchayats directly or through District Rural Development Agencies which are registered bodies under Societies Registration Act 1960. The Director (PR) admitted (June 2009) that there was no linkage between DRDA and Panchayati Raj Department.

#### **1.6 Accounting Arrangement**

The PRIs are maintaining their accounts in the proformas prescribed under Himachal Pradesh Panchayati Raj General Rules 1997. Accounts of the Gram Panchayats are being maintained by the Panchayat Secretary appointed by the Director and Panchayat Sahayak appointed on contract basis by the Executive Officer cum Block Development Officer. In case of PS, the accounts are maintained by the Accountants. Accounts of ZP are maintained by the Government officials of the office of DPO-cum-Secretary, ZP. There are no arrears in maintenance of accounts.

The EFC had recommended exercising control and supervision over maintenance of accounts of all the three tiers of PRIs by the CAG. The CAG has prescribed standard formats for budget and accounting system, but the Government of Himachal Pradesh has still not adopted these formats. The Director Panchayati Raj stated (April 2010) that matter regarding adoption of budget & accounts formats prescribed by the CAG was under process. The revised formats would be adopted from April 2011 as clarifications regarding adding of work wise details, receipts to be issued by the PRIs for receiving payments, trial balance, etc., in the PRIA software were brought to the notice of the Ministry of Panchayati Raj. The clarification was awaited as of September 2010.

#### **1.7 Database of PRIs**

As per recommendation of Eleventh Finance Commission (EFC), specific grants provided by the Government of India were to be utilized 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 the CAG. However, State Government has not yet implemented the database formats.

## **1.8 Audit Arrangements**

Sub-Section (I) of section 118 of the Himachal Pradesh Panchayati Raj Act, (HPPRA) 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 have proper financial control on income and expenditure. The agency is required to conduct audit of all the three tiers of PRIs annually. The position of internal audit conducted during 2009-10 was as under:-

<b>Name of Institution</b>	<b>Total units</b>	<b>No. of units audited</b>	<b>No. of units not audited</b>	<b>Percentage of short fall</b>
1. Zila Parishad	12	8	4	33
2.Panchayats Samiti	75	59	16	21
3. Gram Panchayats	3,243	2,441	802	25

The Director, Panchayati Raj stated (March 2010) that targets fixed for audit could not be achieved during 2009-10 due to shortage of staff.

Comptroller and Auditor General of India conduct audit of PRIs under Technical Guidance and Support(TGS) arrangement as requested by the State Government vide letter no.PCH-HC(10)10/2002-23447 dated 8 December 2003.

## **1.9 Audit coverage**

Audit of accounts of all the 12 ZPs, 25 PSs (out of 76) and 299 GPs (out of 3,243) was conducted during 2009-10 (**Appendix-2**). Important audit findings are discussed in the succeeding paragraph.

## **1.10 Internal Control Mechanism**

### **1.10.1 Non-preparation of Budget estimates.**

Rule 38 of HPPR Rules, 2002 provides that the annual Budget estimates of ZPs and PSs showing the probable receipts and expenditure for the following year are required to be prepared and approved within the prescribed date by the authorized body.

It was observed that out of 12 ZPs and 25 PSs test-checked, six ZPs and 8 PSs had not prepared the estimates for the period 2006-09. However, an

expenditure of ` 10.14 crore<sup>4</sup> had been incurred between 2006-09 without approval of the estimates which was irregular (**Appendix-3**). In the absence of budget estimates, proper financial planning of PRIs with reference to actual expenditure incurred on developmental schemes could not be ascertained in audit.

The concerned PRIs stated (April 2009 to February 2010) that annual budget estimates would be prepared in future.

### **1.10.2 Non maintenance of registers**

Rule 31 of HPPR Rules, 2002 stipulates that every PRI institution shall maintain important records, register, forms, etc., under the provision of the rules or the Act or any other law.

It was observed that important registers like stock register, immovable property register, works register, muster roll register, etc., were not being maintained in 7 ZPs, 10 PSs and 80 GPs during for the period 2004-09 as detailed in (**Appendix-4**). Due to non maintenance of records correctness of financial transactions could not be ascertained. Reasons for non maintenance of records were not intimated by the concerned PRIs and the PRIs stated (April 2009-March 2010) that the records would be maintained in future.

### **1.10.3 Bank reconciliation statements not prepared**

Rule 15 (10) (b) of the HPPR Rules, 2002 provides that the reconciliation of any difference between the balances of cash book and bank accounts is required to be conducted every month. The difference, if any, shall be explained and accounted for in a foot note in the cash book.

However, it was noticed that difference of ` 2.43 crore as detailed in (**Appendix-5**) between cash books and pass book at the close of the year 2008-09 was not reconciled by 109 PRIs<sup>5</sup>. The authenticity of accounts of these PRIs could not be vouchsafed in the absence of non reconciliation with bank statements and possibility of embezzlement of funds could not be ruled out. The officers of the concerned PRIs stated (April 2009 to March 2010) that

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<sup>4</sup> ZPs: ` 3.44 crore and PSs ` 6.70 crore

<sup>5</sup> 4 ZPs: ` 45.97 lakh; 09 PSs : ` 57.15 lakh and 96 GPs: ` 140.36 lakh

the differences would be reconciled. The reply was not acceptable as codal provisions had not be followed.

#### **1.10.4 Non accountal of stores**

Rule 69 of HPPR Rules, 2002 stipulates that all stores shall be examined, counted, measured or weighed at the time of taking delivery and shall be entered in the Stock register immediately. A certificate by the official shall be given at the end of the entries that the stores have been received in proper condition and according to specifications.

During 2004-09, nine GPs purchased materials like cement, stone, etc., amounting to ` 19.93 lakh<sup>6</sup>. The same was not accounted for in the books of concerned GPs. Possibility of misappropriation of material could not be ruled out. The concerned GPs stated (October-December 2009) that the material would be accounted for. The plea is not acceptable as it should have been accounted for immediately on receipt of it.

#### **1.11 Twelfth Finance Commission grants**

The Twelfth Finance Commission (TFC) made recommendations on the measures needed to augment the consolidated fund of States to supplement the resources to Panchayats and Municipalities on the basis of recommendations of SFC. The main objective of the scheme was to improve the service delivery of the Panchayats in respect of water supply and sanitation besides creating data base in the Panchayats. During 2006-09 `88.20 crore (at the rate of ` 29.40 crore each year) were allocated and released in six installments to PRIs. Finance Department had also issued utilization certificate of the whole amount.

##### **1.11.1 Utilisation of TFC Funds**

As per para 6.2 of the guidelines for release and utilization of grants recommended by TFC issued by the Ministry of Finance, Department of Expenditure, Government of India (GOI), the State Finance Secretary would be required to provide a certificate within 15 days of the release of each

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<sup>6</sup> Bangana Block (GPs: Hatli Kesru ` 0.54 lakh; Zol: ` 6.38 lakh; Takoli ` 1.25 lakh; chowki khas: ` 1.32 lakh and Arloo Khas ` 3.53 lakh)  
Janjehli Block ( GPs : Bhat-ki-dhar: ` 0.78 lakh and Manni: ` 1.51 lakh)  
Nadaun Block (GPs: Dangri: ` 1.14 lakh and Sappar: ` 3.48 lakh)

instalment by the GOI under his signature certifying the dates and amounts of local grants received by the State from the GOI and the dates and amounts of grants released to the PRIs and ULBs. As per directions issued (July 2005) by the Director (PR) the PRIs would submit the utilization certificate of TFC grants to DPOs for further submission to the State Government within six months from the date of receipt of the grant.

### **1.11.2 Blockage of TFC grants**

During 2009-10 records of 558 PRIs (ZPs:10; PSs:23 and GPs:525) were scrutinized. The position of funds received and utilization there against by these units during 2005-09 was as under:

(` in crore)

Year	Opening balance	Receipts	Total	Expenditure	Balance
2005-06	0	1.21	1.21	0	1.21
2006-07	1.21	6.12	7.33	1.86	5.47
2007-08	5.47	8.37	13.84	2.34	11.50
2008-09	11.50	8.83	20.33	12.37	7.96
<b>Total</b>		<b>24.53</b>		<b>16.57</b>	

It would be seen that during 2005-09, TFC grants of ` 24.53 crore were released between 2005-09 to 558 test-checked PRI units. Of this, ` 16.57 crore could be utilized upto 2008-09 for execution of various works leaving unspent balance of ` 7.96 crore. State Government has issued UC for the whole amount to Central Government. Non-utilization was attributed by PRIs to (i) non-approval of shelf, (ii) non-availability of guidelines of TFC and (iii) late receipt of funds, etc.

### **1.11.3 Delay in release of TFC grant by State Government**

As per TFC guidelines, State Government is required to transfer the grants released by the Centre to PRIs and ULBs within 15 days from the date of its credit into State Government account. The delay in release of grants to ZPs, PSs and GPs by the DPOs of the State ranged between 5 and 133 days during 2008-09. No interest was allowed by the State Government to the PRIs for delayed payment of TFC grants. The DPOs attributed the delay in release of

grants to non-approval of schemes by the elected house, non-receipt of shelf, etc.

#### **1.11.4 Diversion of funds**

As per guidelines priority should be given to utilise the TFC grants on O&M cost of water supply and sanitation schemes. It was, however, noticed that an amount of ` 1.33 crore was utilized by GPs during 2005-06 and 2008-09 on 510 inadmissible schemes like construction of Pucca Path, Retaining Walls, Community Halls, Mahila Mandal Bhawan and Sarais etc.

#### **1.11.5 Non-receipt of UCs from GPs**

As per TFC guidelines, ZPs, PSs & GPs are required to furnish UCs to DPO through Block Development Officer within a period of six months from the date of receipt of grant. During audit of Twelve DPOs it was noticed that utilisation certificates for ` 25.10 crore in respect of the grant released were not received from Zila Parishads, Panchayat Samities and Gram Panchayats whereas State Government is sending UCs to Government of India every year.

#### **1.11.6 Monitoring**

As recommended by the TFC, a High Level Monitoring Committee (HLC) headed by Chief Secretary, was constituted by State Government in April, 2005 at State level for monitoring proper utilization of grants. The meeting of the HLC was required to be held every quarter and HLC was responsible through its quarterly meeting for monitoring of both physical and financial targets and ensuring adherence to the specific conditions attached to each grant. Only three meetings of the said committee were held on 17.1.2006, 21.7.2006 and 5.2.2010. The above cases of delay in the release of grants by the State Government and the utilization by the PRIs, diversion of TFC grants, irregularities in utilization of TFC grants, etc., are indicative of the ineffective functioning of the HLC. The Director, Panchayati Raj stated (April 2010) that meetings of the committee were to be convened by the Finance Department being Nodal Department for this purpose.



### 1.12 Outstanding Inspection Reports.

As a result of audit of PRIs by Pr. AG office under TGS, 1,187 inspection reports containing 7,952 paras were issued to the concerned PRIs during 2005-10 as per details given below:-

Sr.No.	Year of issue of Inspection Reports	No. of Inspection Reports	No. of paras issued	No. of paras settled	No. of outstanding IRs/Paras	
					IRs	Paras
1.	Upto 2007-08	531	2764	38	531	2726
2.	2008-09	320	2687	9	320	2678
3.	2009-10	336	2501	0	336	2501
	Total	1187	7952	47	1187	7905

Increasing trend of outstanding Inspection Reports and paras is indicative of non-compliance of audit observations and has resulted in erosion of accountability.

## **CHAPTER-II**

### **PERFORMANCE REVIEW ON ASSETS MANAGEMENT BY PACHAYATI RAJ INSTITUTIONS**

#### **2.1 Asset Management by Panchayati Raj Institutions**

##### **2.1.1 Highlights**

The assets owned by Panchayati Raj Institutions (PRIs) include movable and immovable assets, remunerative and non-remunerative assets, acquired or created by them from time to time. Panchayati Raj Institutions acquire/create assets as per their requirement and availability of funds. Besides, specific assets are also acquired/ created out of grants received from Government of India. The Asset Management includes planning and decision making in creation or acquisition of assets, proper accounting of assets, utilization of assets, maintenance of assets and disposal of obsolete assets. Laxity in these areas is fraught with the risk of public funds invested on assets becoming unfruitful. Some of significant points noticed are given in succeeding paragraphs.

- In 13 PSs, 97 Panchayat Ghars for which ` 2.30 crore were sanctioned between 2005-09 had not been constructed as of January 2010.

(Paragaraph-2.3.3)

- Zila Parishad Bhawan Shimla had not been started has of December 2009 despite ` 54 lakh were placed at the disposal of H.P.P.W.D. in June 2008.

(Paragaraph-2.3.4)

- Seventy community centers constructed at a cost of ` 0.53 crore between 1998-99 and 2008-09 were being used by the public free of cost and had not augmented the income of PRIs.

(Paragaraph-2.3.5)

- The Internal control system relating to assets management available in the PRIs was not effective as annual physical verification was not being done. The assets registers were either not maintained or incomplete.

(Paragaraph-2.6)

### **2.1.2 Audit Objectives**

The audit objectives were to examine whether;

- the acquisition or creation of assets was properly planned and executed.
- all the assets owned by PRIs were properly documented.
- the assets were properly utilized for the intended purpose.
- there was a system for the up keep and periodical maintenance of assets ,
- there were losses, system deficiencies and lacunae in assets management.

### **2.1.3 Audit Criteria:**

The criteria used to assess the effectiveness of the Panchayati Raj Institutions in asset management were;

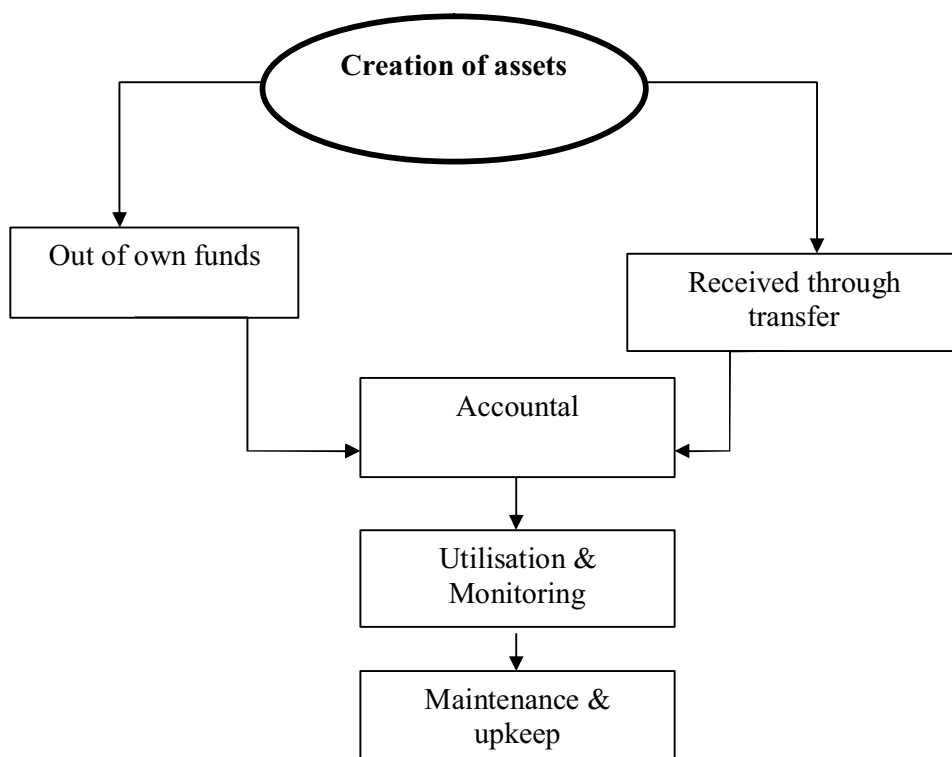
- Guidelines issued by the Government and reports of Panchayati Raj Institutions .
- Provisions of HP Panchayati Raj Act, 1994.
- Norms fixed for upkeep and maintenance of assets.

### **2.1.4 Audit methodology and scope**

Performance audit of the asset management by the Panchayati Raj Institutions covering the period 2004-05 to 2008-09 was conducted during October 2009 to January 2010. Three out of 12 districts were selected for audit scrutiny. Shimla District has been selected being capital district. Kangra and Mandi districts were selected on the basis of population. In the selected districts, three Zila Parishad (ZPs), sixteen Panchayat Samities (PS)<sup>7</sup> and seventy eight Gram Panchayats (GPs) (**Appendix-6**) (total 97 PRIs) were selected for test-check besides information supplied by the Director (PRI). The flow chart showing the components of asset management is given below:-

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<sup>7</sup> Baijnath, Basantpur, Balh, Chauntra, Chopal, Dehra, Kangra, Lambagaon, Mandi Sadar, Nagrota Bagwan, Nurpur, Panchrukhi, Rampur, Sarkaghat, Sundernagar, & Theog.



## 2.2 Financial profile

Separate funds were not allotted/earmarked for the creation and maintenance of assets in the state except provisions made during 2008-09 for maintenance of assets by PRIs. The assets were being created and maintained out of funds made available to PRI under centrally sponsored and state sponsored schemes and their own resources. An expenditure of ` 355.90 crore was incurred by the Secretary (P&RD) during 2004-09 for implementation of various schemes through Panchayati Raj Institutions as under:-

(` in crore)

Year	Funds available	Expenditure
2004-05	35.69	35.69
2005-06	47.70	47.70
2006-07	69.37	69.37
2007-08	101.04	101.04
2008-09	102.10	102.10
<b>Total</b>	<b>355.90</b>	<b>355.90</b>

(Source: Departmental figures)

The position of funds available and expenditure incurred for creation of assets by 97 PRIs test checked during 2004-09 was as under:-

(` in crore)

Sr. No.	Year	Funds available	Expenditure incurred	Expenditure incurred on asset creation	Percentage of total expenditure
1	2004-05	7.40	5.76	2.53	43.84%
2	2005-06	8.52	7.29	2.45	33.65%
3	2006-07	11.75	9.27	2.69	28.99%
4	2007-08	14.96	12.12	6.40	52.84%
5	2008-09	23.04	18.05	10.88	60.26%
<b>Total</b>		<b>65.67</b>	<b>52.49</b>	<b>24.95</b>	<b>47.53%</b>

(Source: Departmental figures)

It would be evident from the above that the percentage of expenditure on asset creation was between 29 and 60 of the total expenditure.

### 2.2.1 Non implementation of recommendations of State Finance Commission (SFC).

The State Finance Commission (SFC) had recommended for making the provision of expenditure for the maintenance of assets by PRIs but no provision had been made during 2004-05 to 2007-08 as under:-

(` in crore)

Year	Provision recommended	Provision made for maintenance of assets
2004-05	41.83	-
2005-06	44.59	-
2006-07	47.53	-
2007-08	-	-
2008-09	7.30	7.30

Reasons for not making provision for maintenance of assets during 2004-05 to 2006-07 were not intimated. Non-maintenance of assets may lead to their deterioration with the passage of time.

## 2.3 Creation, Acquisition and Utilisation of Assets

### 2.3.1 Planning

Acquisition of assets involves sizable investment for which project specific business plans have to be prepared for timely completion of the project for

deriving optimal intended benefits. Assets intended to be acquired or created by local bodies should be commensurate with the immediate and long term requirement.

It was noticed in audit that no policy for formulation of long/short term planning for creation, periodical counting, monitoring and maintenance of assets had been prepared by the State Government in respect of Panchayati Raj Institutions. In the absence of any policy, the PRIs had been creating assets according to their own requirement keeping in view the availability of funds.

### **2.3.2 Status of Assets**

In 79 PRIs test-checked 4201 assets valued at `7.64 crore (**Appendix-7**) were created from 1967-68 to 2003-04 of which 3038 assets valued `6.87 crore were being utilized, the status of 767 assets valuing of `0.48 crore were not known to concerned Gram Panchayats and remaining 396 assets valuing `0.29 crore were not in use. In the absence of any monitoring the utility of assets valued at `0.77 crore (`0.48 crore & `0.29 crore) and could not be verified in audit as no reasons for non-utilisation of assets were advanced by concerned PRIs.

### **2.3.3 Non-completion of Panchayat Ghars**

During 2005-06 `5.08 crore were sanctioned for the construction of 210 Panchayat Ghars in 13 Panchayat Samities of Shimla, Kangra and Mandi districts by the concerned District Panchayat Officers. The construction works were required to be completed within one year. It was noticed that 70 Panchayat Ghars valued at `1.74 crore were completed and 97 Panchayat Ghars for which funds of `2.30 crore were sanctioned had not been completed as of January 2010. Construction of the remaining 43 Panchayat ghars (sanctioned funds: `1.05 crore) had not been started as of January 2010 as detailed in (**Appendix- 8**).

This resulted in blocking of funds of `1.05 crore and expenditure of `2.30 crore incurred on incomplete Panchayat Ghars had remained unfruitful. The concerned PRIs stated (October 2009 to Jan 2010) that these works could not be started due to non finalization of sites and non execution of agreements by

the Panchayats. Thus due to non finalization of agreements by the concerned Gram Panchayats resulted in blockade of funds of ` 1.05 crore.

#### **2.3.4 Non construction of Zila Parishad Bhawan Shimla resulting in blocking of funds of ` 54.00 Lakh**

Administrative Approval and Expenditure Sanction (AA&ES) for construction of four storied Zila Parishad Bhawan at Sanjauli, Shimla was accorded (September 1997) for ` 25.00 lakh. Funds of ` 25.00 Lakh were released between 1997-98 and 2001-02 to ZP Shimla. Rupees 29.00 lakh were also released (March 2007) for the construction of the residence of District Panchayat Officer (DPO).

Scrutiny of records (October, 2008) revealed that land at Sanjauli, was got transferred (March 1998) in the name of Panchayati Raj (PR) department for the construction of the Zila Parishad Bhawan. The case for finalization of drawings was taken up (1998) with Town & Country Planning Department (TCP). As the site was very steep and sensitive from traffic point of view, the Restricted Area Committee (RAC) of TCP rejected (March 2004) the site for the proposed construction. It was further noticed that new site near RTO office at Shimla was selected (September 2005) and an amount of ` 2.48 lakh was paid (May 2007) to Forest department for diversion of land for non forestry purpose. An estimate for ` 1.16 crore was got prepared (July 2007) from Public works Department for the construction of Zila Parishad Bhawan inclusive of provision for residence of District Panchayat officer and Chairman of Zila Parishad and revised AA&ES for the same amount was accorded (September 2008) by the Secretary, Zila Parishad.

Though funds of ` 54.00 lakh were placed (June 2008) at the disposal of Public Works Department for constructing Zila Parishad Bhawan, the work had not been started as of December 2009 due to non completion of codal formalities. This resulted in blocking of funds and accrual of intended benefits. Convincing reply was not furnished by Zila Parishad authorities.

#### **2.3.5 Utilisation of assets without charges**

The PRIs have been providing facilities to the villages/towns by way of community centers in various Gram Panchayats.

Scrutiny of records of 33 PRIs (out of 97 PRIs test checked) revealed that 70 Community Centers constructed between 1998-99 and 2008-09 at a cost of ` 0.53 crore (**Appendix-9**) were being used by the public free of cost since their construction. No charges for their use have been fixed by the concerned GPs whereas expenditure on electricity, water charges and scavenging etc. is being met by the GPs. Specific instructions regarding rate of fees to be charged for use of community centers should have been issued by the Govt. to ensure uniformity in the rates.

### **2.3.6 Non realization of rent**

The PRIs have been maintaining shops and these are leased out on monthly rental basis to increase their own income.

Scrutiny of records in 15 PS (**Appendix-10**) test checked revealed that an amount of ` 32.30 lakh was outstanding from various tenants on account of rent of shops as of March 2009. The outstanding rent ranging between ` 40 and 3000 per month per shop pertains to the period from 1992-93 onward in many cases. Non recovery of rent has deprived the concerned PRIs from revenue to the extent of ` 32.30 lakh which could have been utilised for developmental works. No specific reasons were advanced for non recovery of rent.

### **2.3.7 Non-Revision of rent of shops-Loss of revenue**

As per policy the rent of shops/stalls rented out is required to be revised @ 10% after every five years by the concerned PRIs.

Scrutiny of records of 17 GPs/PS revealed that the rent of 232 shops had not been revised as per condition of the agreement. Non revision of rent has resulted into loss of revenue of ` 08.86 lakh (**Appendix-11**) as of March 2009. While no cogent reasons for non revision of rent were advanced, the concerned GPs/PS stated that matter for revision of rent will be placed before the elected house. The replies were not tenable as non revision of rent since long has deprived the PRIs from recurring loss of revenue which could have been utilized for other developmental works.



### 2.3.8 Non-allotment of shops-loss of revenue

Scrutiny of records of Panchayat Samiti Dehra revealed that 44 shops were constructed in 1998 at Jawalamukhi at a cost of ` 20.03 lakh. Out of 44 shops 26 shops were allotted (23 shops in 1998 & 3 shops in 2005) but 18 shops constructed in 1998 were lying unallotted as on March 2010, for want of decision committee constituted to allot the shops. The Additional Commissioner Kangra while disposing off the complaint received from shopkeepers of Jawalamukhi shopping complex had directed (07-04-2004) the Chairperson Panchayat Samiti Dehra, E.O. PS Dehra & SDM Dehra to auction the remaining 18 shops so that PS Dehra could benefit from the rent which would accrue from the shops but no action had been taken to put these shops into auction so far. Thus non-allotment of shops has not only rendered the expenditure of ` 8.20 lakh (approximately) as unfruitful but the PS Dehra has also been deprived the revenue of ` 23.76 lakh by taking into account average amount of ` 1000/- per month per shop. The EO stated (January 2010) that the shops could not be allotted for want of decision by the committee constituted for the purpose and matter will be taken up with SDM Dehra for early decision/meeting for conducting auction of shops.

Thus non allotment of shops has rendered the expenditure of ` 20 lakh as unfruitful besides loss of revenue of ` 25.33 lakh to PS Dehra which could have been derived for allotment of these shops.

### 2.3.9 Irregular reduction of rent

Scrutiny of records of PS Panchrukhi revealed that 13 shops constructed (1991 to 2001) at a cost of ` 3.63 lakh were allotted as under:-

( ` .in lakh)

Str. No.	Name S/sh.	Date of allotment	Rent fixed/agreed ` P.M	Reduced Rent P.M w.e.f. 1.4.2001	Loss from 01-04-2001 to 31-03-09
1	Kulvinder	1.2.1991	400	200	0.19
2	Piyar Chand	1.11.1991	450	225	0.22
3	Lajwant Singh	1.2.1991	400	200	0.19
4	Parbhat Singh Chandel	1.11.1991	400	200	0.19

5	Vinod Awasthi	1.4.2001	450	225	0.22
6	Lekh Raj	1.2.1991	400	200	0.19
7	Suman Kumari	1.4.2001	400	200	0.19
8	Paryag Raj	2.1.1991	400	200	0.19
9	Joginder Singh	1.4.2001	450	225	0.22
10	Parbahat Chand	1.4.1991	450	225	0.22
11	Mohinder Singh	1.11.1991	450	225	0.22
12	Krishan Kumar	2.1.1991	400	200	0.19
13	Parvithi Raj	1.2.1991	400	200	0.19
				<b>Total</b>	<b>2.62</b>

These shops were allotted in between 1991 to 2001 initially for one year at a monthly rent of ` 400/- to ` 450/- by Executive Officer Panchrukhi. After execution of lease deed the resolution was passed (July, 2005) to reduce the rent to 50% of total rent w.e.f. 1.4.2001. The resolution of house to reduce the rent was irregular because as per Agreements entered into with the tenants, the rent should be revised/enhanced after five years. This results in loss of revenue of ` 2.62 Lakh upto March, 2009. The EO, PS Panchrukhi stated that approval of the Director, Panchayati Raj Himachal Pradesh to reduce the rent would be obtained. The approval is still (Oct 2010) is awaited.

## **2.4 Asset accounting**

The assets are acquired/created with certain specific objectives. To ensure that the objectives have been achieved, proper up-keep, maintenance, timely disposal and replacement are necessary for which proper accounting of the asset is required. Periodical verification of assets is an important process in assets management for which proper records are to be kept. Following observations were made during scrutiny of records relating to assets accounting.

### **2.4.1 Non maintenance of Asset register**

Rule 34 of Himachal Pradesh Panchayati Raj General Rule 1997 provide for maintenance of asset register of all immovable properties of which PRIs is the proprietor, or which vests in it, or which it holds in trust for the State Government.

It was noticed that none of the test checked PRIs maintained the Asset register of all immovable properties. Hence the exact position of creation of assets could not be verified. The concerned PRIs stated that the requisite register would be maintained in future

#### **2.4.2 Non conducting of physical verification of created assets**

It was noticed that none of the test checked PRIs had conducted the periodical physical verification of assets as required. In the absence of physical verification the status of assets could not thus be verified in audit. The concerned PRIs stated that the verification would be conducted in future.

#### **2.5 Internal Control System**

Rule 34 of Himachal Panchayati Raj General Rules 1997 provide that Register for Developmental Works and Register of Immoveable property is to be maintained by the GPs in form 2 and form 11 respectively. Though there is provision in Himachal Pradesh Panchayati Raj (Finance, Budget Accounts, Audit, Works, Taxation and Allowances) Rules, 2002 for physical verification of stock, no provision exist for physical verification of assets/ immoveable property.

Thus the internal control system relating to asset management available in the PRIs was not effective. In none of PRIs test-checked was annual physical stock verification done, as a result of which the PRIs could not ensure whether all the assets accounted for in the Stock Register/Assets Register were physically available and vice versa. Encroachment of landed property, non-maintenance of movable as well as immovable assts, improper utilization/non utilization of assets, etc. were attributable to the weak internal control system. Incomplete non- maintenance of Asset Register was again an internal control failure which may lead to loss and non maintenance of assets.

#### **2.6 Monitoring**

The department should have prescribed a detailed monitoring system to ensure upkeep and timely maintenance of assets in the PRIs. It was however, noticed that no such system had been evolved as a result of which the track of assets created or transferred could not be kept properly leading to non utilization or loss of assets. No register and records were kept to enable the PRIs to ensure

optimum utilization of assets. Also no periodical review of the performance of the assets was conducted.

## **2.7 Conclusion**

- The acquisition and creation of assets was not properly planned. This resulted in dead investment of capital which could have been utilized for other productive purposes.
- The documentation and accounting of the assets acquired/ created/ transferred from the Government was incomplete, indicating weak and ineffective internal controls system.
- The utilization of assets was not satisfactory resulting in idle capital investment.

## **2.8 Recommendation**

- Acquisition of assets should be properly planned and implemented.
- A proper system of asset accounting should be developed by the PRIs.
- Consistent efforts are required on the part of the Government and PRIs to avoid under/non utilization of assets.
- Government should consider entrusting the responsibility of ensuring timely implementation of projects relating to creation/acquisition of assets and their proper utilisation to the District Planning Committee.
- The internal control system in PRIs should be strengthened

## **CHAPTER-III**

### **TRANSACTION AUDIT**

#### **3.1 Retention of cash in hand**

**The PRIs failed to maintain prescribed limit for retention of cash-in-hand.**

Rules 18 (2) and 10 (3) of HPPR Rules, 2002 provide that the ZPs, PSs and GPs may allow the accumulation of cash in the departmental chest upto maximum limit of ` 5000, ` 2500 and ` 1000 respectively at a time.

Contrary to these rules, Chamba and Lahaul and Spiti ZPs kept cash ranging between ` 5,808 and ` 21,603 respectively in the chest during 2006-09 at a time. Similarly eight PSs and 42 GPs, as detailed in (**Appendix-12**), retained minimum and maximum cash ranging between ` 1,028 and ` 3,25,045 in the chest during 2004-09. The retention of cash in excess of prescribed limits was irregular and chances of temporary misappropriation could not be ruled out. The concerned PRIs admitted the facts and stated (May 2009 to March 2010) that such irregularities would not be repeated in future.

#### **3.2 Outstanding advances.**

**Twenty one GPs did not take action to recover/adjust the outstanding advances of ` 39.37 lakh**

Rule 30 of the HPPR 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 and such advances should be adjusted regularly and promptly.

Scrutiny of the records of 21 GPs revealed that ` 39.37 lakh sanctioned as advances to various office bearers such as Pradhan, Up-pradhan and other officials for carrying out the developmental activities remained unadjusted (**Appendix-13**) as of March 2009. Of this, ` 1.60 lakh were outstanding against the officials and could have been recovered from their pay. No efforts

were made to recover these advances and in certain cases advances remained outstanding for periods ranging from two to 18 years. Lack of effective action to recover/ adjust the old outstanding advances may lead to loss with the passage of time.

On this being pointed out, the concerned PRIs stated (May 2009 to February 2010) that efforts would be made to recover the advances.

### **3.3 Blocking of funds in Personal Ledger Account (PLA)**

**Funds of ` 25.56 lakh earmarked for minor irrigation schemes remained un-utilised in PLA.**

The PSs had been maintaining Personal Ledger Account (PLA) for crediting the grants received from Government for execution of minor irrigation and water supply schemes in rural areas. As per condition of sanctions, the funds are required to be drawn within one month and utilized within one year from the date of sanction.

Scrutiny of records revealed that in 14 PSs (**Appendix-14**) there was an opening balance of ` 24.34 lakh as on 31 March 2005 and ` 9.57 lakh was received between 2005-06 and 2008-09. Thus ` 33.91 lakh was available for execution of schemes against which expenditure of ` 8.35 lakh had been incurred leaving unspent balance of ` 25.56 lakh in PLA as of March 2009. Non-utilisation of funds placed in PLA resulted in unnecessary blocking of funds and the purpose of sanctioning funds was also stood defeated. Action to refund the unspent funds as per terms and conditions of the sanction had not been taken. The concerned PRIs stated (April 2009 to March 2010) that funds would be utilized after getting the schemes approved by the elected house.

### **3.4 Non-recovery of duty**

**Revenue of ` 9.03 lakh remained un-realised on account of installation/renewal charges of Mobile Towers in 73 PRIs.**

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

In 73 GPs, 171 Mobile towers were installed during 2006-2009 (**Appendix-15**) in their jurisdiction but the installation/renewal charges of `9.03 lakh had not been recovered from the concerned Mobile Companies as of March 2009. This deprived the GPs of their due share of revenue. The concerned GPs stated (April 2009 to March 2010) that action would be taken to recover the dues.

### **3.5 Purchase of material**

#### **Sixty GPs purchased material costing ` 2.19 crore without inviting quotations/tenders**

Rule 67 (5) (a) & (b) of the HPPR Rules, 2002 provides that purchases of stores above ` 50,000/- tenders are to be floated and purchase of stores for more than ` 1,000/- but less than ` 50,000/- are to be made by inviting quotations and for purchases respectively.

It was observed that in 60 GPs material costing ` 2.19 crore as shown in (**Appendix-16**) was purchased during 2004-09 without inviting quotations. As such the purchases were made without observing the prescribed procedures and the possibility of payment higher rates could not be ruled out. The concerned GPs stated (April 2009 to February 2010) that in future the purchases would be made as per rules.

### **3.6 Loss of interest**

#### **Non investment of surplus funds resulted in loss of ` 6.00 lakh.**

Rule 26 of Himachal Pradesh Panchayati Raj Rules, 2002 provides that PSs may invest surplus amount in scheduled/Co-operative banks to ensure maximum returns and also funds are available when payments are to be released.

Scrutiny of records of PS Amb revealed that there was an opening balance of ` 21.82 lakh in 2005-06 in various savings bank accounts which accumulated to ` 97.98 lakh at the end of 2008-09. It earned ` 5.74 lakh as interest @ 3 per cent during this period. Had these funds been invested in short term FDRs, etc., it would have earned ` 11.75 lakh approximately at double interest rates. Thus the PS failed to act prudently and invest the surplus amount to ensure maximum returns. This resulted in a loss of interest of ` 6.00 lakh approximately.

The EO stated that the amount would be kept in FDRs after obtaining the approval of the house.

### **3.7 Non-recovery of house tax**

#### **Loss of Revenue of ` 11.65 lakh due to non- realisation of House Tax by eighty one GPs.**

Rule 33 of HPPR Rules, 2002 provides that the Secretary of the GP shall see that all revenues are correctly, promptly and regularly assessed, realised and credited to the accounts of the fund of the Panchayat concerned.

In 81 GPs an amount of ` 11.65 lakh on account of house tax was outstanding for recovery for the period 2004-09 as of March 2009 as detailed in (Appendix-17). This was indicative of ineffective monitoring on the part of GPs and resulted in loss of revenue which could have been utilized for developmental works of the concerned GPs. Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of provisions contained in Section 114 of HP Panchayati Raj Act, 1994. The concerned GPs stated (April 2009 to March 2010) that efforts would be made to recover the house tax.

### **3.8 Outstanding rent.**

#### **Twenty three PRIs failed to realize rent of shops amounting to ` 32.02 lakh**

The ZPs, PSs and GPs had been maintaining shops in their jurisdiction and these were rented out to the public on monthly rental basis.

It was noticed that in 23 PRIs, an amount of ` 32.02 lakh<sup>8</sup> on account of rent of 234 shops was outstanding as of March 2009 as detailed in (Appendix-18). This amount was outstanding for a period ranging from one to seventeen years. The concerned PRIs stated (May 2009 to March 2010) that action would be taken to recover the outstanding rent.

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<sup>8</sup> One ZP: ` 1.77 lakh: Seven PSs : ` 24.79 lakh and 15 GPs : ` 6.07 lakh



### 3.9 Expenditure on works without preparation of estimates

#### **Fifty six GPs incurred expenditure of ` 4.24 crore on 738 works without preparation of estimates**

Rule 94(3) of HPPR Rules, 2002 provide that estimates for work costing more than ` 25,000/- but less than ` 50,000/- and more than ` 50,000/- shall be prepared by the Takniki Sahayak and Junior Engineer of GP respectively

Scrutiny of records revealed that 56 GPs incurred an expenditure of ` 4.24 crore on 738 works like construction of Mahila Mandal Bhawans, Pucca Paths, Play grounds, pavement of streets, etc., during the period 2004-09 without preparation of estimates as detailed in (Appendix-19). The expenditure incurred was thus irregular and possibility of payments at higher rates could not be ruled out. The concerned GPs stated (April 2009 to March 2010) that in future estimates would be prepared.

### 3.10 Unfruitful expenditure

#### **Expenditure of ` 30 lakh on construction of Panchayat Samiti Office Bhavan remained unfruitful for want of additional funds**

The office building of Block Development Officer cum Executive Officer, Panchayat Samiti Lahaul at Keylong was damaged due to fire during 1999. The State Government placed in ` 30 lakh at the disposal of Block Development Officer cum Executive Officer, Panchayat Samiti Lahaul at Keylong in three installments (between 1999-2008) for construction of separate building for office of BDO-cum-EO PS Lahaul. The Estimate was technically got approved (January 2005) for ` 42.24 lakh. The EO, PS Lahaul purchased (August 2001) land measuring 21 *biswa*<sup>9</sup> for ` 5.40 lakh during August 2005 on which the proposed building was to be constructed.

The civil works of the building were awarded (April 2006) to a contractor for ` 43.24 lakh with the stipulated time of completion of two years from the date of award. Till 4<sup>th</sup> running bill, an expenditure of ` 24.60 lakh on civil works had been incurred as of March 2010 and the work upto roof level and plastering completed. Work relating to electric and sanitary installations, besides retaining and breast walls were still to be started for want of additional

<sup>9</sup> 1 *biswa* is approximately 45 square yards

funds. Due to non completion of the building, entire expenditure of ` 30 lakh on its construction/ purchase of land remained unfruitful. The EO while admitting the facts stated (March 2010) that tenders for the remaining work would be floated only after the funds are made available.

**Shimla**  
**Dated**

**(Pran Nath Sharma)**  
**Deputy Accountant General**  
**Local Bodies Audit & Accounts**  
**Himachal Pradesh**

**Countersigned**

**(Rita Mitra)**  
**Pr. Accountant General (Audit)**  
**Himachal Pradesh**

## **Appendix1 (Refer to Paragraph 1.3.1.1)**

### **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. Nonconventional 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.

### **FUNCTIONS NOT YET DEVOLVED TO THE PRIs (3)**

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

**Appendix-2 (Refer to Paragraph-1.9)**

**DETAILS OF INSTITUTIONS AUDITED DURING 2009-10**

**Panchayat Samities**

<b>Sr. No.</b>	<b>Name</b>
1	Amb
2	Bajjnath
3	Balh
4	Bangana
5	Basantpur
6	Bijhari
7	Chopal
8	Ghumarwin
9	Jhandutta
10	Kalpa
11	Kandaghat
12	Kangra
13	Kunihar
14	Lahaul Keylong
15	Mandi Sadar
16	Nadaun
17	Nalagarh
18	Nichar
19	Pachhad
20	Pangi
21	Poanta Sahib
22	Pooh
23	Seraj/Janjheli
24	Theog
25	Una

**Gram Panchayats**

**Total number of Gram Panchayats Audited = 299**

**Appendix-3 (Refer to Paragraph-1.10.1)**

**NON-PREPARATION OF BUDGET ESTIMATES FOR THE PERIOD 2005-09**

( ` in lakh)

Sr. No.	Name of ZPs/PSs	Period	Amount spent
<b>Zila Parishads</b>			
1.	Bilaspur	2008-09	33.67
2.	Chamba	2007-08: ` 21.13 and 2008-09 : ` 27.61	48.77
3.	Kangra	2006-07: ` 21.68; 2007-08: ` 20.16 and 2008-09: ` 30.39	72.23
4.	Lahaul at Keylong	2006-07: ` 10.75; 2007-08: ` 7.23 and 2008-09 : ` 7.91	25.89
5.	Shimla	2006-07: ` 55.00; 2007-08: ` 34.07 and 2008-09 : ` 65.00	154.07
6.	Solan	2008-09	9.44
<b>Total</b>			<b>344.07</b>
<b>Panchayat Samities</b>			
1	Bijhri	2005-06: ` 2.41; 2006-07: ` 6.14; 2007-08: ` 3.90 and 2008-09 : ` 12.35	24.80
2	Pangi	2006-07: ` 11.15; 2007-08: ` 17.68 and 2008-09 : ` 8.79	37.62
3	Kangra	2006-07: ` 16.00; 2007-08: ` 23.38 and 2008-09 : ` 24.93	64.31
4.	Nichar	2006-07: ` 29.43; 2007-08: ` 27.76 and 2008-09 : ` 18.84	73.03
5.	Lahaul at Keylong	2006-07: ` 60.48; 2007-08: ` 94.24 and 2008-09 : ` 144.56	299.28
6	Janjheli	2006-07: ` 21.60; 2007-08: ` 27.07 and 2008-09 : ` 57.98	106.65
7	Theog	2006-07: ` 8.91; 2007-08: ` 7.28 and 2008-09 : ` 13.79	29.98
8	Pachhad	2007-08: ` 14.95 and 2008-09 : ` 19.24	34.19
<b>Total</b>			<b>669.86</b>
<b>Grand Total</b>			<b>1013.93</b>

## **Appendix-4 (Refer to Paragraph-1.10.2)**

### **NON-MAINTENANCE OF RECORDS BY PRIs**

#### **Zila Parishads (2007-09)**

<b>Sr.No</b>	<b>Name of ZPs</b>
1.	Bilaspur
2.	Chamba
3	Shimla
4	Sirmour
5	Solan
6	Mandi
7	Lahaul Spiti

#### **Panchayat Samities (2006-09)**

<b>Sr.No.</b>	<b>Name of PSs</b>
1.	Amb
2.	Basantpur
3.	Bijhari
4.	Kandaghat
5.	Nalagarh
6.	Pachhad
7.	Paonta Sahib
8.	Pooh
9.	Pangi
10.	Lahaul

**Gram Panchayats (2004-09)**

<b>Sr.No.</b>	<b>Name of GPs</b>
1.	Badgaon (Jhanduta)
2.	Behna Brahmna (Jhanduta)
3.	Berthin (Jhanduta)
4.	Paplah (Jhanduta)
5.	Upperli Dari(Dharmshala)
6.	Patehr Pasu(Dharmshala)
7.	Sidhpur(Dharmshala)
8.	Dugri(Nadaun)
9.	Jasai(Nadaun)
10.	Hartwas (Tissa)
11.	Khajua (Tissa)
12.	Khushnagri (Tissa)
13.	Kuther Bhagoda (Tissa)
14.	Sanwal (Tissa)
15.	Thalli (Tissa)
16.	Devi Kothi (Tissa)
17.	Karyas( Pangi)
18.	Kiryuni ( Pangi)
19.	Lunj ( Pangi)
20.	Barsar (Bijhri)
21.	Dadwin (Bijhri)
22.	Kanoh(Bijhri)
23.	Morsu Sultani (Bijhri)
24.	Lahar Kotlu (Nadaun)
25.	Kasba Paprola (Baijnath)
26.	Ustehr(Baijnath)
27.	Baijnath(Baijnath)

28. Sakri(Baijnath)
29. Dhanag(Baijnath)
30. Chhota Bhagal(Baijnath)
31. Khadanal(Baijnath)
32. Chandpur (Bhawarna)
33. Hangloh (Bhawarna)
34. Ramched (Bhawarna)
35. Thandol(Bhawarna)
36. Haler kalan(Kangra)
37. Bhangwar(Kangra)
38. Thanpuri(Kangra)
39. Kulthi(Kangra)
40. Janyakad(Kangra)
41. Nandehr(Kangra)
42. Sabana (Pragpur)
43. Katoh Tikker(Pragpur)
44. Kanol (Rait)
45. Manei (Rait)
46. Shahpur (Rait)
47. Bari(Nichar)
48. Nako(Pooh)
49. Kandidhar(Banjar)
50. Shikarighat(Banjar)
51. Udaipur(Lahaul)
52. Thiroth(Lahaul)
53. Gharot (Gohar)
54. Jhungi (Gohar)
55. Parwada (Gohar)
56. Bhat-ki-Dhar(Janjheli)



57	Kathiari( Sadar Mandi)
58	Sai (Sadar Mandi)
59	Sadoh (Sadar Mandi)
60	Segli (Sadar Mandi)
61	Balag (Theog)
62	Devthi (Theog)
63	Sainj(Theog)
64	Shataiyan(Theog)
65	Addu (Nankhari)
66	Manjholi Tipper (Nankhari)
67	Kalera Majhewati(Nankhari)
68	Sarpara (Rampur)
69	Shahdhar (Rampur)
70	Sarahan(Rampur)
71	Badwas(Paonta)
72	Gorkhuwala(Paonta)
73	Rajana (Sangrah)
74	Satahan(Sangrah)
75	Nohradhar(Sangrah)
76	Goyla (Dharampur)
77	Sayri(Kandaghat)
78	Saryanj(Kunihar)
79	Chowki Khas(Bangana)
80	Dhundla(Bangana)

**Appendix-5 (Refer to Paragraph-1.10.3)**

**NON-RECONCILIATION OF BALANCES OF CASH BOOK  
& BANK PASS BOOK.**

(` in lakh)

Sr.No.	Name of ZPs/ PSs & GPs	Balance as per Pass Book on 31-03-09.	Balances as per Cash Book on 31-03-09	Difference	
<b>Cases where Cash book shows more balances than Pass books</b>					
<b>Zila Parishad</b>					
1.	Chamba	46.27	83.73	37.46	
<b>Panchayat Samities</b>					
1	Jhanduta	5.40	12.57	7.17	
2	Pangi	12.02	18.46	6.44	
3	Kangra	37.07	37.20	0.13	
4	Pachhad	32.01	39.32	7.31	
<b>Total PSs</b>		<b>86.50</b>	<b>107.55</b>	<b>21.05</b>	
<b>Gram Panchayats</b>					
<b>Name of Panchayat Samiti</b>	<b>Sr. No.</b>				
SADAR BILASPUR	1	Dangar	6.38	6.60	0.22
GHUMARWIN	1	Ladda	0.83	2.44	1.61
	2	Pantehra	3.30	3.61	0.31
JHANDUTA	1	Baloh	3.32	3.41	0.09
	2	Kalol	1.32	1.68	0.36
	3	Kapahra	0.49	0.57	0.08
PANGI	1	Karyas	7.69	9.50	1.81
	2	Kiryuni	12.03	16.10	4.07
	3	Lunj	0.79	8.79	8.00
	4	Purthi	21.13	22.39	1.26
TISSA	1	Devi Kothi	4.30	6.31	2.01
	2	Khushnagari	10.19	13.89	3.70
BIJHRI	1	Barsar	2.82	12.07	9.25
	2	Dandwin	3.10	4.71	1.61
	3	Kanoh	1.55	3.94	2.39
	4	Ushnad Kalan	3.76	4.12	0.36
NADAUN	1	Badehra	0.45	1.63	1.18
	2	Bhadru	1.28	2.01	0.73
	3	Lahar Kotlu	3.29	4.36	1.07
	4	Malag	7.49	9.03	1.54

BAIJNATH	1	Bada Bhangal	0.75	1.06	0.31
	2	Dhanog	8.16	8.84	0.68
	3	Fatahar	5.35	5.90	0.55
	4	Kandral	4.00	4.14	0.14
	5	Kasba Paprola	6.23	6.61	0.38
BHAWARNA	1	Ramehad	2.66	6.01	3.35
KANGRA	1	Bhangwar	4.54	4.62	0.08
	2	Haled Kalan	2.76	4.56	1.80
	3	Kulthi	2.05	2.23	0.18
	4	Salah Jandrol	4.92	6.14	1.22
	5	Thanpuri	1.39	1.49	0.10
PRAGPUR	1	Katoh Tikkar	4.97	5.99	1.02
	2	Lag	2.82	3.84	1.02
	3	Rakkad	7.63	9.22	1.59
LAHAUL	1	Gohrama	2.46	4.62	2.16
	2	Shishu	3.30	5.07	1.77
	3	Thirot	5.40	7.08	1.68
GOHAR	1	Jhungi	6.25	6.42	0.17
	2	Sharan	1.20	1.51	0.31
	3	Tharjun	5.98	7.06	1.08
JANJHELI	1	Baryogi	6.09	7.50	1.41
	2	Kasod	6.50	13.12	6.62
	3	Kuklah	6.99	8.50	1.51
	4	Mani	9.63	10.74	1.11
SADAR MANDI	1	Segli	4.12	5.55	1.43
	1	Sai	0.61	4.27	3.66
SANGRAH	1	Rajana	0.80	1.23	0.43
KANDAGHAT	1	Hinner	13.35	14.35	1.00
DHARMPUR	1	Taksal	8.24	11.42	3.18
KUNIHAR	1	Bhumti	3.92	8.66	4.74
	2	Mann	1.53	4.25	2.72
<b>Total Gram Panchayats</b>			<b>240.11</b>	<b>329.16</b>	<b>89.05</b>
<b>Grand Total</b>			<b>372.88</b>	<b>520.44</b>	<b>147.56</b>
<b>Cases where cash books shows less balances than Pass books</b>					
<b>Zila Parishads</b>					
1	Lahaul & spiti		47.52	40.04	7.48
2	Mandi		69.83	69.01	0.82
3	Sirmour		161.58	161.37	0.21
<b>Total</b>			<b>278.93</b>	<b>270.42</b>	<b>8.51</b>
<b>Panchayat Samitis</b>					
1	Balh		73.49	51.92	21.57
2	Kunihar		26.50	25.93	0.57
3	Reckong Peo		67.49	65.62	1.87
4	Paonta Sahib		17.29	10.31	6.98
5	Amb		103.09	97.98	5.11
<b>Total</b>			<b>287.86</b>	<b>251.76</b>	<b>36.1</b>

<b>Gram Panchayats</b>					
<b>Name of Panchayat Samiti</b>	<b>Sr. No.</b>				
SADAR BILASPUR	1	Barota	6.97	6.90	0.07
GHUMARWIN	1	Lehri Sarel	3.94	3.77	0.17
	2	Nanwan	2.32	1.53	0.79
	3	Uperli Salaon	3.30	2.69	0.61
JHANDUTA	1	Badgaon	1.49	1.31	0.18
	2	Balghar	1.45	0.34	1.11
	3	Berthin	3.24	2.33	0.91
	4	Hirapur	3.30	0.62	2.68
	5	Paplah	1.07	0.06	1.01
TISSA	1	Thalli	26.21	13.74	12.47
PANGI	1	Karel	12.05	11.68	0.37
BIJHRI	1	Banni	5.04	4.76	0.28
	2	Bhakreri	4.35	4.00	0.35
NADAUN	1	Jasai	1.85	1.73	0.12
	2	Rangas	2.40	2.35	0.05
BAIJNATH	1	Khadanal	1.89	1.54	0.35
	2	Kiyori	4.75	4.33	0.42
	3	Sakri	6.06	5.47	0.59
	4	Usteded	4.26	3.58	0.68
BHAWRNA	1	Hangloh	4.47	0.98	3.49
	2	Thandol	2.39	1.84	0.55
SADAR MANDI	1	Dawanen	8.29	6.99	1.30
	2	Kothari	2.20	0.27	1.93
KANGRA	1	Kot Dhalyas	6.60	6.43	0.17
	2	Takipur	0.90	0.82	0.08
LAHAUL	1	Udaipur	5.57	4.96	0.61
PRAGPUR	1	Bassi Sawana	6.37	5.56	0.81
	2	Rodi Kodi	5.10	2.82	2.28
GOHAR	1	Basa	3.01	1.63	1.38
	2	Gharot	5.33	4.70	0.63
	3	Parwada	3.55	1.89	1.66
JANJEHLI	1	Bhat Ki Dhar	8.66	8.08	0.58
BANJAR	1	Kotlan	6.94	5.00	1.94
NANKHARI	1	Addu	3.44	2.36	1.08
RAMPUR	1	Shahdhar	1.88	0.81	1.07
NALAGARH	1	Bhiunkari	5.25	4.77	0.48
THEOG	1	Matiana Kaljar	3.47	2.91	0.56
SANGRAH	1	Chadna	3.68	1.61	2.07
DHARMPUR	1	Badhalag	3.59	2.06	1.53
	2	Bughar Kaneta	1.95	1.70	0.25
	3	Jagesu	8.01	7.43	0.58
KUNI HAR	1	Materni	5.32	4.68	0.64
	2	Kothi	4.34	4.03	0.31

	3	Saryanj	4.82	4.24	0.58
PANCHRUKHI	1	Tanda	4.94	3.40	1.54
<b>Total</b>			<b>216.01</b>	<b>164.70</b>	<b>51.31</b>
<b>Grand Total</b>			<b>782.80</b>	<b>686.88</b>	<b>95.92</b>
<b>Total amount which has not been reconciled</b>					
<b>56 Cases where Cash book shows more balances than Pass books</b>					<b>147.56</b>
<b>53 Cases where cash books shows less balances than Pass books</b>					<b>95.92</b>
<b>Grand Total</b>					<b>243.48</b>

**LIST OF GRAM PANCHAYAT**

**BLOCK BALH**

1. GP Ner
2. GP Bhayrta
3. GP Dhavan
4. GP Shali
5. Lower Rewalsar

**BLOCK BASANTPUR**

6. GP Gharyana
7. GP Ghaini
8. GP Pahal
9. GP Basantpur
10. GP Himri

**BLOCK BAIJNATH**

11. GP Mahakhal
12. GP Uesther
13. GP Averi
14. GP Baijnath
15. GP Bir

**BLOCK CHAUNTRA DISTT MANDI**

16. GP Tikri Mushera
17. GP Bharyana
18. GP Ahju
19. GP Dhelu
20. GP Passal

**BLOCK CHOPAL**

21. GP Bambta

- 22. GP Nerwa
- 23. GP Chhanju
- 24. GP Sarain
- 25 .GP Kedi

**BLOCK DEHRA DISTT KANGRA**

- 26.GP Sihorpai
- 27.GP Ambpathiar
- 28.GP Balsun Darkahata
- 29.GP BariKhash
- 30.GP Khabli

**BLOCK KANGRA**

- 31.GP Nandrul
- 32.GP Ranithal
- 33.GP Ghurkhari
- 34.GP Icchi
- 35.GP Razal

**PS LAMBAGAON**

- 36.GP Tamber
- 37.GP Lambagaon
- 38.GP Alampur
- 39.GP Sanghol

**BLOCK NAGROTA BAGWAN, DISTT. KANGRA**

- 40.GP Suneher
- 41.GP Lakhamandal
- 42.GP Hatwas
- 43. GP Tharu

**BLOCK NURPUR DISTT KANGRA**

- 44.GP Thore
- 45.GP Nagni
- 46.GP Panjera

47.GP Ther

48.GP Narena

**BLOCK PANCHRUKHI, DISTT KANGRA**

49.GP Rajot

50.GP Agojar

51.GP Bharwana

52.GP Rajpur

53.GP Kailaspur

**BLOCK RAMPUR BSR**

54.GP Singla

55.Badhwali

56. Racholi

57.Jhakari

58.Duttnagar

**BLOCK SADAR MANDI**

59.GP Tung

60. GP Kantindi

61. GP Pandoh

62. GP Tharambli

63. GP Tandi

**BLOCK SARKAGHAT**

64. GP Barchwar

65. GP Maseran

66. GP Darpa

67. GP Fatehpur

68 GP Khalardo

**BLOCK SUNDERNAGAR**

69. GP Uperbehli



70. GP Mahadev

71 GP Chambi

72. GP Jaidevi

73.GP Kapahi

**BLOCK THEOG**

74. GP Banni

75. GP Bagain

76. GP Bagari

77. GP Ghorna

78.GP Shai Mathiana



**Appendix-7 (Refer to Paragraph-2.3.2)**

**STATUS OF WORKS AS ON 31<sup>st</sup> March 2004**

(` in lakh)

Name of GP	Total No. of Asset created as on 1.1.2004	Value of Asset	No. of assets not in utilization	Value of assets not in utilization	No. of assets whose existence is not known	Value of assets whose existence is not known
<b>Block: Theog,</b>						
1. GP Banni	45	7.86	0	0	0	0
2. GP Bagain	65	27.59	2	1.20	8	1.84
3. GP Bagri	22	9.83	0	0	6	0.66
4. GP Ghorna	75	16.10	1	0.06	17	1.94
5. GP Shai Mataina	58	9.10	4	1.20	4	0.32
<b>Block Basantpur</b>						
6. GPGharyana	61	10.16	3	0.16	0	0
7. GP Ghaini	51	4.51	14	0.41	0	0
8. GP Pahal	87	13.90	4	0.16	0	0
9. GP Basantpur	134	33.93	55	11.34	0	0
10. GP Himri	77	22.56	0	0	0	0
<b>Block Rampur Bushehar</b>						
11. GP Badhwali	125	33.13	0	0	53	10.13
12. GP Singla	67	33.52	0	0	41	6.27
13. GP Racholi	19	8.94	1	0.14	5	3.31
14. GP Jhakari	17	10.26	0	0	1	0.15
15. GP Duttnagar	37	16.50	0	0	1	0.08
<b>Block Chopal</b>						
16. GP Bamta	98	20.70	28	4.32	0	0
17. GP Nerwa	105	27.02	11	0.86	16	0.50
18. GP Chnju Chopal	72	19.24	12	0.96	7	0.09
19. GP Sarain	91	16.84	52	4.34	0	0
20. GP Kedi	62	15.15	28	3.11	0	0
<b>Block Balh</b>						
21. GP Ner	59	21.70	5	0.14	2	0.13

22. GP Bhayarta	25	5.37	0	0	0	0
23. GP Dhavan	89	19.87	0	0	22	4.30
24. GP Shali	91	24.35	4.16	0	0	0
25. GPLowerRewalsar	40	8.95	3	0.08	0	0
<b>Block Sundernagar</b>						
26. GP Mahadev	157	29.00	73	10.75	0	0
27. GP Chmmbi	210	33.86	86	7.11	0	0
28. GP Jaidevi	65	15.09	8	0.11	0	0
29. GP UpperBehli	184	30.98	65	3.95	0	0
30. GP Kapahi	199	34.90	76	8.21	0	0
<b>Block Sarkaghat</b>						
31. GP Barchhwar	108	14.61	38	2.42	0	0
32. GP Maseran	34	11.33	3	0.11	0	0
33. GP Darpa	27	3.97	0	0	0	0
34. GP Fatehpur	33	6.52	0	0	1	0.03
35. GP Khalaradoo	45	11.41	9	2.39	0	0
<b>Block Mandi Sadar</b>						
36. GP Tung	76	17.95	30	1.72	0	0
37. GP Katindhi	39	30.01	3	0.96	0	0
38. GP Pandoh	57	9.17	13	0.74	0	0
39. GP Triyambli	44	12.35	1	0.09	4	0.80
40. GP Tandu	178	37.40	17	1.29	0	0
<b>Block Panchrukhi, Distt Kangra.</b>						
<b>GP Rajot</b>						
41. GP Agojar	60	8.06	11	0.19	0	0
42. GP Bharwana	74	6.81	8	0.14	0	0
43. GP Rajpur	92	11.18	10	0.27	15	1.61
44. GP Kailaspur	122	14.46	3	0.05	0	0
44. GP Kailaspur	99	14.23	26	0.95	0	0
<b>Block Chauntra Distt Mandi</b>						
45. GP Tikri Mushera	123	15.68	7	0.14	0	0
46. GP Bharyana	26	4.24	0	0	0	0
47. GP Ahju	141	25.68	10	0.67	13	1.17
48. GP Dhelu	146	26.12	3	0.13	10	0.45
49. GP Passal	154	99.89	34	2.13	86	4.43
<b>PS Dehra</b>						
50. GP Sihorpai	127	19.12	21	0.66	0	0
51. GP Ambpathiar	30	6.31	11	0.76	0	0
52. GP Balsun	42	6.18	4	0.38	1	0.26
53. Darkahata						
54. GP BariKhash	65	13.40	6	2.12	22	2.65
55. GP Khabli	153	27.10	15	0.24	66	2.08

<b>PS Nurpur</b>						
56.GP Thore	50	7.55	4	0.23	6	0.48
57.GP Nagni	84	15.80	0	0	14	1.15
58.GP Panjera	120	13.24	11	0.61	4	0.13
59.GP Ther	72	9.16	1	0.25	34	3.10
60.GP Narena	53	5.58	11	0.40	14	1.64
<b>PS Nagrota Bagwan</b>						
61.GP Suncher	79	13.25	15	1.19	11	1.34
62.GPLakhamandal	84	13.74	21	3.90	7	0.53
63.GP Hatwas	152	20.59	0	0	34	2.39
64.GP Tharu	47	7.37	0	0	7	0.25
<b>PS Lambagaon</b>						
65.GP Tamber	114	11.29	0	0	20	0.16
66.GP Lambagaon	86	10.64	1	0.14	19	1.20
67.GP Alampur	112	50.30	39	3.76	0	0
68.GP Sanghol	76	20.95	0	0	12	1.05
<b>PS Baijnath</b>						
69.PS Baijnath	1	4.69	0	0	0	0
70.GP Mahakhal	103	10.08	0	0	66	5.52
71.GP Uesther	84	8.76	2	0.02	24	2.14
72.GP Averi	138	16.40	3	0.16	25	0.41
73.GP Baijnath	43	9.51	5	0.05	1	0.01
74.GP Bir	142	26.00	0	0	25	1.19
<b>PS Kangra</b>						
75.GP Nandrul	37	11.41	0	0	0	0
76.GP Ranital	67	8.79	0	0	0	0
77.GP Ghurkari	57	10.75	0	0	35	8.01
78.GP Ichhi	157	3.73	0	0	104	3.11
79.GP Rajal	148	1.29	0	0	87	0.86
<b>Total</b>	<b>4201</b>	<b>764.05</b>	<b>396</b>	<b>29.26</b>	<b>767</b>	<b>48.15</b>

**Appendix-8 (Refer to Paragraph-2.3.3)****NON-COMPLETION OF PANCHAYAT GHARS**

( ` in lakh)

Sr. No.	Name of Samiti	Total No. of Panchayat Ghar	Amount sanctioned	No. of incomplete Panchayat Ghar	Amount incurred	No. of Panchayat Ghar not started	Amount
1	PS Chopal	19	55.20	8	24.40	5	13.20
2	PS Rampur	16	46.80	11	31.60	2	5.40
3	PS Basantpur	8	15.40	5	10.00	3	5.40
4	PS Sarkaghat	23	31.50	8	9.70	7	10.80
5	PS Chauntra	13	42.20	10	32.40	3	9.80
6	PS Balh	30	49.00	14	21.80	6	9.40
7	PS Mandi Sadar	22	72.70	6	20.00	2	6.80
8	PS Sundernagar	20	58.40	1	3.40	10	34.00
9	PS Panchrukhi	8	19.30	7	15.90	0	0
10	PS Lambagaon	6	12.50	3	6.50	0	0
11	PS Baijnath	10	24.20	6	14.80	2	4.00
12	PS Nurpur	28	66.80	12	27.80	2	4.00
13	PS Dehra	7	14.00	6	12.00	1	2.00
	<b>Total</b>	<b>210</b>	<b>508</b>	<b>97</b>	<b>230.3</b>	<b>43</b>	<b>104.80</b>

**Appendix-9 Refer to Paragraph-2.3.5)****DETAIL OF COMMUNITY CENTERS UTILIZED  
WITHOUT CHARGES**

( in lakh)

Sr.No.	Name of PS/GP	No. of Community Centers	Value
1.	<b>PS Basantpur :</b> GP Gharayana	4	2.02
2.	GP Ghayani	1	0.60
3.	GP Basantpur	2	1.97
4.	<b>PS Baijnath:</b> GP Mahakal	1	1.48
5.	<b>PS Chauntra :</b> GP Tikri Mushara	1	0.88
6.	GP Pasal	1	0.67
7.	PS Chopal: GP Bambta	1	0.99
8.	GP Nerwa	2	0.3
9.	<b>PS Dehra:</b> GP AmbPathiar	1	1.12
10.	GP Balsui Dharkata	1	0.19
11.	GP Bari Khash	1	0.40
12.	GP Khabli	7	3.93
13.	<b>PS Kangra:</b> GP Nandrul	1	1.00
14.	GP Ranithal	1	0.26
15.	GP Zikni Icchi	1	1.94

16.	GP Gurkhari	1	0.17
17.	<b>PS Lambagaon:</b> GP Tamber	1	1.18
18.	GP Lambagaon	5	3.51
19.	GP Alampur	3	2.77
20.	GP Sangol	5	4.92
21.	<b>PS Sadar Mandi:</b> GP Kantidi	1	0.85
22.	GP Tharmali	1	0.80
23.	GP Tandu	1	0.69
24.	<b>PS Nagrota Bagwan:</b> GP Lakhamandal	2	1.20
25.	PS Nurpur: GP Nagni	2	1.55
26.	GP Ther	1	1.00
27.	<b>PS Panchrukhi:</b> GP Barmana	6	5.70
28.	GP Kailaspur	1	1.00
29.	PS Rampur: GP Racholi	1	0.74
30.	<b>PS Sundernagar:</b> GP Chambi	7	4.48
31.	GP Jaidevi	3	1.93
32.	GP Kapai	1	1.24
33.	GP Uppervehli	2	1.69
<b>Total</b>		<b>70</b>	<b>53.17</b>

**Appendix-10 (Refer to Paragraph-2.3.6)****OUTSTANDING RENT OF SHOPS**

( ` in lakh)

<b>Sr.No.</b>	<b>Name of Panchayat Samiti</b>	<b>Number of shops</b>	<b>Rent outstanding as on 31.3.2009</b>
1.	Theog, Distt Shimla.	7	1.37
2.	Basantpur, Distt Shimla.	28	1.84
3.	Rampur Bsr.Distt Shimla	15	2.19
4.	Chopal, Distt Shimla.	1	0.81
5.	Sadar Mandi, Distt. Mandi	8	0.10
6.	Balh, Distt Mandi	39	6.25
7.	Sarkaghat, Distt Shimla.	8	0.04
8.	Chauntra,Distt Mandi.	16	0.35
9.	Panchrukhi Distt Kangra	99	3.29
10.	Nurpur, Distt. Kangra	8	0.18
11.	Kangra, Distt.Kangra	20	1.37
12.	Dehra, Distt Kangra	51	9.14
13.	Nagrota Bagwan,Distt Kangra	20	0.45
14.	Baijnath, Distt Kangra	52	4.58
15.	Lambagawn, Distt Kangra	4	0.34
	<b>Total:</b>	<b>376</b>	<b>32.30</b>



**Appendix-11(Refer to Paragraph-3.3.7)****LOSS OF REVENUE DUE TO NON REVISION OF SHOPS**

( ` in lakh)

Sr. No.	Name of PS/GP	No. of shops where rent not revised	Outstanding amount
1.	<b>PS. Baijnath</b>	23	0.29
2.	GP Baijnath	18	1.40
3.	GP Bir	8	0.28
4.	GP Averi	5	0.18
5.	<b>PS Balh</b> GP Ner	10	0.06
6.	GP lower Rewalsar	4	0.10
7.	<b>PS Basantpur</b> GP Gharyana	3	0.04
8.	<b>PS Chauntra</b> GP Pasal	2	0.03
9.	<b>PS Dehra</b>	24	3.81
10.	GP Balsuin Darkhata	5	0.09
11.	<b>PS Panchrukhi</b>	98	1.92
12.	<b>PS Lambagawan</b> GP Alampur	4	0.05
13.	<b>PS Mandi Sadar</b>	3	0.06
14.	GP Tandu	2	0.16
15.	<b>PS Nagrota Bagwan</b>	15	0.28
16.	<b>PS Sarkaghat</b> GP Barchawar	7	0.09
17.	GP Maseran	1	0.02
<b>Total:</b>		<b>232</b>	<b>8.86</b>

**Appendix-12 (Refer to Paragraph-3.1)**

**RETENTION OF CASH IN HAND IN EXCESS OF  
PRESCRIBED LIMIT DURING THE PERIOD 2004-09.**

**Panchayat Samities**

(In `)

Sr.No.	Name of PSs	Minimum	Maximum
1.	Ghumarwin	2543	12893
2.	Pangi	15882	58533
3.	Nadaun	3941	19940
4.	Baijnath	8981	53581
5.	Pooh	2933	10327
6.	Sadar Mandi	37426	62063
7.	Ponta Sahib	11347	43679
8.	Amb	2874	156760

**Gram Panchayats**

(in `)

Name of Panchayat Samiti	Sr. No.	Name of GPs	Minimum	Maximum
GHUMARWIN	1	Ladda	1333	5803
	2	Nanawa	1028	20177
	3	Lehdi Salel	1295	6001
TISSA	1	Hartwas	1465	35473
	2	Kuther	2880	287248
	3	Shalela Badi	2199	89223
NADAUN	1	Jasai	1133	42434
BAIJNATH	1	Dhanag	1226	36977
	2	Khadanal	1939	12960
	3	Multhan	1449	26634
	4	Sakadi	2621	63548
	5	Ustehar	1124	8140

KANGRA	1	Bhangwar	1870	3967
	2	Chandrot	1575	18523
	3	Haledkalan	1544	16997
	4	Janyakad	2386	8730
	5	Kulthi	1226	9316
	6	Takipur	1411	1456
	7	Nandrool	1820	28312
NICHAR	1	Ponda	15880	15880
POOH	1	Nako	9832	143373
LAHAUL	1	Thirot	5005	5530
	2	Udaipur	1054	5375
GOHAR	1	Basa	1315	<b>325045</b>
	2	Chail Chowk	1568	59229
	3	Gharot	1169	44929
	4	Sharan	1499	25115
JANJEHLI	1	Badyogi	1113	2345
	2	Kau	3891	18691
	3	Mani	1072	74493
SADAR MANDI	1	Kathiari	6493	81918
	1	Kingas	48093	142838
	2	Kot Dhalias	3864	97355
	3	Segali	10171	154285
NANKHARI	1	Thaili Chakti	4818	25105
RAMPUR)	1	Sarahan	2153	8973
THEOG	1	Bharara	1747	6902
	2	Dharech	5416	105302
KUNIHAR	1	Materni	1148	32367
NALAGARH	1	Bhiunkadi	3527	45382
UNA	1	Dehlan Lower	24512	147323
AMB	1	Dhadhal	2295	54079

**Appendix-13 (Refer to Paragraph-3.2)**

**OUTSTANDING ADVANCES.**

( ` . in lakh)

Name of Panchayat Samiti	Sr. No.	Name of GPs	Pending Since	Amount outstanding		
				Officers/ Officials	Others Elected/ Non-elected	Total
JHANDUTA	1	Gehrwin	Feb. 2008	--	3.09	3.09
	2	Naghyar	Jan. 2002	--	0.08	0.08
KILLAR	1	Lunj	March 2000	--	3.55	3.55
POOH	1	Lawrang	2004-05	--	2.72	2.72
	2	Nako	2004-05	--	7.00	7.00
LAHAUL	1	Gohrama	Sept.2004	--	3.63	3.63
	2	Koksar	2006-07	--	2.95	2.95
	3	Sissu	Nov.2006	--	1.75	1.75
NANKHARI	1	Thaili Chakti	2003-04	0.15	2.09	2.24
RAMPUR	1	Sarahan	April 2003	0.05	1.72	1.77
	2	Shingla	Feb.2006	--	0.21	0.21
	3	Shahdhar	April 2006	--	0.25	0.25
THEOG	1	Devthi	April 1996	1.40	0.37	1.77
	2	Dhar Kandru	April 2004	--	0.51	0.51
	3	Dharech	May 2007	--	0.71	0.71
PAONTA SAHIB	1	Badhana	2003-04	--	2.22	2.22
RAJGARH	1	Habban	1994-95	--	0.50	0.50
	2	ShilANJI	2004-05	--	0.54	0.54
SHILAI	1	Bahali Koti	2001-02	--	0.78	0.78
KUNIHAR	1	Bhumti	1990-91	--	0.35	0.35
NALAGARH	1	Haripur Sandoli	Sept.2005	--	2.75	2.75
<b>Total</b>	<b>21</b>			<b>1.60</b>	<b>37.77</b>	<b>39.37</b>

**Appendix-14 (Refer to Paragraph-3.3)****BLOCKING OF FUNDS IN PLA****Panchayat Samities**

( ` in lakh)

Sr. No.	Name of PSs	Period	OB	Receipt	Total	Expenditure	Balance
1.	Ghumarwin	2005-09	2.36	0.53	2.89	2.15	0.74
2.	Bijhari	2004-09	2.20	0.79	2.99	0.13	2.86
3.	Nadaun	2004-09	1.89	0.77	2.66	0.81	1.85
4.	Baijnath	2006-09	2.35	0.35	2.70	0.09	2.61
5.	Kangra	2006-09	2.93	0.22	3.15	0.67	2.48
6.	Pooh	2004-09	4.90	0	4.90	0.80	4.10
7.	Balh	2006-09	0.39	0.51	0.90	0.08	0.82
8.	Sadar Mandi	2005-09	0.83	0.48	1.31	0.25	1.06
9.	Theog	2004-09	2.28	3.24	5.52	2.43	3.09
10.	Paonta Sahib	2006-09	0.44	0.54	0.98	0	0.98
11.	Kandaghat	2006-09	0.35	0.24	0.59	0.03	0.56
12.	Kunihar	2007-09	1.10	0.30	1.40	0.27	1.13
13.	Nalagarh	2005-09	0.41	0.92	1.33	0.64	0.69
14.	Amb	2005-09	1.91	0.68	2.59	0	2.59
<b>Total</b>			<b>24.34</b>	<b>9.57</b>	<b>33.91</b>	<b>8.35</b>	<b>25.56</b>

**Appendix-15 (Refer to Paragraph-3.4)**

**NON-RECOVERY OF DUTY ON ACCOUNT OF  
INSTALLATION OF MOBILE TOWERS.**

( ` in lakh)

Sr. No.	Name of GPs	Year of installation	No. of towers	Period from when due	Amount		
					Installation	Annual renewal Fee	Total
1.	Dangar (Ghumarwin)	2006-07	1	2006-07	4000	4000	8000
2.	Ladda (Ghumarwin)	2008-09	1	2008-09	4000	0	4000
3.	Lehri Sarel (Ghumarwin)	2006-07	3	2006-07	12000	12000	24000
4	Behna Brahmna (Jhandutta)	2005-06	1	2006-07	4000	4000	8000
5.	Baloh (Jhandutta)	2008-09	1	2008-09	4000	0	4000
6.	Barthin (Jhandutta)	2007-08	2	2007-08	8000	4000	12000
7.	Balghar (Jhandutta)	2006-07:2 2007-08:1	3	2006-07 2007-08	8000 4000	8000 2000	16000 6000
8.	Gehrwin (Jhandutta)	2006-07:1 2005-06:1	2	2006-07 2006-07	4000 4000	4000 4000	8000 8000
9.	Kalol (Jhandutta)	2005-06	1	2006-07	4000	4000	8000
10	Pahlu (Bijhri)	2008-09	2	2008-09	8000	0	8000
11.	Rangas (Nadaun)	2007-08	1	2007-08	800	2000	2800
12.	Lahr Kotlu (Nadaun)	2006-07	1	2006-07	4000	4000	8000
13.	Basa (Gohar)	2006-07	1	2006-07	0	4000	4000
14.	Chail chowk (Gohar)	2006-07:1 with 2 antinas 2007-08:1	2	2006-07	8800	10800	19600
15.	Jhungi (Gohar)	2008-09	1	2008-09	4000	0	4000
16.	Tharjun (Gohar)	2006-07:2 2007-08: 1	3	2007-08	0	10000	10000
17.	Mani (Janjehli)	2007-08	3	2007-08	0	6000	6000
18.	Kau (Janjehali)	2003-04:2 2004-05:1 2005-06:1 2007-08:1	5	2006-07	4000	18000	22000
19.	Dwahan (Sadar Mandi)	2008-09	1	2008-09	4000	0	4000

20.	Kot Dhalias (Sadar Mandi)	2007-08	1	2007-08	4000	2000	6000
21.	Lagdhar (Sadar Mandi)	2006-07	1	2006-07	4000	4000	8000
22.	Sai (Sadar Mandi)	2006-07 and 2007-08	2	2007-08	0	6000	6000
23.	Tung (Sadar Mandi)	2004-05:1 2006-07:2 2005-06:2 2007-08:2 2008-09:2	9	2006-07	12000	12000	24000
24.	Kiyori (Bajjnath)	2005-06 & 2007-08	2	2006-07 2007-08	8000	6000	14000
25.	Multhan (Bajjnath)	2004-05	1	2006-07	4000	4000	8000
26.	Chandpur (Bhawarna)	2004-05 :2 and 2008-09:2	4	2006-07	16000	8000	24000
27.	Hangloh (Bhawarna)	2007-08	1	2007-08	3000	2000	5000
28.	Bhatla (Dharmsala)	2006-07:3 & 2008-09:3	6	2006-07	16000	11200	27200
29.	Mant (Dharamsala)	2005-06:3, 2006-07: 1 2008-09:4	8	2006-07	32000	16000	48000
30.	Haledkalan (Kangra)	2007-08	3	2007-08	0	6000	6000
31.	Thanpuri (Kangra)	2006-07 & 2007-08	2	2006-07	4000	6000	10000
32.	Punder (Nurpur)	2007-08:1 2008-09:3	4	2008-09	0	2000	2000
33.	Katoh Tikkar (Pragpur)	2007-08	1	2007-08	4000	2000	6000
34.	Nangal Chowk (Pragpur)	2006-07	1	2006-07	4000	4000	8000
35.	Rakkad (Pragpur)	2007-08 & 2008-09	2	2008-09	0	2000	2000
36.	Bhatiyada (Rait)	2008-09	2	2008-09	4000	0	4000
37.	Bhanala (Rait)	2000-01:1 2002-03:1 2003-04:1	1 1 1	2006-07	8000	10000	18000
38.	Shahpur (Rait)	2006-07:1 2008-09:2	3	2006-07	9500	4000	13500
39.	Pangi(Kalpa, Kinnaur)	2007-08	2	2007-08	4000	4000	8000
40.	Bari (Nichar)	2006-07	1	2006-07	4000	4000	8000

41.	Nichar (Nichar)	2006-07	1	2006-07	4000	4000	8000
42.	Punag (Nichar)	2007-08	2	2007-08	8000	4000	12000
43.	Kanam (Pooh)	2007-08	2	2007-08	4000	4000	8000
44.	Lippa (Pooh)	2007-08	1	2007-08	4000	2000	6000
45.	Pooh (Pooh)	2007-08	1	2007-08	4000	2000	6000
46.	Rarang (Pooh)	2007-08 & 2008-09	3	2007-08	8000	2000	10000
47.	Kardang (Lahaul)	2006-07:1 2007-08:1	2	2006-07	8000	6000	14000
48.	Koksar (Lahaul)	2005-06	1	2006-07	4000	4000	8000
49.	Sissu (Lahaul)	2005-06	1	2006-07	4000	4000	8000
50.	Udaipur (Lahaul)	2007-08	2	2007-08	8000	4000	12000
51.	Balag (Theog)	2007-08	1	2007-08	4000	2000	6000
52.	Bharara (Theog)	Prior to 2006-07	3	2006-07	12000	12000	24000
53.	Matyana (Theog) Kaljar	Prior to 2006-07:3 2006-07: 1	4	2007-08 2006-07	16000	16000	32000
54.	Shataiyen (Theog)	Prior to 2006-07: 4 2007-08:2	6	2006-07	24000	20000	44000
55.	Shivpur (Poanta)	2007-08:2 2008-09:1	3	2007-08	8000	4000	12000
56.	Habban (Rajgarh)	2007-08 & 2008-09	2	2007-08	8000	2000	10000
57.	Neri Kotli (Rajgarh)	2008-09	1	2008-09	4000	0	4000
58.	Chadna (Sangrah)	2008-09	3	2008-09	12000	0	12000
59.	Kiyari Gundah (Shillai)	2008-09	1	2008-09	4000	0	4000
60.	Badhalag (Dharmpur)	2008-09	1	2008-09	4000	0	4000
61.	Banasar (Dharmpur)	2005-06:2 2006-07:2 2007-08:3	7	2006-07	28000	22000	50000
62.	Bughar Knaita (Dharmpur)	2008-09	1	2008-09	4000	0	4000
63.	Jugesu (Dharmpur)	2005-06	6	2006-07	24000	24000	48000
64.	Taksal (Dharmpur)	2005-06:6 2006-07:1 2007-08:1	8	2006-07	2900	28000	30900
65.	Thakriyana (Dharmpur)	2008-09	1	2008-09	4000	0	4000
66.	Hinner (Kandaghat)	2006-07	1	2006-07	4000	4000	8000
67.	Bhumti (Kunihar)	2006-07:1	3	2006-07	8000	4000	12000



		2007-08:1 2008-09:1					
68.	Kothi (Kunihar)	2007-08	1	2007-08	4000	2000	6000
69.	Maan (Kunihar)	2006-07	1	2006-07	4000	4000	8000
70.	Saryanj (Kunihar)	2007-08	1	2007-08	0	2000	2000
71.	Dabhota (Nalagarh)	2006-07:1 2007-08: 2	3	2006-07	12000	8000	20000
72.	Haripur Sadoli (Nalagarh)	2008-09	1	2008-09	4000	0	4000
73.	Maloun (Nalagarh)	2007-08	2	2007-08	8000	4000	12000
<b>Total</b>			<b>171</b>		<b>493000</b>	<b>410000</b>	<b>903000</b>



**Appendix-16 (Refer to Paragraph-3.5)****MATERIAL PURCHASE WITHOUT INVITING  
QUOTATIONS 2004-09**

( ` in lakh)

<b>Name of Panchayat Samiti</b>	<b>Sr. No.</b>	<b>Name of GPs</b>	<b>Amount</b>
JHANDUTTA	1	Badgaon	1.86
	2	Balghar	0.93
	3	Baloh	1.41
	4	Behna Brahmna	5.7 2
	5	Berthin	3.94
	6	Gehrwi	2.30
	7	Hirapur	1.34
	8	Kalol	2.14
	9	Naghyar	2.03
	10	Paplah	4.27
PANGI	1	Karel	11.71
	2	Karyas	11.87
	3	Kiryuni	5.62
	4	Lunj	3.21
	5	Purthi	13.56
BIJHRI	1	Barsar	8.12
	2	Dadwin	7.53
NADAUN	1	Jasai	1.40
	2	Lahar Kotlu	5.11
	3	Rangas	2.81
	4	Sanahi	3.58
	5	Utap	3.74
BAIJNATH	1	Bada Bhangal	5.69
	2	Fatahar	1.82
	3	Khadanal	2.13
	4	Kasba Paprola	1.23
BHAWARNA	1	Chandpur	3.08

	2	Hangloh	3.66
	3	Thandol	3.48
PRAGPUR	1	Dhajag	1.13
	2	Lag	3.24
	3	Rodi Kodi	3.00
	4	Sabana	2.06
LAHAUL	1	Gohrama	5.72
	2	Koksar	7.25
	3	Shishu	5.42
JANJHELI	1	Badyogi	1.20
	2	Kakradhar	0.85
	3	Mani	3.57
SADAR MANDI	4	Bhat-ki-dhar	2.63
	5	Jhidi	7.47
	6	Kathiari	2.33
	7	Kingas	3.91
	8	Kot Dhalias	1.77
	9	Segli	3.10
RAMPUR	1	Sarpara	2.43
THEOG	1	Balag	3.84
	2	Dharkundru	2.01
POANTA	1	Thotha Jakhhal	3.24
DHARMPUR	1	Bughar Kanaita	2.41
	2	Taksal	3.41
	3	Jangeshu	1.86
	4	Kalu Jhanda	2.13
KANDAGHAT	1	Sayari	3.29
NALAGARH	1	Bavasani	2.48
	2	Chamdhar	1.03
	3	Haripur Sadoli	5.63
KUNIHAR	1	Mann	3.23
BANGANA	1	Zol	1.67
	2	Takoli	0.83
<b>Total</b>	<b>60</b>		<b>219.43</b>

**Appendix-17 (Refer to Paragraph-3.7)****NON-RECOVERY OF HOUSE TAX 2004-09**

( ` in lakh)

<b>Name of Panchayat Samiti</b>	<b>Sr. No.</b>	<b>Name of GPs</b>	<b>Amount</b>
GHUMARWIN	1	Ladda	0.09
JHANDUTA	1	Badgaon	0.15
	2	Balghar	0.21
	3	Baloh	0.11
	4	Behna Brahmna	0.31
	5	Berthin	0.35
	6	Gehrwin	0.04
	7	Hirapur	0.03
	8	Kalol	0.10
	9	Kapahda	0.06
	10	Nadhdyar	0.21
	11	Paplah	0.17
PANGI	1	Karyas	0.19
	2	Kiryuni	0.08
	3	Karel	0.02
	4	Lunj	0.07
TISSA	1	Devi Kothi	0.07
	2	Hartwas	0.13
	3	Khajua	0.17
	4	Khushnagri	0.06
	5	Kuther Bhagoda	0.11
	6	Sanwal	0.17
	7	Thalli	0.14
	8	Gadfree	0.14
	9	Satyas	0.06
BIJHRI	1	Barsar	0.18
	2	Dadwin	0.10
	3	Bhakreri	0.06
	4	Morsu Sutani	0.18
NADAUN	1	Kotlu	0.06

	2	Malog	0.10
BAIJNATH	1	Kasba Paprola	0.22
BHAWARNA	2	Chandpur	0.07
	3	Hangloh	0.04
	4	Ramehed	0.11
	5	Thalla	0.05
DHARAMSHALA	1	Bhatla	0.10
	2	Mant	0.65
KANGRA	1	Haled Kalan	0.48
	2	Nandeher	0.11
PRAGPUR	1	Dhajhag	0.04
	2	Dodra	0.03
	3	Garli	0.03
	4	Ghamroor	0.02
	5	Katoh	0.05
	6	Lag	0.04
	7	Maniyala	0.13
	8	Nyar	0.03
	9	Sabana	0.17
RAIT	1	Kanol	0.06
	2	Bhatiyara	0.26
	3	Shahpur	0.47
LAHAUL	1	Gohrama	0.06
	2	Koksar	0.07
	3	Shishu	0.05
	4	Thirot	0.24
NICHAR	1	Ponda	0.04
GOHAR	1	Basa	0.03
	2	Chailchowk	0.06
	3	Gharot	0.15
	4	Jhungi	0.14
JANJEHLI	1	Baryogi	0.19
	2	Kakradhar	0.10
	3	Bhat Ki Dhar	0.12
SADAR MANDI	1	Kathiari	0.36
	2	Kingas	0.16
	3	Kot Dhalyas	0.10
	4	Segli	0.24
NANKHARI	1	Addu	0.03

	2	Tipper Majholi	0.03
RAMPUR	1	Sarpara Manjholi	0.14
	2	Shahdhar	0.22
THEOG	1	Balag	0.13
	2	Kaljar Matyana	0.05
KUNIHAR	1	Mann	0.08
	2	Materni	0.04
NALAGARH	1	Dhabota	0.98
BANGANA	1	Chauki Khas	0.12
	2	Zol	0.15
	3	Arloo Khas	0.05
AMB	1	Amb	0.44
<b>Total</b>	<b>81</b>		<b>11.65</b>



**Appendix-18 (Refer to Paragraph-3.8)****OUTSTANDING RENT OF SHOPS**

( ` in lakh)

Sr. No.	Name of ZPs/PSs /GPs	Period between	No. of Shops	Amount
<b>Zila Parishads</b>				
1.	Sirmour	2004-09	8	1.77
<b>Panchayat Samities</b>				
1.	Ghumarwin	1997-09	13	3.63
2.	Baijnath	1999-09	24	2.04
3.	Kangra	1997-09	9	0.73
4.	Kandaghat	2001-09	7	2.06
5	Nalagarh	2003-09	24	2.60
6	Poanta Sahib	1991-09	29	2.07
7	Amb	2001-09	42	11.05
<b>Total</b>			<b>148</b>	<b>24.18</b>
<b>Gram Panchayats</b>				
1	Usnad Kalan (Bijhari)	2008-09	1	0.02
2	Baijnath (Baijnath)	1993-09	12	2.30
3	Sakdi (Baijnath)	1994-09	2	0.10
4	Ustehar (Baijnath)	2003-04	3	0.17
5	Bhangwar (Kangra)	1994-09	4	0.48
6	Halerkalan (Kangra)	1997-09	1	1.03
7	Nandehar (Kangra)	2006-09	1	0.05
8	Sidhpur (Dharamsala)	2004-05	2	0.08
9	Chailchowk (Gohar)	2006-09	22	0.67
10	Basa (Gohar)	2006-09	18	0.21
11	Sainj (Theog)	2007-09	2	0.21

12	Dabhota (Nalagarh)	2006-09	2	0.16
13	Bhumti (Kunihar)	2001-09	1	0.05
14	Churudu(Amb)	2006-09	1	0.41
15	Majara(Una)	2008-09	6	0.13
<b>Total</b>			<b>78</b>	<b>6.07</b>
<b>Grand Total</b>			<b>234</b>	<b>32.02</b>





**Appendix-19 (Refer to Paragraph-3.9)**

**EXPENDITURE ON WORKS WITHOUT PREPARATION  
OF ESTIMATES DURING 2004-09**

(` in lakh)

Name of Panchayat Samiti	Sr. No.	Name of GPs	No. of works	Amount
JHANDUTTA	1	Kalol	12	4.03
	2	Baloh	14	3.87
	3	Kapahra	9	3.63
	4	Paplah	10	2.69
	5	Balghar	7	2.23
	6	Naghyar	15	6.15
	7	Berthin	13	6.62
	8	Badgaon	8	2.69
	9	Hirapur	10	3.10
	10	Gehrwin	11	4.07
TISSA	1	Sanwal	21	22.92
	2	Gadfree	5	2.34
	3	Thalli	22	14.02
	4	Khajua	21	22.37
	5	Satyas	15	9.72
PANGI	1	Purthi	11	10.69
	2	Lunj	13	6.87
	3	Kiryuni	14	8.33
	4	Karyas	12	8.13
	5	Karel	12	4.90
BIJHRI	1	Bhakreri	7	5.27
	2	Banni	19	11.13
	3	Barsar	15	8.95
	4	Usnad Kalan	17	9.46
	5	Dandwin	21	9.08
	6	Kanoh	23	10.49
	7	Kyara bag	12	9.06
	8	Morsu Sultani	17	6.17
	9	Ghanghot Kalan	12	7.36
	10	Pahlu	21	9.14
NADAUN	1	Lahar Kotlu	15	7.75
	2	Bhadru	1	0.98
	3	Badehra	16	8.09
	4	Utap	13	6.30
	5	Jasai	4	4.99

	6	Sanahi	17	6.75
	7	Dangri	8	2.56
DHARAMSHALA	1	Pantehad Passu	14	12.53
	2	Uperli Dadi	16	15.53
KANGRA	1	Kulthi	5	1.62
RAIT	1	Kanol	10	3.34
	2	Bhanala	12	4.29
	3	Lanjli	9	4.28
	4	Sandu	7	2.87
PRAGPUR	1	Dhajag	19	6.03
	2	Lag	13	12.49
	3	Bassi	15	14.98
	4	Samnoli	11	10.23
LAHAUL	1	Udaipur	16	8.28
	2	Gohrama	13	11.14
	3	Kardang	9	6.24
	4	Koksar	20	13.16
UNA	1	Kotla Kalan Upper	10	3.64
	2	Raipur Sohra	15	9.51
AMB	1	Polia Purohita	17	5.67
	2	Ghanghret	14	5.04
<b>Total</b>	<b>56</b>		<b>738</b>	<b>423.77</b>



## **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) as entrusted by the State Government vide notification dated 16<sup>th</sup> October 2008 to the Comptroller and Auditor General of India in terms of Eleventh Finance Commission's recommendations.
2. Chapter-I of the Report contains a brief introduction to the functioning of the ULBs alongwith financial position of allocation and utilization of funds. Chapter-II contains performance review of Assets Management in ULBs. Chapter-III deals with the observations on transaction audit arising out of inspection of ULBs.
3. The cases mentioned in this Report are those, which came to notice in the course of test check of accounts of 16 Urban Local Bodies during the year 2009-10.

## **OVERVIEW**

This report contains the results of audit of 16 out of 49 Urban Local Bodies (ULBs) under the scheme of Technical Guidance and Supervision (TGS). The Report contains three Chapters. Chapters I and II containing introduction to the functioning of ULBs and audit comments on accounting procedure, irregularities in execution of works and outstanding revenue receipts etc. Chapter III contains a performance review on Inventory Management in ULBs. A synopsis of the findings contained in the report is presented in the overview.

There is one Municipal Corporation, 20 Municipal Councils (MCs) and 28 Nagar Panchayats (NPs) in the State. Overall control of the ULBs rests with Principal Secretary (Urban Development) to the Government of Himachal Pradesh through Director, Urban Development Department.

(Paragraph 1.2)

State Government has not made provision in Acts/Rules for certification of accounts

(Paragraph 1.6)

Test check of the records of Municipal Corporation, Shimla, seven Municipal Committees (MCs)<sup>1</sup> out of 20 MCs and eight Nagar Parishad (NPs)<sup>2</sup> out of 28 NPs was conducted during 2009-10

(Paragraph 1.8)

It was noticed that coverage of audit by the local audit department was between 10 and 96 percent during the last three years 2006-07 to 2008-09.

(Paragraph 1.10)

State Government delayed the release of 1<sup>st</sup> installment of TFC grant of ` 0.80 crore to Director UDD by 80 days during 2008-09. Contrary to the TFC guidelines, no interest for delay in releasing the TFC grant was allowed by the State Government.

(Paragraph 1.11.1)

Utilisation certificates (UCs) amounting to ` 12.43 crore were awaited from 28 ULBs

(Paragraph 1.12)

During 2007-09, ` 82.54 lakh for maintenance of roads, were not utilized by six ULBs.

(Paragraph 2.2.2)

In six ULBs, 21 assets (Parking, Shops, Hall and Rehan Basera) created at a cost of ` 61.70 lakh were lying idle.

(Paragraph 2.3.3)

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<sup>1</sup> Bilaspur, Kangra, Kullu, Mandi, Nahan, Solan and Sundernagar

<sup>2</sup> Arki, Bhota, Chopal, Gagret, Manali Narkanda, Rewalsar and Sunni

Four assets valued at ₹ 43.70 lakh were utilized for the purposes other than those for which these were created.

(Paragaraph-2.3.5)

In three ULBs, ₹ 37.79 lakh were rendered wasteful on three abandoned works.

(Paragaraph-2.4)

Twenty nine works sanctioned between 2001-09 for ₹ 8.35 crore were not started due to non-finalisation of sites.

(Paragaraph-2.6)

Rent of ₹ 7.70 crore was not recovered by 21 ULBs.

(Paragaraph-2.8.1)

Internal control system to assets management available in the ULBs was not effective as physical verification of assets was not being done. The assets register were also incomplete.

(Paragaraph-2.10)

Unfruitful expenditure of ₹ 13.60 lakh on construction of building at NP Bhota due to abandoned of work by the contractor

(Paragraph 3.1)

Non execution of Scheme under “Urban Infrastructure Development for Small and Medium Towns” resulted in blocking of funds of ₹ 1.11 crore

(Paragraph 3.2)

Failure of MC Solan for finalization of site for Solid Waste Management resulted in blockage of ₹ 1.60 crore under TFC

(Paragraph 3.3)

Rent of ₹ 6.70 crore was not recovered by fifteen ULBs

(Paragraph 3.5.1)

Due to ineffective monitoring a revenue of ₹ 11.51 crore on account of house tax in 14 ULBs remained outstanding.

(Paragraph 3.5.2)

MC Solan failed to recover Sanitary Tax of ₹ 36.29 lakh despite orders of the Court

(Paragraph 3.5.3)

Failure of MC Mandi to recover rent of ₹ 15.21 lakh from judicial department resulted in loss of revenue.

(Paragraph 3.5.4)

Non-revision of rates of house tax by nine ULBs as per recommendations of SFC resulted in loss of revenue of ₹ 1.27 crore.

(Paragraph 3.5.5)

Failure to realize the installation/renewal charges of mobile towers by eight ULBs resulted in loss of revenue of ` 5.30 lakh.

(Paragraph 3.5.6)

Failure to mobilize the resources by three ULBs resulted in creation of un-discharged liability on account of energy charges to the tune of ` 11.17 crore.

(Paragraph 3.6)

Failure to make payment of water bills resulted in creation of liability of ` 6.32 crore.

(Paragraph 3.7)

Six MCs incurred expenditure of ` 10.22 crore in excess of norms and failed to collect the outstanding taxes to the tune of ` 12.23 crore which could have been utilized thereby reducing the percentage of establishment expenditure.

(Paragraph 3.8)

Scrutiny of records of three ULBs revealed that non-reconciliation of figures of cash books and pass books resulted in difference of ` 12.50 lakh.

(Paragraph 3.9)

# CHAPTER –1

## ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

### 1.1 Introduction.

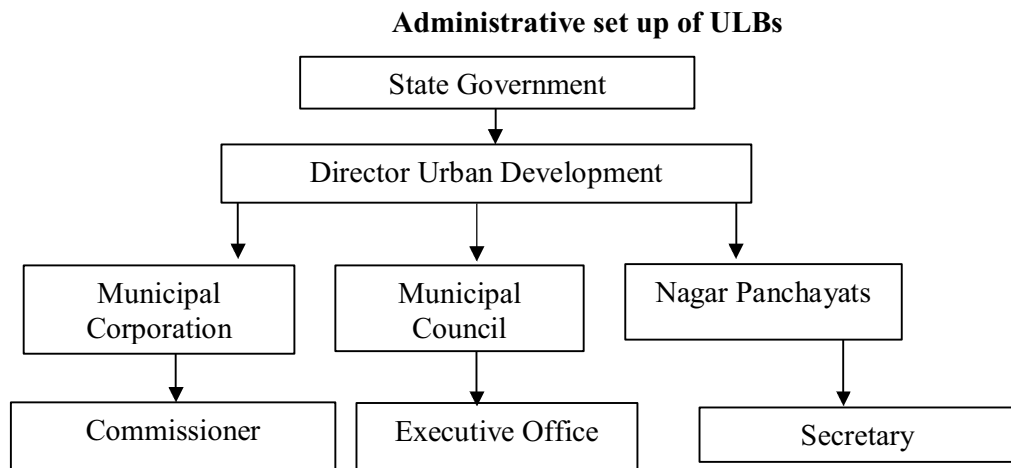
The Seventy Fourth Constitutional Amendment paved way for decentralization of powers and transfer of 18 functions listed in the 12<sup>th</sup> Schedule of the Constitution along with funds and functionaries to the Urban Local Bodies. To incorporate the provision of the Seventh Fourth Constitutional Amendment, the Government of Himachal Pradesh (Local Self Government) enacted the Himachal Pradesh Municipal Corporation Act, 1994 and Himachal Pradesh Municipal Act, 1994 for transferring the powers and responsibilities to Urban Local Bodies (ULBs). However, some obligatory and discretionary functions like maintenance of roads, streets, street lights, cleanliness etc. were with ULBs prior to enactment of these Acts.

The Eleventh Finance Commission (EFC) recommended that the Comptroller and Auditor General of India (CAG) should prescribe the formats for the preparation of budget and for keeping of accounts for the local bodies. EFC further recommended that CAG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and their audit for all Urban Local Bodies (ULBs). Accordingly, State Government has entrusted audit of ULBs to C&AG under Technical Guidance and Supervision module by issuing notification (October, 2008).

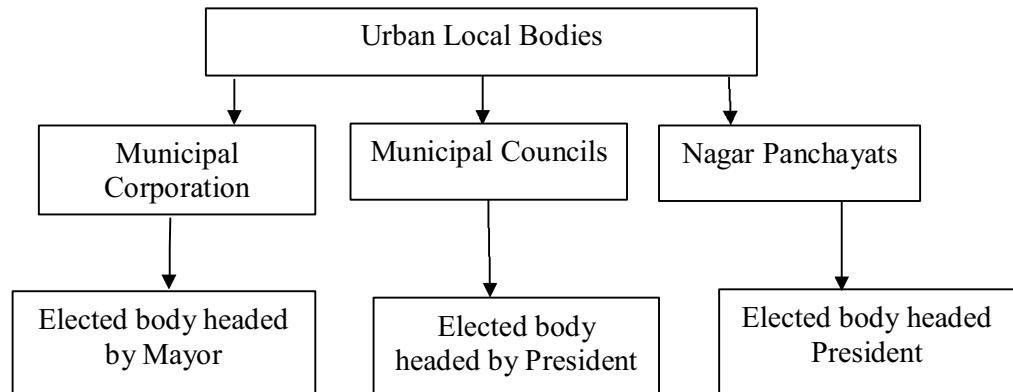
### 1.2 Organizational Set up.

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

Overall control of the ULBs rests with Principal Secretary (Urban Development) to the Government of Himachal Pradesh through Director, Urban Development Department. The Organizational set up of Urban Local Bodies is as under:-



## Elected Bodies



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-governance and to carry out the responsibilities conferred upon them, the ULBs exercise their powers and perform the functions in accordance with the provisions of the Constitution. Under section 43 of MC Act, 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 communicable 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, MC Shimla, under section 44 of MC Act 1994, at its discretion provide the following services either wholly or partially out of its property and funds:

- Education;
- 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 Sources and allocation of Funds.**

For execution of various developmental works, the ULBs received funds mainly from GOI and the State Government in the form of grants. GOI grants include grants assigned under the recommendations of Eleventh Finance Commission (EFC) and Twelfth Finance Commission (TFC). The State Government grants are received through devolution of net proceeds of the total tax revenue on the recommendations of the State Finance Commission (SFC). Besides, revenue is also mobilized by the ULBs in the form of taxes, rent, fees, issue of licenses, etc.

Position of funds released to the ULBs during 2005-09 is given below:-

Year	Receipts				Total expenditure incurred <sup>1</sup>
	State Govt.	Central Govt.	Own revenue	Total	
2005-06	22.02	0.28	36.48	63.78	64.84
2006-07	44.11	0.82	41.35	86.28	82.23
2007-08	54.37	12.15	44.26	110.78	85.90
2008-09	59.90	11.75	46.98	118.63	102.10

<sup>1</sup> The department has no separate detail of expenditure incurred under revenue and capital.

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

### **1.5 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 budget provisions and the expenditure there against for the test-checked Municipal Corporation, seven MCs and eight NPs for the years 2006-07 to 2008-09 were as under:-:-

(` in lakh)

<b>Year</b>	<b>Budget Estimate</b>	<b>Actual Expenditure</b>	<b>Savings (-) Excess (+)</b>	<b>Percentage over all utilization</b>
2006-07	5328.78	4430.94	(-) 897.84	83.15
2007-08	5842.71	5769.53	(-) 73.18	98.75
2008-09	13235.31	9211.10	(-)4024.21	69.59

(Unit-wise position is given in **Appendix-1**)

Perusal of above table would indicate that the budget estimates were not realistic as the expenditure during 2006-09 ranged between 69.59 and 98.75 percent of the budget estimate.

In case of Municipal Corporation, Shimla which is the biggest Urban Local Body in the State, percentage utilization of funds during 2008-09 was only 63.81. This adversely affected the developmental works and deprived the public of the intended benefits. Reasons for less utilization of budget had not been furnished.

### **1.6 Non-Certification of Accounts.**

Out of 49 ULBs, 30 ULBs have maintained their Accounts on accrual based system. Instructions have been issued by the Director Urban Development Department to all the ULBs to maintain their accounts from April 2009 on accrual basis. The National Municipal Accounts Manual (NMAM) has been approved by the State Government but the same has not been published in Gazette. With no specific provision in the State Acts/Rules, certification of

accounts by an independent agency was not in existence in the ULBs. 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 ULBs could be given.

### **1.7 Audit Arrangement.**

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

In Himachal Pradesh, audit of ULBs is being conducted by the Director Urban Development through Local Audit Department. The PAG also conducts test audit under Technical Guidance and Supervision (TGS) as per recommendations of EFC. In October 2008 the Government of Himachal Pradesh has entrusted audit of ULBs to C&AG under TGS arrangement.

### **1.8 Audit Coverage.**

Test check of the records of Municipal Corporation, Shimla, seven Municipal Committees (MCs)<sup>2</sup> out of 20 MCs and eight Nagar Parishad (NPs)<sup>3</sup> out of 28 NPs was conducted during 2009-10. A review on Asset Management was also conducted covering three districts<sup>4</sup>. Important audit findings of the annual inspection are incorporated in Chapter-II and findings of the review on Asset Management in Chapter-III.

### **1.9 Pending 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 Local Bodies Audit and Accounts office and rectify the defects/omissions and report their compliance to settle the observations. The details of IRs and paragraphs issued, settled and outstanding as on 31<sup>st</sup> March 2009 was as under:-

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<sup>2</sup> Bilaspur, Kangra, Kullu, Mandi, Nahan, Solan and Sundernagar

<sup>3</sup> Arki, Bhota, Chopal, Gagret, Manali Narkanda, Rewalsar and Sumi

<sup>4</sup> Kangra, Mandi and Shimla

Year of issue	No. of IRs/Paras issued		No. of IRs/Paras Settled		No. of IRs/Paras outstanding	
	IRs	Paras	IRs	Paras	IRs	Paras
Upto 2007-08	53	500	0	32	53	468
2008-09	17	224	0	05	17	219
2009-10	16	222	--	--	16	222
<b>Total</b>	<b>86</b>	<b>946</b>	<b>0</b>	<b>37</b>	<b>86</b>	<b>909</b>

Increasing trend of IRs and Paras is indicative of inadequate response to audit findings and observations and resulted in erosion of accountability.

### 1.10 Internal Audit of ULBs.

Under Section 161(3) of Himachal Pradesh Municipal Corporation Act and Section 255(1) of Himachal Pradesh Municipality Acts, 1994, the accounts of the local bodies are to be audited by a separate and independent agency.

The Local Audit Department (LAD) conducts internal audit of ULBs which are required to be audited annually. It was noticed that coverage of audit by the local audit department was between 10 and 96 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.	2006-07	49	49	09	18
2.	2007-08	49	49	47	96
3.	2008-09	49	49	5	10

The Director, LAD stated (April 2010) that due to conducting of special audit of Kandi Project and also shortage of staff, the audit of all the local bodies could not be conducted as against total sanctioned strength of 125 persons 28 posts (one : Assistant Controller and 27 Junior Auditors) were lying vacant.

### 1.11 Utilisation of TFC grants.

The position of funds released and utilized under TFC during the period from 2006-07 to 2008-09 was under:-

Year	Funds allocated to ULBs	Funds released	Expenditure incurred
2005-06	1.60	...	...
2006-07	1.60	3.20 <sup>5</sup>	1.26
2007-08	1.60	1.60	0.08
2008-09	1.60	1.60	0
<b>Total</b>	<b>4.80</b>	<b>6.40</b>	<b>1.34</b>

<sup>5</sup> Includes grant of 2005-06

It would be seen that only 21 percent of the funds released were utilized and the unspent amount of ` 5.06 crore was lying in savings bank accounts of the concerned ULBs.

**1.11.1 Delay in release of TFC grant by State Government.**

As per TFC guidelines, State Government is required to transfer the grants released by the Centre to PRIs and ULBs within 15 days from the date of its credit into State Government account. Contrary to these guidelines, State Government delayed the release of 1<sup>st</sup> installment of ` 0.80 crore to Director UDD by 80 days during 2008-09. Contrary to the TFC guidelines, no interest for delay in releasing the TFC grant was allowed by the State Government. No reasons for delay in release of TFC grant were advanced by the State Government.

**1.11.2 Non-receipt of UCs from ULBs.**

As per TFC guidelines, ULBs are required to furnish UCs to Director, UDD within a period of six months from the date of receipt of grant. It was noticed that utilisation certificates in respect of the grants released by the State Government during 2005-09 were not received by the Director UDD whereas State Government has issued UCs to GOI for the grants received during the aforesaid period.

**1.12 Awaited utilisation certificates (UCs).**

Utilisation certificates are required to be sent annually in respect of grants utilised.

Test check of Grant in Aid records maintained in the Directorate, Urban Development department revealed that UCs amounting to ` 12.43 crore pertaining to SFC grants released during July-December 2009 were awaited (March 2010) from 28 ULBs as detailed in (**Appendix- 2**). No specific reasons were advanced for non submission of UCs by concerned local bodies.

## CHAPTER-II

### PERFORMANCE REVIEW URBAN LOCAL BODIES

#### 2.1 Asset Management by Local Bodies

##### 2.1.1 Highlights

The assets owned by local bodies included movable and immovable assets, remunerative and non remunerative assets acquired or created by them from time to time. In the state the assets are being created by the local bodies as per their requirement and as per availability of funds. Besides, specific assets are also being created out of grants received from Government of India. The Asset Management includes, planning and decision making in creation or acquisition of assets, proper accounting of assets, utilization of assets, maintenance of assets and disposal of obsolete assets. Laxity in these areas is fraught with the risk of public funds invested on assets becoming unfruitful. Some of the significant points noticed are given in succeeding paragraphs.

- During 2007-09, ₹ 82.54 lakh for maintenance of roads, were not utilized by six ULBs.  
(Paragaraph-2.2.2)
- In seven ULBs, 21 assets (Parking, Shops, Hall and Rehan Basera) created at a cost of ₹ 61.70 lakh were lying idle.  
(Paragaraph-2.3.3)
- Four assets valued at ₹ 43.70 lakh were utilized for the purposes other than those for which these were created.  
(Paragaraph-2.3.5)
- In three ULBs, ₹ 37.79 lakh were rendered wasteful on three abandoned works.  
(Paragaraph-2.4)
- Twenty seven works sanctioned between 2000-09 for ₹ 6.30 crore were not started due to non-finalisation of sites.  
(Paragaraph-2.6)
- Rent of ₹ 7.70 crore was not recovered by 13 ULBs.  
(Paragaraph-2.8.1)

- Internal control system to assets management available in the ULBs was not effective as physical verification of assets was not being done. The assets registers were also incomplete.

(Paragaraph-2.10)

### 2.1.2 Audit Objectives:

The audit objectives were to examine whether;

- the acquisition or creation of assets was properly planned and executed.
- all the assets owned by the local bodies were properly documented.
- the assets were properly utilized for the intended purpose.
- there was a system for the up keep and periodical maintenance of assets and
- there were losses, system deficiencies and lacunae in assets management.

### 2.1.3 Audit Criteria:

The criteria used to assess the effectiveness of the ULBs in asset management were;

- Guidelines issued by the Government and reports of ULBs.
- Provisions of Municipal Committee Act, 1994.
- Norms fixed for upkeep and maintenance of assets.

### 2.1.4 Audit methodology and scope:

Performance audit of the asset management by the ULBs covering the period 2004-05 to 2008-09 was conducted during October 2009 to January 2010. Three out of 12 districts were selected for audit scrutiny. Shimla District has been selected being capital district. Kangra and Mandi districts were selected on the basis of population. In the selected districts, one Municipal Corporation (Shimla)<sup>6</sup>, eight out of 20 MCs<sup>7</sup> and 12 out of 28 NPs<sup>8</sup> were selected for test check besides information supplied by the Director (UD).

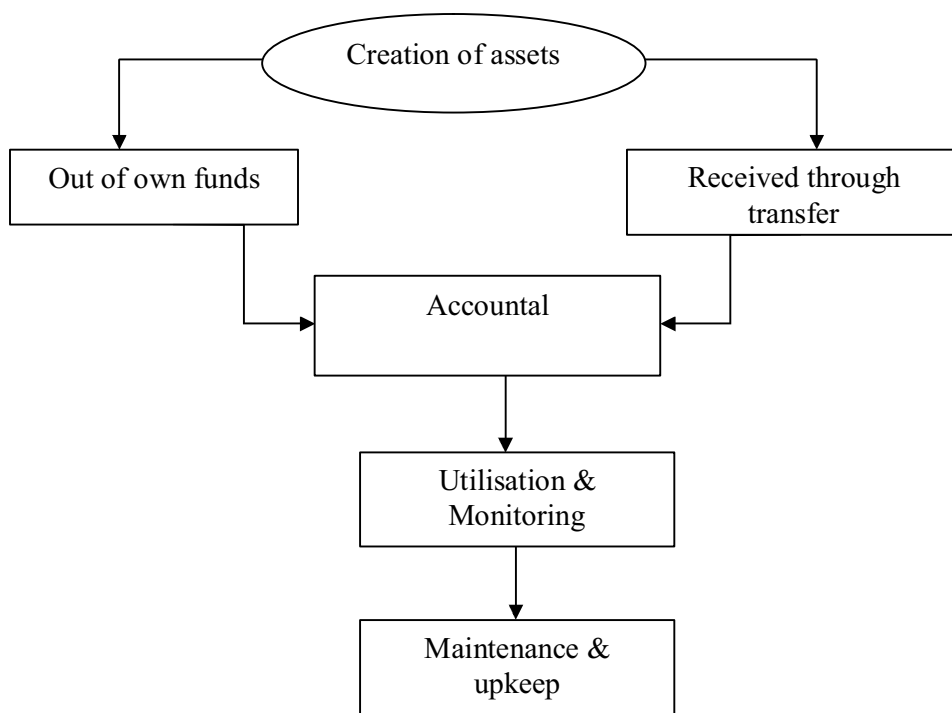
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<sup>6</sup> Municipal Corporation Shimla.

<sup>7</sup> Dharamsala, Kangra, Mandi, Nurpur, Palampur, Rampur, Sundernagar and Theog.

<sup>8</sup> Chopal, Dehra, Jubbal, Jogindernagar, Jawalamukhi, Kotkhai, Narkanada, Nagrota Bagwan, Rohru, Rewalsar, Suni & Sarkaghat.

The flow chart showing the components of asset management is given below



## 2.2 Financial profile:

Separate funds were not allotted/earmarked for the creation and maintenance of assets in the state except provisions made during 2008-09 for maintenance of assets such as roads, drains, lighting and toilets, etc., by ULBs. The assets were being created and maintained out of funds made available to the local bodies under Centrally sponsored and State sponsored schemes. Besides, assets were also created by the local bodies from their own resources. An expenditure of ` 398.96 crore was incurred by the Director (UD) during 2004 - 09 for implementation of various schemes through urban local bodies as under:-

(` in crore)

Year	Funds available	Expenditure
2004-05	68.86	63.92
2005-06	76.69	64.84
2006-07	80.96	82.24
2007-08	111.08	85.90
2008-09	102.10	102.10
<b>Total</b>	<b>439.690</b>	<b>398.96</b>

(Source Director UDD)



The position of funds available and expenditure incurred by ULBs test-checked during 2004-09 was as under:-

(` in crore)

Sr. No.	Year	Funds available	Expenditure incurred	Expenditure incurred on asset creation	Percentage of total expenditure
1	2004-05	44.73	36.77	9.71	26.41%
2	2005-06	55.05	36.34	9.27	25.50%
3	2006-07	69.59	42.54	10.77	25.31
4	2007-08	89.24	48.63	13.42	27.59%
5	2008-09	167.12	120.70	14.06	11.64%
<b>Total:</b>		<b>425.73</b>	<b>284.98</b>	<b>57.23</b>	<b>20.08%</b>

It would be evident from the above that average expenditure on asset creation was to the extent of 11.64 to 27.59 percent. Thus there was no uniformity in incurring of expenditure over period of time on creation of assets.

### 2.2.1 Non implementation of recommendation of State Finance Commission.

The State Finance Commission (SFC) had recommended for making the provision of expenditure for the maintenance of assets by ULBs but no provision had been made during the period 2004-05 to 2007-08 as under:-

(` In crore)

Year	Provision recommended	Provision made
2004-05	4.64	-
2005-06	5.10	-
2006-07	5.62	-
2007-08	4.96	-
2008-09	5.46	5.46

Reasons for not making the provision for maintenance of assets during 2004-05 to 2007-08 were not intimated.

### 2.2.2 Non utilization of maintenance grants.

During the period from 2007-08 to 2008-09 funds of ` 112.59 lakhs were released to six ULBs (**Appendix-3**) by the Director (UD) for maintenance of ULBs roads. However, expenditure of ` 30.04 lakh could only be incurred during the aforesaid period leaving unspent balance of ` 82.54 lakh. Non

utilization of maintenance funds thus resulted in blockage of funds besides non maintenance of ULB roads. The concerned ULBs stated that the funds could not be utilized due to winter season and will be utilized during the current year.

### **2.3. Creation/acquisition and utilisation of assets:**

#### **2.3.1 Planning**

Acquisition of assets involves sizable investment for which project specific business plans have to be prepared for timely completion of the project for deriving optimal intended benefits. Assets intended to be acquired or created by local bodies should be commensurate with the immediate and long term requirement.

It was noticed in audit that no policy for formulation of long/short term planning for creation, periodical counting, monitoring and maintenance of assets had been prepared by the Urban Development Department (UDD). In the absence of any policy, the ULBs had been creating assets according to their own requirement keeping in view the availability of funds.

#### **2.3.2 Status of Public utility and Income Generating Assets**

In 21 test checked ULBs, 2716 assets valued at ` 21.70 crore (**Appendix-4**) were created from 1967-68 to 2003-04 of which 2406 assets valued at ` 20.79 crore were being utilized and remaining 310 assets like urinals, toilets, stalls, street light points, etc. valued at ` 91.70 lakh were not in use. In the absence of monitoring, the utility of these 310 assets could not be verified in audit as no reasons for non-utilisation of these assets were advanced by concerned ULBs.

#### **2.3.3 Non utilisation of Assets**

ULBs acquire assets as part of the infrastructure development for better civic services and also to augment their revenue resources. Since acquisition/creation of assets involves investment of scarce resources, proper planning is required before investment to ensure economic viability and usefulness of the assets to be created. Audit scrutiny revealed that 21 numbers of assets (Parking, Shops, Hall and Rehan Basera) created/completed at a cost

of ₹.61.70 lakh between March 2005 and December 2008 were lying, idle as of March 2009 as detailed below:-

( ₹ In lakh)

Sr. No.	Name ULB	Name of Asset	Date of completion of asset	Value of asset	Reason for non-utilisation
1	M C Kangra	Parking near Mission Hospital	2006-07	5.70	Due to non completion of Rehan Basera building.
2	MC Palampur	Shopping Complex	12/2008	24.00	Being allotted
3	NP Jawalamukhi	12 shops/Hall etc	3/2005	9.00	For want of demand
4	NP Narkanda	5 shops	8/2008	4.94	For want of decision of house
5	NP Rohru	Rehan Basera	3/2008	17.83	For want of inauguration
6	NP Rewalsar	Town Hall	9/1998	0.23	Office shifted & town hall vacated.
<b>Total</b>				<b>61.70</b>	

Non utilisation of assets resulted in idle investment and deprived the ULBs of intended income.

### 2.3.4 Unfruitful expenditure on Assets

(i) To generate annual income of ₹ 15.00 lakh, a Community Center (six suits, dinning hall, one big hall with stage along with two dressing rooms, kitchen and covered parking in ground floor for about 20 vehicles) was constructed (October 2004) in Dharamshala Town at a cost of ₹ 74.00 lakh.

Scrutiny of records revealed that income of ₹.24.97 lakh was generated during the period from 2004-05 to 2008-09 against expenditure of ₹ 20.80 lakh incurred on its running and maintenance as detailed below:

( ₹ in lakh)

Year	Income	Expenditure
2004-05	2.68	0.78
2005-06	6.76	2.92
2006-07	5.45	8.42
2007-08	3.91	5.43
2008-09	6.17	3.25
<b>Total</b>	<b>24.97</b>	<b>20.80</b>

Thus the net income generated was much below the projected income of ₹.15.00 lakh annually. The Executive Officer stated (January 2010) that less

income was due to less demand by the public. The assessment of income to be generated was thus unrealistic.

(ii) Similarly Town Hall (Multipurpose Hall, four VIP suits, two change rooms, Tennis hall and four dormitories) was constructed (February 2003) in Mandi town at an expenditure of ` 2.14 crore. It was noticed that income of ` 5.22 lakh was generated in six years (February 2003 to March 2009) against expenditure of ` 7.52 lakh incurred on its running and maintenance as detailed below:

( ` in lakh)

Year	Income	Expenditure
2003-04	1.25	0.37
2004-05	0.64	0.99
2005-06	0.36	0.76
2006-07	0.75	1.70
2007-08	1.06	1.80
2008-09	1.16	1.90
<b>Total</b>	<b>5.22</b>	<b>7.52</b>

The income from the Town hall was thus negligible as compared to huge investment of ` 2.14 crore. No cogent reasons were advanced for less income.

(iii) A Community Center (two halls with attached facilities and nine rooms inclusive of one VIP suit) was completed (1997-98) at a cost of ` 27.76 lakh in Nagrota town. Income of ` 9.74 lakh was generated upto March 2009 against expenditure of ` 2.44 lakh incurred on its running and maintenance. The income generated was thus not commensurate with the expenditure incurred. The Secretary stated that less income was due to less demand. Obviously economic viability of the Community Hall was not foreseen before taking up the construction.

(iv) A Rest House (five suits and one hall with attached facility) was constructed (1990-91) in Nagrota town at a cost of ` 7.09 lakh. Income of ` 8.17 lakh was generated upto March, 2009 against an expenditure of ` 10.75 lakh incurred on its running and maintenance. The purpose of generating the income from the Rest House was thus defeated. This was also attributed to less demand.

Obviously the assets had not been created in accordance with the realistic demand and resultantly, expenditure incurred on their creation remained largely unjustified.

(v) Construction of Rest House at Shimla was approved (March 1992) by the Municipal Corporation, Shimla for ` 10.59 lakh. The contractor to whom work was awarded (January, 1994) for ` 16.28 lakh executed the work to the extent of ` 18.25 lakh upto 1997. Total expenditure of ` 27.44 lakh had been incurred on the construction of the building and sanitary electric fittings etc. The work had been lying abandoned since October 2001 by the contractor as he refused to execute the work beyond awarded amount. The house (September, 2002) referred the case to the Vigilance department for investigation of irregularities alleged in the construction of the building. The investigations were completed and report was sent (June 2009) to the Commissioner MC Shimla. In the enquiry report the Assistant Engineer and one Junior Engineer of Corporation were indicted for irregularities in the construction. However, action against the official had not been taken as of December 2009.

In order to put the rest house into use, works valued at ` 19.90 lakh as on 30.0.2002 were required as detailed below:

( ` in lakh)

Sr. No.	Name of Item	Estimate amount required
1.	Building portion	4.19
2	Boundray Wall with railing	1.08
3.	M/T Work of compound	1.38
4	Part rate payment of contractor	1.85
5	MS pipe railing and septic tank etc.	1.40
6	Furniture and fixtures	10.00
<b>Total</b>		<b>19.90</b>

Thus the expenditure of ` 27.44 lakh had been rendered as unfruitful besides loss of revenue to ULB which could have been generated from hiring of Rest house. The Commissioner stated (December, 2009) that revised estimate for the remaining work was being framed.

### **2.3.5 Utilisation of assets for other purpose**

The assets created should to be utilized for the purpose for which these were created.

It was noticed that four assets created by ULBs at a cost of ` 43.70 lakh between 2004-05 and 2005-06 were not put to the intended use as detailed below:-

(` in lakh)

Sr. No.	Name of ULB	Name of Asset	Year of completion	Cost of construction	Intended purpose	Purpose for which put to use
1	MC Mandi	Rehan Basera	2004-05	9.94	For the welfare of slum dwellers	Rented out to judicial department for office and now rented out to SBI
2	MC Theog	Slaughter House	January 2005	9.55	For slaughtering the animals.	The building remained vacant upto 1/2007 and thereafter handed over to Technical Education Department for running of ITI
3	MC S/Nagar	Rehan Basera	2005-06	14.21	For the welfare of slum dwellers	Rest House purpose
4	NP Chopal	Relhan Basera	2005-06	10.00	For the welfare of slum dwellers	Office purpose
<b>Total</b>				<b>43.70</b>		

### 2.3.6 Utilisation of assets without charges

The State Government provides assistance to ULBs for various developmental activities in the ULBs. Out of these funds, ULBs have been providing facilities to the town by way of community centers in various wards of the town.

Scrutiny of records revealed that nine Community Centers/halls were constructed between 1998-99 and 2007-08 at a cost of ` 20.39 lakh (NP Jawalamukhi 6 Nos ` 8.98 lakh and NP Nagrota Bagwan 3 No. ` 11.41 lakh) in various wards of respective towns.

These Community Centers are being used by the public free of cost since their construction and no charges for their use had been fixed by the concerned ULBs whereas expenditure on electricity, water charges and scavenging etc. is being met by the concerned ULBs. Construction of these centers had thus created an additional liabilities on the ULBs for their maintenance. The concerned ULBs stated (January 2010) that matter will be placed before the house for fixation of token charges.

### 2.3.7 Wasteful expenditure on creation of Assets

i) The Executive Officer M.C.Kangra purchased (May 2000) a Mobile toilet van at a cost of ` 1.91 lakh for use in M.C. area. The van remained idle upto March 2002 and was used by the N.P. Jawalamukhi for three months from April 2002 to June 2002 for which charges of ` 0.06 lakh were remitted to M.C. Kangra. Thereafter the vehicle had been lying idle as of September 2009. Non-utilisation of van was attributed to non-availability of sewage disposal facility. The van was thus purchased without ensuring the disposal facility and has resulted in wasteful expenditure.

ii) In M.C. Palampur, land measuring 0.38.76 hectare valuing ` 3.00 lakh was purchased in August, 2005 on the basis of no objection certificate issued by the Gram Panchayat for setting up dumping site at Tikka Glharnot G.P. Nouri Jhikli. However the concerned Panchayat withdrew the NOC in September 2006 due to resentment by the villagers for setting of solid waste dumping site and the land has been lying unutilized as of January 2010 as this land is 14 Km away from Palampur town. The entire expenditure had thus been rendered as wasteful. The Executive Officer stated (January 2010) that this land will be utilized for creation of asset or disposed of in near future.

### 2.4. Abandoned works

Three works undertaken by ULBs between 2004-09 for creation of assets were abandoned after spending ` 37.79 lakh due to non availability of funds, land dispute etc as detailed below:-

Sr. No.	Name of ULB	Particular of Asset/ year of commencement	Expenditure incurred	Date since when abandoned being incomplete	Reason for non completion/ abandoned.
1	MC Palampur	C/o Shops for SC/ST/2004-05	12.50	2005	For want of funds
2	NP Jawalamukhi	Channelisation of nallh/parking/2004-05	16.83	2004-05	Due to land dispute.
3	NP Narkanda	C/o Shopping complex etc./2004-05	8.46	2005	Work stopped by higher authority.
<b>Total</b>			<b>37.79</b>		

Thus the expenditure of ` 37.79 lakh had been rendered as wasteful/unfruitful and the beneficiaries were deprived of the intended benefits. Thus these works were taken up without assessing provision of funds/availability of free hold land, etc.

## **2.5. Incomplete works**

Twenty two works taken up for execution between 2000-01 and 2008-09 were lying incomplete after incurring expenditure ` 5.74 crore detailed in **(Appendix-5)**.

Thus the expenditure incurred on this works had remained unfruitful so far.

## **2.6 Non commencement of works**

Twenty nine works sanctioned between 2001-02 and 2008-09 for ` 8.35 crore and required to be completed within one year from the dates of sanction were not taken up by 12 ULBs as detailed in **(Appendix-6)**. Most of the ULBs stated that the works could not be started for want of finalisation of sites.

## **2.7 Asset accounting**

The assets are acquired/created with certain specific objectives. To ensure that the objectives have been achieved, proper up keep and maintenance, timely disposal and replacement are necessary for which proper accounting of the assets is required. Periodical verification of assets is an important process in assets management for which proper records are to be kept. Points noticed during scrutiny of records relating to assets accounting by ULBs are discussed below:-

### **2.7.1 Asset register not maintained**

As per Chapter V, Article 58 of HP Municipal Act 1994 the municipality shall maintain an inventory and a map of all immovable property of which the municipality is proprietor, or which vests in it or which it holds in trust for the State Government

It was noticed that Municipal Corporation, Shimla has maintained asset register but was not kept upto date. In twenty test checked ULBs the Asset register/mapping of all immovable property had not been maintained/done. In the absence of which the exact position of creation of assets could not be



verified. The concerned ULBs stated that the requisite register will be maintained and mapping done in future. The replies were not tenable as the provision of rules had not been followed.

### 2.7.2 Physical verification of created assets

It was noticed that none of the test checked ULBs had conducted the periodical physical verification of assets as required. The existence of assets created could thus not be verified in audit. The concerned ULBs stated that the verification will be conducted in future.

### 2.7.3 Disposal of assets

Immovable assets are acquired for earning revenue or providing civic services and are not intended for sale or disposal. However, moveable assets such as machinery, tools and equipment and vehicles have to be maintained by local bodies, only so long as they deliver the services or generate revenue. Once such assets become unserviceable/obsolete and are no longer capable of yielding further services, they have to be disposed of without delay to fetch maximum re-sale value and to avoid the expenditure on supervision, storage, maintenance and security.

It was noticed in audit that nine vehicles valuing ` 12.02 lakh were lying idle/unserviceable in six ULBs as under:-

( ` In lakh)

Sr. No.	Name of ULB	Name of machinery	Value	Date since when lying idle/unserviceable
1.	MC Sundernagar	Tractor	0.40	2/2005
2.	MC Dharamsala	1.Truck 2. Auto three wheeler	2.65 1.49	3/2009 6/2007
3.	MC Mandi	Three wheeler	1.78	5/2007
4.	MC Nurpur	Auto three wheeler	0.70	4/2005
5.	NP Jawalamukhi	i)Toyota ii)Tipper	1.10 5.12	10/1998 -do-
6.	NP Rewalshar	Three Wheeler	0.69	4/2004
		<b>Total:</b>	<b>12.02</b>	

Prolonged retention of these idle assets/vehicle would reduce their resale value. The concerned ULBs stated that action was being taken to dispose of these vehicles.

## **2.8 Hiring of assets.**

### **2.8.1 Non realization of rent**

The ULBs had been maintaining shops and were leasing out them on monthly rental basis to increase their income.

Scrutiny of records revealed that an amount of ` 7.70 crore was outstanding in 21 ULBs (**Appendix-7**) from various tenants on account of rent of shops as of March 2009. No specific reasons were advanced for non- recovery of rent. Non recovery of rent has deprived the concerned ULBs of revenue to the extent of ` 7.70 crore which could have been utilised for developmental works.

### **2.8.2 Loss of revenue due to non-revision of rent**

As per policy the rent of shops/stalls is required to be revised at the rate of ten percent after every five years.

It was noticed that in 13 ULBs (5 Municipal councils and 8 Nagar Panchayats) the rent of 661 shops (**Appendix-8**) had not been revised as per condition of the agreement. Non revision of rent has resulted in loss of revenue of ` 41.49 lakh. Cogent reasons for non revision of rent were not advanced. The ULBs stated that matter will be placed before the elected house for revision of rent. The replies were not tenable as non revision of rent since long has deprived the ULBs of recurring revenue which could have been utilized for other developmental works.

### **2.8.3 Irregular waiving of rent**

Rules provide that if any amount exceeding rupees two hundred due to the Municipal Council has become irrecoverable should be written off as loss with the approval of the Deputy Commissioner in case of second class Municipality and of the state Govt. in respect of first class municipality.

In two Municipal Councils an amount of ₹ 1.85 lakh (Rampur ₹ 1.67 lakh and Kangra ₹ 0.18 lakh) was remitted between 2002 and 2007 by the municipalities on account of waiving of rent through adoption of Resolution by the elected house without obtaining approval either from the Deputy Commissioner or from the Government. In the absence of approval for remission of amount of ₹ 1.85 lakh the waiving of rent by these MCs was irregular. The Executive Officer of MC Rampur stated that the case had been referred (June 2008) to D.C. Shimla but approval was awaited as of October 2009. No action had been taken by M.C. Kangra to obtain the sanction of the Government as of October 2009.

## **2.9 Allotment of land**

As per section 57(4) of M.C. Act 1994, the Executive Officer with the prior approval of M.C. may grant a lease not exceeding a period of ten years and sell or grant a lease in perpetuity of any immovable property, the value of which does not exceed one lakh rupees or the annual rent of which does not exceed ten thousand rupees.

It was noticed that vacant land measuring 166 square meters valuing ₹ 14.28 lakh (calculated at present market rate of ₹ 8600 per sq.m.) was allotted in June 1987 to D.A.V. College Kangra on token rental value of rupees ten per year. As per agreement executed with DAV College by the Municipal Council Kangra neither the purpose for which the land was leased out nor any lease period was specified in the agreement. As such the allotment of land on token rent for un-limited period to a commercial educational institution was not justified.

Scrutiny of records of M.C. Kangra further revealed that 40 sites measuring 492 sq.mt. situated in urban area were allotted for construction of shops/Khokas between 1987 and 2008 to private parties on nominal rent ranging between ₹ 30 and ₹ 40 per month. The rent was revised to ₹ 100 per month in October 2007. These sites were allotted without considering the market value of land. Moreover, no period was specified in the agreement for which these sites were allotted. As these sites were allotted for construction of

shops/khokas it would not be possible for the council to get the sites vacated after raising structures by the allottees.

#### **2.10 Internal Control System**

The internal control system relating to assets management available in the ULBs was weak and was not effective. Physical verification of assets was not being done in any of the test checked ULBs, as a result of which the ULBs could not ensure whether all the assets accounted for in the Stock Register/Assets Register were physically available or not. Encroachment of xcimproper/non- utilization of assets, etc. were attributable to the weak internal control system. Incomplete maintenance of Asset Register was again an internal control failure which may lead to loss and non maintenance of assets.

#### **2.11 Monitoring**

There was no monitoring system with regard to upkeep and timely maintenance of assets in any of the ULBs test checked. As a result the track of assets created or transferred could not be kept properly leading to non utilization or loss of assets. No register and records were kept to enable the ULBs to ensure optimum utilization of assets. Also no periodical review of the performance of the assets was conducted

#### **2.12 Conclusion**

- The acquisition and creation of assets was not properly planned. This resulted in dead investment of capital which could have been utilized for other productive purposes.
- The documentation and accounting of the assets acquired/ created/transferred from the Government was incomplete, indicating weak and ineffective internal control system.
- The utilization of assets was not satisfactory resulting in idle capital investment.
- Non-utilisation of remunerative assets resulted in loss of revenue.

#### **2.13 Recommendations**

- Acquisition of assets should be properly planned and implemented.
- A proper system of asset accounting should be developed by the ULBs.

- Consistent efforts are required on the part of the Government and ULBs to avoid under/non utilization of assets.
- Government should consider entrusting the responsibility of ensuring timely implementation of projects relating to creation/acquisition of assets and their proper utilisation to the District Planning Committee.
- The internal control system in ULBs should be strengthened.

## CHAPTER- III

### TRANSACTION AUDIT

#### 3.1 Abandoned work.

##### **Unfruitful expenditure of ` 13.60 lakh on construction of building at NP Bhota due to abandoned work by the contractor**

The Director UDD released ` 10 lakh between October 2003 and April 2005 to NP Bhota for the construction of Rehan Basera building at Bhota Nagger Panchayat. The NP paid ` 0.22 lakh to Himachal Pradesh PWD authorities and Principal Govt. Polytechnic college Sundernager for obtaining the technical sanction of ` 12.25 lakh for civil works of the proposed building. Besides, the Director UDD accorded (October 2005) technical sanction of ` 1.78 lakh for site development. The estimates for water supply, sanitation and electrical fittings were not prepared.

The work (civil works) was awarded (July 2006) to a contractor for ` 14.98 lakh with stipulated period of completion as one year without entering into an agreement with the contractor. The proposed site of the building was handed over (July 2007) to the contractor after lapse of one year from award of work and an expenditure of ` 2.46 lakh was incurred on development of site and removal of trees. Between June 2008 and May 2009 payment of rupees 10.92 lakh made to the contractor upto 4<sup>th</sup> running bill. Only ground floor with brick work was constructed and lintel was raised on first floor Thereafter contractor did not execute any work and it was lying in the abandoned state since May 2009. The contractor issued legal notice to the NP for release of his security and earnest money on the plea that due to late handing over of site the circumstances had changed and he was not in a position to continue the work.

Thus failure of NP Bhota to enter into agreement and award of work and delay in handing over the site the whole expenditure of ` 13.60 lakh (Contractor: 10.92 lakh; development of site: ` 2.46 lakh and preparation of estimates: ` 0.22 lakh) has remained unfruitful. Secretary, NP Bhota while admitting the

facts stated that the permission to remove the trees on the site was received very late from forest department. The reply is not tenable because award of work without clearance of site and without entering into contract is indicative of the fact that the interests of NP were not safeguarded.

### **3.2 Blockage of funds under Urban Infrastructure Development for Small and Medium Towns**

**Non-execution of scheme under UIDSSMT resulted in blocking of funds of ` 110.63 lakh.**

Government of India extended (2006-07) “Urban Infrastructure Development for Small and Medium Towns” (UIDSSMT) scheme for Mandi Town. As per scheme developmental works like roads, paths, drains, channelization of nallahs, etc., were to be executed. The approved cost of these works under UIDSSMT was ` 12.82 crore. The State Government declared Himachal Urban Development Authority (HIMUDA) as nodal agency for the execution of these works

It was noticed in audit that ` 95.39 lakh being the first installment were placed (July 2007) at the disposal of MC, Mandi. The EO, MC, Mandi parked the whole amount in the banks in the shape of FDRs and no amount was spent as of December 2009 for developmental purposes due to non-completion of codal formalities like preparation of estimates. This resulted in blockage of ` 1.11 crore (inclusive of interest of ` 15.20 lakh) as of December 2009 besides denial of intended benefits to the public.

### **3.3 Non-utilisation of Twelfth Finance Commission Funds.**

**Non-finalisation of land for setting up of Solid Waste Management Project (SWMP) resulted in blocking of funds of ` 1.60 crore.**

Guidelines of TFC provides that funds sanctioned under the scheme should be utilized promptly.

It was noticed that Draft Project Report (DPR) was got approved (October 2007) for ` 1.91 crore for the construction of Solid Waste Management Project (SWMP) at Solan MC. The Director released (November 2007) ` 1.60 crore for the purpose with the instructions to implement the project on priority basis. It was noticed that the funds had not been utilized as of July 2009 due to non-transfer of land for construction of SWMP. This resulted in blocking of

funds and non implementation of the SWMP which was very essential in view of the Municipal Solid Waste (MSW) Rules, 2000.

### **3.4 Blocking of funds in Personal Ledger Account.**

#### **₹ 8.31 lakh remained blocked in PLA due to Improper planning by MC Mandi**

MC Mandi is maintaining Personal Ledger Account (PLA) for crediting the grants received from government for execution of minor irrigation and water supply schemes in their jurisdiction. As per condition of the sanction the funds placed in PLA are required to be drawn from treasury within two months from the date of sanction and utilized within one year failing which the funds should be refunded to the government.

It was noticed that MC Mandi received (March, 2005) ₹ 8.31 lakh from Director, UDD and were deposited in PLA in the same financial year. The amount was lying un-utilized as of December 2009 in PLA as there is no work/scheme pending for execution for which funds were placed in PLA at the disposal of MC, Mandi. Thus non-utilisation of funds has not only resulted in blocking of the funds but public was also deprived of intended benefits. The EO while admitting the facts stated (December 2009) that the matter will be placed before the house for sanctioning of the schemes. The reply was not tenable as the funds should have been utilized within one year or refunded to the Government.

### **3.5 Revenue Management**

Urban Local Bodies received funds mainly from GOI and the State Government in the form of grants. GOI grants include grants assigned under the recommendations of Eleventh Finance Commission (EFC) and Twelfth Finance Commission (TFC). The State Government grants are received through devolution of net proceeds of the total tax revenue on the recommendations of the State Finance Commission (SFC). Besides, revenue is also mobilized by the ULBs in the form of taxes, rent, fees, issue of licenses, etc. The State Government issues instruction to the ULBs for enhancement of rates for charging House Tax, installation of Mobile Towers and renewal charges of these towers etc. However, the ULBs are not adhering to the instructions of State Government to enhance the House Tax.



### 3.5.1 Non realization of rent.

**Fifteen ULBs failed to realize the rent of shops from allottees amounting to ` 6.70 crore.**

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 16 ULBs, (Municipal Corporation Shimla, 7 MCs and 8 NPs) (**Appendix-9**), rent of ` 5.55 crore was pending recovery as on April 2006 against the allottees of shops/stalls owned by these ULBs. Further demand of ` 11.29 crore was raised against the tenants/ lessees of these shops/stalls during 2006-09. Against the total demand of ` 16.84 crore only ` 10.14 crore was recovered leaving outstanding rent of ` 6.70 crore as of March 2009 thereby showing increasing trend. The concerned local bodies stated (April 2009 to March 2010) that notices had been issued to defaulters for recovery of rent, but no case for recovery as arrear of land revenue had been initiated.

Non-recovery of rent had thus not augmented the financial resources of the funds starved ULBs.

### 3.5 2 Outstanding House tax.

**Due to ineffective monitoring a revenue of ` 11.51 crore on account of house tax in 14 ULBs remained outstanding.**

In 14 ULBs (MC:6 and NP:8) (**Appnedix-10**) there was an opening balance of outstanding house tax of ` 5.71 crore as on April 2006 and demand of ` 9.61 crore was raised during the period 2006-09. However, the collection of house tax was to the extent of ` 3.81 crore during the corresponding period leaving outstanding balance of ` 11.51 crore as of March 2009. It was further noticed that no house tax was collected by MC Solan and NP Chopal. The pace of recovery in other units was slow as even the current demand could not be recovered. Non-recovery of house tax has deprived the ULBs from revenue

which could have been utilized for other developmental works. The EO, MC Solan stated (July 2009) that the House did not approve the levy of tax as MC has already levied sanitary tax. The EOs/ Secretaries of other concerned ULBs stated (April 2009 to March 2010) that action would be taken against the defaulters for recovery of arrears.

### **3.5.3 Non recovery of Sanitary Tax**

**MC Solan failed to recover the sanitary tax of ` 36.29 lakh from a firm despite orders of the Court.**

State Government vide notification No. 14-12/64-LSG (July 1964) imposed sanitary tax in Solan municipal area, at the rate of five percent of the assessed annual rental value of property tax. Sanitary tax at the rate of ` 30,825 per year was imposed upon a firm from the year 1964-65 and a demand notice issued in August 1994 to collect the sanitary tax beginning from the year 1964-65. The firm made provisional payment of sanitary tax of ` 0.62 lakh in March 1996 and filed (2003) a petition in the court against the imposition of sanitary tax. The court disposed off (2003) the petition and allowed the MC to collect the sanitary tax. MC Solan assessed the value of the property owned by the firm at ` 3.69 crore and issued (November 2007) a fresh demand notice of ` 25.19 lakh (excluding provisional receipt of ` 0.62 lakh) for the period 1994-95 to 2007-08. This did not include the demand for the period prior to 1994-95. The demand of ` 1.85 lakh for the year 2008-09 was also not raised. Thus total sanitary tax amounting to ` 36.29 lakh (prior to 1994-95: ` 9.25 lakh; 1994-95 to 2007-08: ` 25.19 lakh and 2008-09: ` 1.85 lakh) was outstanding against the firm and no legal proceedings had been initiated to recover the outstanding amount. The EO stated (July 2009) that a fresh notice for the period 1964-65 to 2008-09 would be issued. He further stated that in case of non deposit of sanitary tax, legal action would be initiated.

### **3.5.4 Outstanding recovery**

#### **Failure of MC Mandi to recover rent of ` 15.21 lakh from judicial department resulted in loss of revenue**

The Rehan Basera building on second floor of existing Municipal Council building of MC Mandi was rented out (September 2005) to judicial department on monthly rent of ` 33,000/- without entering into any agreement with the lessee .

It was noticed that the lessee did not make any payment since the acquisition of the building. However, the MC entered into agreement (June 2008) after 2 year and 9 months of renting out the premises. Even after entering into agreement the lessee did not make the payment of rent and vacated the building on 1<sup>st</sup> August 2009. In the meantime rent of ` 15.21 lakh for the period September 2005 to July 2009 became due which had not been recovered from the Judicial Department. Since Rehan Basera was income generating asset, as such non-recovery of rent on agreed terms has resulted into loss of revenue which could have been utilized for other developmental activities by the MC. In reply, the EO stated (December 2009) that the matter had been taken up with judicial department to remit the payment.

### **3.5.5 Loss due to non revision of rates of house tax**

#### **Non-revision of rates of house tax by nine ULBs as per recommendations of SFC resulted in loss of revenue of ` 1.27 crore**

The Director, Urban Development directed (November, 2003) all the ULBs that, as per the recommendations of the 2<sup>nd</sup> 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 from 7.5 percent as of 2002-03. Accordingly, the rates were to be enhanced at the rate of one percent each year from 2002-03 onwards.

In nine ULBs (**Appendix-11**) the instructions had not been followed for revision of rates of house tax and demand for house tax was levied at uniform rates ranging between 7.5 percent and 10 percent resulting in loss of revenue

to the tune of ` 1.27 crore. The concerned officers of ULBs stated (April 2008 to March 2009) that action would be taken to revise the rates.

### **3.5.6 Non-recovery of installation/renewal charges for Mobile Towers.**

**Failure to realize the installation/renewal charges of mobile towers by eight ULBs resulted in loss of revenue of ` 5.30 lakh.**

Himachal Pradesh Government authorized (August 2006) the ULBs to levy duty on installation of mobile communication towers at the rate of ` 10,000/- per tower and annual renewal fee at the rate of ` 5,000/-.

In eight ULBs, mobile towers were installed in their jurisdiction during 2005-09 but the concerned ULBs had not recovered the charges of ` 5.30 lakh (installation charges ` 2.30 lakh and renewal charges ` 3.00 lakh) as of March 2009 in respect of 36 towers (**Appendix-12**). The concerned ULBs stated (April 2009 to March 2010) that action would be taken to recover the dues.

### **3.6 Un-discharged liabilities.**

**Failure to mobilize the resources by three ULBs resulted in creation of un-discharged liability on account of energy charges to the tune of ` 11.17 crore.**

The ULBs had been maintaining street lights in their jurisdiction and the payment for electricity being supplied by the Himachal Pradesh State Electricity Board (HPSEB) was to be made based on bills raised by HPSEB. In four ULBs, un-discharged liability amounting to ` 11.17 crore (Bilaspur: ` 0.55 crore; Mandi: ` 4.14 crore; Shimla: ` 5.72 crore and Solan: ` 0.76 crore) on account of energy charges payable to HPSEB was outstanding (March, 2009). Year wise break up of arrears in all the cases was not made available. Non payment of energy charges was attributed to weak financial position of these ULBs. The replies were not tenable as these ULBs failed to realize the revenue on account of various taxes/ revenue to the extent of ` 16.91 crore (Bilaspur: ` 0.27 core; Mandi: ` 2.91 crore; Shimla: ` 8.43 crore and Solan: ` 5.30 crore) as of March 2009.

### 3.7 Creation of liabilities.

**Failure to make payment of water bills resulted in creation of liability of ` 6.32 crore.**

MC Solan has been maintaining water supply in the town and water is being supplied by the Irrigation and Public Health Department (IPH) on payment basis.

It was noticed that an amount of ` 6.32 crore was outstanding on account of water bills payable to IPH department as of March 2009. The IPH department had been supplying the water at the rate of ` 8/- per kilolitre whereas the MC has been charging the rate of ` 2/- per kilolitre from domestic connections and ` 4/- per kilolitre from commercial connections. There was thus huge difference between rates payable to IPH department and those being charged from consumers. The MC decided (July 2008) to raise the bills on flat rates. Accordingly, the rate of ` 70/- per month was fixed for domestic connections and different rates ranging between ` 150/- and ` 24,000/- per month for various type of commercial units and Government offices. The rates so fixed were inconsistent with the rates being charged by the IPH department. As such the difference of rates payable to IPH department and recoverable from the water users has resulted in creation of liability of ` 6.32 crore. No cogent reasons were advanced for huge variation in rates recoverable from the users.

### 3.8 Excess expenditure on establishment.

**Six MCs incurred expenditure of ` 10.22 crore in excess of norms and failed to collect the outstanding taxes to the tune of ` 12.23 crore which could have been utilized thereby reducing the percentage of establishment expenditure.**

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 six MCs, total expenditure of ` 55.23 Crore (2006-07: ` 14.13; 2007-08: ` 18.47 and 2008-09: ` 22.63) crore was incurred during 2006-09. As per provisions of the MC Act, ` 18.41 crore (2006-07: ` 4.72; 2007-08 ` 6.15 and

2008-09: ` 7.54) were to be spent on establishment whereas these ULBs incurred ` 28.63 crore (2006-07: ` 7.88; 2007-08: ` 9.56 and 2008-09: ` 11.10) on establishment resulting in excess expenditure of ` 10.22 crore (2006-07: ` 3.16; 2007-08 ` 3.41 and 2008-09: ` 3.65) beyond prescribed norms during 2006-09 (**Appendix-13**). The EOs of concerned ULBs stated (April 2009 to March 2010) that the excess expenditure was due to limited sources of income and increase of allowances/regularization of services of daily waged staff. The reply was not tenable as excess expenditure was due to not taking effective steps to ensure optimum collection of ` 12.23 crore<sup>9</sup> on account of various taxes by these ULBs. The execution of various developmental works could have been taken up with these funds had the limit of one third expenditure on establishment been ensured.

### 3.9 Non-reconciliation of Balances.

**Non-reconciliation of figures of cash books and pass books resulted in difference of ` 12.50 lakh.**

Rule 19 (2) of Chapter-III of Municipal Code, 1975 provides that the cash balances in the cash book shall be compared and agreed with bank pass book at the end of every month. Rules further provide that every item of receipt and expenditure shall be checked with the entries of cash book and difference shall be explained and accounted for in the general cash book.

Scrutiny of records of three ULBs revealed difference of ` 12.50 lakh between the cash balances as per cash books and that of bank accounts at the end of March, 2009 as detailed below.

( ` in lakh)

Sr. No.	Name of Unit	Balance as per Cash Book	Balance as per pass book	Difference
1	MC Solan	358.92	367.71	8.79
2	MC Sundernagar	318.35	317.65	0.70
3	NP Bhota	17.22	14.21	3.01

The un-reconciled balances not only reflect the incorrect financial status of the ULBs but possibility of misappropriation of Government funds could not be ruled out. The Executive Officers and Secretary of concerned ULBs stated

<sup>9</sup> Bilaspur: ` 0.27crore; Kullu ` 0.68 crore; Mandi: ` 2.91 crore; Nahan: ` 1.92 crore; Solan; ` 5.30 crore and Sundernagar: ` 1.15 crore

(July 2009 to December 2009) that efforts were being made to reconcile the differences and final outcome would be intimated.

**3.10 Conclusion.**

Non-completion of works/projects within the stipulated period not only resulted in blocking of funds but also deprived the beneficiaries of the intended benefits. Accounting irregularities such as un-reconciled balances, long outstanding advances were noticed. This was indicative of inadequacy of internal control and monitoring. Lack of sustained efforts for collection of tax, rent and other charges resulted in accumulation of huge arrears and financial resources of the funds starved ULBs could not be augmented.

**3.11 Recommendations.**

- Effective steps should be taken to complete the works/projects so as to avoid the cost and time overruns besides providing amenities to the public in time.
- Overall financial management needs to be strengthened in ULBs for augmenting their financial resources by improving collection of revenue and speedy recovery of dues.
- Monthly reconciliation of balances and prompt recovery of advances should be ensured.

**Shimla  
Dated**

**(Pran Nath Sharma)  
Deputy Accountant General  
Local Bodies Audit & Accounts  
Himachal Pradesh**

**Countersigned**

**(Rita Mitra)  
Pr. Accountant General (Audit)  
Himachal Pradesh**

**Appendix-1 (A)****(Refer paragraph; 1.5)****Statement of Budget Estimates and actual expenditure of ULBs  
for the year 2006-07.***( in lakh)*

Sr. No.	Name of ULBs	Budget Estimate	Actual Expenditure	Saving(-) Excess (+)	Percentage of over all utilisation
1.	MC, Shimla	2583.66	2407.74	(-)175.92	93.19
<b>Municipal Councils</b>					
1.	Bilaspur	72.89	65.94	(-) 6.95	90.47
2.	Kangra	181.27	111.92	(-) 69.35	61.74
3.	Kullu	305.70	263.09	(-)42.61	86.06
4.	Mandi	434.74	297.00	(-) 137.74	68.32
5.	Nahan	207.23	275.00	(+) 67.77	132.70
6.	Solan	760.48	409.74	(-)350.74	53.88
7.	Sunder Nagar	266.49	238.34	(-) 28.14	89.44
<b>Total</b>		<b>2228.80</b>	<b>1661.03</b>	<b>(-) 567.77</b>	<b>74.53</b>
<b>Nagar Panchayats</b>					
1.	Arki	35.54	33.56	(-) 1.98	94.42
2.	Bhota	25.00	17.05	(-)7.95	68.02
3.	Chopal	21.89	20.26	(-)7.95	92.55
4.	Manali	323.67	185.75	(-)137.92	57.39
5.	Narkanda	24.70	27.63	(+)2.93	111.86
6.	Rewalsar	21.46	14.28	(-)7.18	66.54
7.	Sunni	26.80	15.01	(-) 11.79	56.01
8.	Gagret	37.26	48.63	(+)11.37	137.52
<b>Total</b>		<b>516.32</b>	<b>362.17</b>	<b>(-) 154.15</b>	<b>70.14</b>
<b>Grand Total</b>		<b>5328.78</b>	<b>4430.94</b>	<b>(-) 897.84</b>	<b>83.15</b>



**Appendix-1 (B)**

**(Refer paragraph ; 1.5)**

**Statement of Budget Estimates and actual expenditure of ULBs  
for the year 2007-08.**

( in lakh)

Sr. No.	Name of ULBs	Budget Estimate	Actual Expenditure	Saving(-) Excess (+)	Percentage of over all utilisation
1.	MC Shimla	2838.28	3234.24	(+)395.96	113.95
<b>Municipal Council</b>					
1.	Bilaspur	136.12	130.03	(-) 6.09	95.53
2.	Kullu	331.25	319.19	(-)12.06	96.38
3.	Kangra	233.09	147.83	(-) 85.26	63.42
4.	Mandi	372.37	352.59	(-) 19.78	94.69
5.	Nahan	217.33	318.72	(-) 101.39	146.65
6.	Solan	858.09	607.76	(-)250.33	70.83
7.	Sunder Nagar	330.21	296.85	(-) 33.36	89.90
<b>Total</b>		<b>2478.46</b>	<b>2172.97</b>	<b>(-) 305.49</b>	<b>87.67</b>
<b>Nagar Panchayats</b>					
1.	Arki	53.50	29.03	(-) 24.47	54.26
2.	Bhota	28.10	15.52	(-)12.58	55.23
3.	Chopal	30.73	28.63	(-)2.10	93.17
4.	Narkanda	37.35	18.85	(-)18.50	50.47
5.	Manali	276.59	190.96	(-)85.63	69.04
6.	Rewalsar	22.15	14.69	(-)7.46	66.32
7.	Sunni	33.62	20.95	(-) 12.67	62.31
8.	Gagret	43.93	43.69	(-)0.24	99.45
<b>Total</b>		<b>525.97</b>	<b>362.32</b>	<b>(-) 163.65</b>	<b>68.89</b>
<b>Grand Total</b>		<b>5842.71</b>	<b>5769.53</b>	<b>(-) 73.18</b>	<b>98.75</b>

**Appendix-1 (C)**

**(Refer paragraph;1.5)**

**Statement of Budget Estimates and actual expenditure of  
ULBs for the year 2008-09.**

( ` in lakh)

<b>Sr. No.</b>	<b>Name of ULBs</b>	<b>Budget Estimate</b>	<b>Actual Expenditure</b>	<b>Saving(-) Excess (+)</b>	<b>Percentage of overall utilisation</b>
1.	<b>MC Shimla</b>	<b>9505.61</b>	<b>6066.48</b>	<b>(-) 3439.13</b>	<b>63.81</b>
<b>Municipal Councils</b>					
1.	Bilaspur	167.80	162.93	(-) 4.87	97.10
2.	Kangra	225.08	219.01	(-) 6.07	97.30
3.	Kullu	394.80	390.30	(-) 4.50	98.86
4.	Mandi	475.37	399.71	(-) 75.66	84.08
5.	Nahan	252.13	331.25	(+) 79.12	131.40
6.	Solan	1305.38	826.91	(-) 478.47	67.24
7.	Sunder Nagar	364.58	317.97	(-) 46.61	87.22
<b>Total</b>		<b>3185.14</b>	<b>2648.08</b>	<b>(-) 537.06</b>	<b>83.14</b>
<b>Nagar Panchayats</b>					
1.	Arki	58.83	36.27	(-) 22.56	61.65
2.	Bhota	30.41	30.49	(+)0.08	61.39
3.	Chopal	36.67	34.71	(-)1.96	94.65
4.	Manali	234.05	221.60	(-)12.45	94.68
5.	Narkanda	53.80	43.90	(-)9.90	81.60
6.	Rewalsar	26.31	35.66	(+)9.35	135.94
7.	Sunni	36.96	11.63	(-) 25.33	31.47
8.	Gagret	67.53	82.28	(+)14.75	121.84
<b>Total</b>		<b>544.56</b>	<b>496.54</b>	<b>(-) 48.02</b>	<b>91.18</b>
<b>Grand total</b>		<b>13235.31</b>	<b>9211.10</b>	<b>-4024.21</b>	<b>69.59</b>

**Appendix-2**

**(Refer paragraph;1.12)**

**Awaited Utilization Certificates of SFC grant from ULBs**

Sr. No.	Name of MC/ NP	Month of release	Amount
<b>Municipal Councils</b>			
1	Bilaspur	July 2008	4522702
		December 2009	4522702
2	Kangra	July 2008	3181158
		December 2009	3181158
3	Kullu	July 2008	6315715
		December 2009	6315715
4	Rampur	July 2008	1975935
		December 2009	1975935
5	Paonta Sahib	July 2008	6583574
		December 2009	6583574
6	Sri Naina Deviji	July 2008	458013
		December 2009	458013
7	Sundernagar	July 2008	8264725
		December 2009	8264725
<b>Total</b>			<b>62603644</b>
<b>Nagar Panchayats</b>			
1	Arki	December 2009	1017896
2	Baddi	July 2008	7763930
		December 2009	7763930
3	Bhota	July 2008	537868
		December 2009	537868
4	Bhunter	December 2009	1496407
5	Chopal	July 2008	549827
		December 2009	549827
6	Dehra	December 2009	1516373
7	Jawalamukhi	July 2008	1719658

		December 2009	1719658
8	Jogindernagar	July 2008	1759633
		December 2009	1759633
9	Jubbal	July 2008	494819
		December 2009	494819
10	Kotkhai	July 2008	427514
		December 2009	427514
11	Mehatpur	July 2008	3008070
		December 2009	3008070
12	Nadaun	July 2008	1539948
		December 2009	1539948
13	Nagrota	July 2008	1967702
		December 2009	1967702
14	Narkanda	July 2008	278551
		December 2009	278551
15	Rohroo	July 2008	2292275
		December 2009	2292275
16	Rajgarh	July 2008	898316
		December 2009	898316
17	Rewalsar	July 2008	502677
		December 2009	502677
18	Santokhgarh	July 2008	2880633
		December 2009	2880633
19	Sarkaghat	July 2008	1301130
		December 2009	1301130
20	Suni	July 2008	557343
		December 2009	557343
21	Talai	December 2009	722021
		<b>Total</b>	<b>61712485</b>
		<b>Grand Total</b>	<b>124316129</b>

**Appendix-3**

**(Refer Paragraph; 2.2.2)**

**Details of funds received for maintenance of ULB roads lying  
unspent**

( in lakh)

Sr. No.	Name of ULB	Funds received	Year of receipt of funds	Expenditure incurred	Unspent balance	Reasons for non utilization
1.	MC Theog	9.94	2007-09	Nil	9.94	Due to non completion of sewerage line.
2	MC Dharamsala	48.19	2007-09	19.85	28.33	Due to winter season
3	MC Sundernagar	34.59	2008-09	7.07	27.52	In progress
4	NP Rewalsar	3.06	2008-09	0	3.06	The works are being started.
5	NP Dehra	7.01	2008-09	0.40	6.61	Unspent amount will be used in summer season for M/T ULBs Road
6	NP Joginder nagar	9.80	2008-09	2.72	7.08	Works are being awarded.
	<b>Total</b>	<b>112.59</b>		<b>30.04</b>	<b>82.54</b>	

## Appendix-4

(Refer Paragraph;2.3.2 )

### Details of assets prior 01-04-2004

( in lakh)									
Sr. No.	Name of ULB	Total No. of assets utilized	Value	Total No. asset not in use	Value	Total No of assets not known	Value	Total No of assets	Total value
1	Municipal Corporation Shimla	265	334.48	0	0	0	0	265	334.48
<b>Municipal Councils</b>									
1	MC Dharamsala	298	169.20	109	22.49	2	0.42	409	192.11
2	MC Kangra	148	347.16	4	5.44	0	0	152	352.60
3	MC Mandi	61	98.45	3	1.00	0	0	64	99.45
4	MC Nurpur	77	17.11	59	4.29	38	13.02	174	34.42
5	MC Palampur	61	248.39	2	2.90	0	0	63	251.29
6	MC Rampur	199	44.95	42	29.88	0	0	241	74.83
7	MC Sundernagar	241	130.16	0	0	0	0	241	130.16
8	MC Theog	17	22.44	0	0	0	0	17	22.44
<b>Nagar Panchayat(NPs)</b>									
1	NP Chopal	106	40.83	0	0	0	0	106	40.83
2	NP Dehra	130	65.74	1	0.02	0	0	131	65.76
3	NP Jubbal	112	53.54	0	0	0	0	112	53.54
4	NP Jogindernagar	120	50.07	0	0	0	0	120	50.07
5	NP Jawalamukhi	18	57.30	0	0	0	0	18	57.30
6	NP Kotkhai	44	32.63	12	4.99	0	0	56	37.62
7	NP Narkanda	10	29.75	0	0	0	0	10	29.75
8	NP Nagrota Bagwan	20	86.97	0	0	0	0	20	86.97
9	NP Rewalsar	100	42.02	10	2.26	0	0	110	44.28
10	NP Rohru	190	104.44	27	4.84	0	0	217	109.28
11	NP Sunni	57	49.33	1	0.15	0	0	58	49.48
12	NP Sarkaghat	132	53.56	0	0	0	0	132	53.56
<b>Total</b>		<b>2406</b>	<b>2078.52</b>	<b>270</b>	<b>78.26</b>	<b>40</b>	<b>13.44</b>	<b>2716</b>	<b>2170.22</b>

**Appendix-5**

**(Refer Paragraph;2.5)**

**Incomplete works**

( in lakh)

Sr. No.	Name of Unit	Year which funds received	Name of asset	Expenditure incurred	Abandoned/incomplete	Reasons for non completion
1.	MC Kangra	2001-02	C/o Rehan Basera	63.94	2006-07	For want of funds Works in progress
		2006-07	C/o Block Youth Center	1.00		
		2007-08	Park near Rest House	5.10	2007-08	
2	MC Sundernagar	2002-03	IDSMT Project	230.95	2008	In progress
3	MC Dharmshala	2003-04 to 2005-06	C/o Rehan Basera	19.36	5/2008	For want of funds
		2006-07 to 2007-08	C/o Distt Library	18.03	12/2007	
4	MC Rampur	2004-05	C/o Cremation Ground	8.47	2005-06	For want of funds
5	MC Theog	2005-06	C/o Rehan Basera	10.08	2008-09	In progress
		2007-08	Site development of Committee Hall	12.63		-do-
		2007-08	R/R Rain shelter	0.76		Land dispute
6.	MC Mandi	2000-01	C/o MC Rest House two storey	12.00	2004-05	In progress
7	MC Palampur	2000-01	C/o Multipurpose Hall near Police station	23.74	2000-01	Non availability of funds. Work awarded
		-do-	Chanalization of Nallaha near meat market	1.54		
8	MC Nurpur	2001-02	C/o Community Hall	80.61	3/2009	In progress
			C/o Retaining wall in ward No. 9	0.18		
			Precasting interlocking near KK Mahajan house	0.14		
			C/o Retaining wall in Ward No. 9	0.41		
9	NP Rewalsar	2004-05	C/o Rehan Basera	9.54	2008	Estimate for WSS/ electric fittings being prepared. framed

10	NP Jawalamukhi	2004-05	Channalization of nallah & parking near Children park	16.83	2005	Land dispute
11	NP Jogindernagar	2001-02	C/o car parking	46.20	2001-02	Funds remitted to PWD
12	NP Narkanda	2005-06	C/o Rehan Basera	11.57	2005-06	Due to shortage of funds.
13	NP Kotkhai	2007-08	C/o Ambulance road	1.25	2007-08	In progress
<b>Total</b>				<b>574.33</b>		



**Appendix-6****(Refer paragraph;2.6)****Non-start of works**

( in lakh)

Sr. No.	Name of Unit	Funds received	Period for which received	Number and name of work	Reason for non creation of asset
1	MC Theog	21.00	2001-02 & 2008-09	C/o Community Hall &shops	Site not finalized.
2.	MC S/Nagar	70.00	2008-09	Solid Waste Management Project	Work awarded
		40.00	-do-	C/o Parking under RGURF	Case for dismantling office building is in progress
3	MC Dharamsala	50.00	2007-08	C/o parking near MC office under RGURF	Due to non availability of land
		50.00	2008-09	C/o HRTC bus stand	Estimate are being framed.
		2.00	-do-	C/o Community Hall near Laxmi Narain Mandir.	For want of completion of formalities.
4.	MC Rampur	16.00	2001-02	C/o Road from Khopri to NH	Funds proposed for diversion to C/o road
		6.92	-do-	C/o rod from Brow Bridge to Green Yard.	from Dolkhr to Thanti
		4.93	-do-	Development of Hanuman Ghat as park	
		15.00	2003-04 to2008-09	C/o Rehan Besera at Rampur.	Site not finalized
		59.55	2008-09	C/o parking under RGURF	For want of technical sanction Site not finalized
		4.00	2006-07	C/o path from Racholi to Crimination .Ground	
5	MC Kangra	31.00	2007-08	C/o Parking under	Site not finalized

				RGURF	
6	MC Palampur	30.00	2007-08	C/o parking under RGURF	
		85.85	2006-07	C/o Solid Waste Management Project	
7	NP Nagrota Bagwan	3.00	2007-08	C/o Sai Samiti Bhawan	Due to shortage of funds.
8	NP Rewalsar	16.00	2007-08	C/o Wastage Garbage Management	Site not finalized
		1.00	2008-09	C/o Foot bridge	
9	NP Kotkhai	40.00	2007-08	C/o Car Parking	Funds are deposited with PWD due to shortage of funds
		4.20	2002-03	C/o Link road Jubbal to Block	
		6.28		Upgradation of main road to Kotkhai bazaar.	
		22.08		C/o Community Hall	
		9.35		C/o Yatri Niwas	
10	NP Narkanda	12.50	2002-03	C/o road near Narkanda.	Due to shortage of funds.
		4.50	-do-	Development of children park	
		10.37	-do-	C/o Skating park	
		50.00	2007-08	C/o Parking under RUGRF	
11	NP Jogindernager	46.20	2008-09	C/o Parking under RUGRF	Funds have been transferred to HPPWD.
12.	MC Bilaspur	123.00	2008-09	C/o Parking under RUGRF	Due to non transfer to land
	<b>Total:</b>	<b>834.73</b>			

**Appendix-7**

**(Refer Paragraph; 2.8.1)**

**Non-realisation of rent of shops**

( in lakh)

Sr. No.	Name of ULB	Amount outstanding as on 31.3.2009	Reasons for outstanding
1.	MC Theog	20.81	-
2	MC Sundernagar	14.86	-
3	MC Dharamsala	10.67	-
4	MC Rampur	14.24	-
5	MC Kangra	20.81	-
6	MC Mandi	69.80	Notice has been issued
7	MC Palampur	72.04	-do-
8	NP Nurpur	11.55	-
9	NP Jawalamukhi	40.99	Notice are issued
10	NP Rewalsar	2.41	-
11	NP Dehra	13.70	-
12	NP Sarkaghat	14.86	-
13	NP Jogindernagar	4.03	-
14	NP Nagrota Bagwan	17.87	-
15	NP Narkanda	13.16	-
16	NP Kotkhai	16.95	Notice have been issued.
17	NP Chopal	10.41	-
18	NP Sunni	1.08	-
19	NP Rohru	8.67	Notice have been issued
20	NP Jubbal	11.09	-
21	MC Shimla	380.03	-
<b>Total</b>		<b>770.03</b>	

**Appendix-8**

**(Refer paragraph;2.8.2)**

**Loss of revenue due to non-revision of rent of shops**

(₹ in lakh)

<b>Sr.No.</b>	<b>Name of ULB</b>	<b>No of shops</b>	<b>Amount</b>
1.	MC Dharamsala	48	5.25
2	MC Mandi	51	0.79
3	MC Nagrota Bagwan	121	7.67
4	MC Nurpur	13	3.34
5	MC Palampur	66	3.78
6	NP Chopal	33	2.07
7	NP Dehra	39	1.69
8	NP Jawalamukhi	81	4.40
9	NP JoginderNagar	48	3.30
10	NP Jubbal	19	2.18
11	NP Kotkhai	54	1.31
12	NP Rewalsar	26	1.90
13	NP Rohru	62	3.81
	<b>Total:</b>	<b>661</b>	<b>41.49</b>

**Appendix-9**

**(Refer paragraph; 3.5.1)**

**Non-realization of rent from shops/stalls (2006-09).**

( In lakh)

Sr. No	Name of MCs	Opening balance on 1.04.2006	Demand raised during 2006-09	Total	Collection during 2006-09	Outstanding amount
<b>Municipal Corporation Shimla</b>						
		<b>241.43</b>	<b>564.83</b>	<b>806.26</b>	<b>434.56</b>	<b>371.70</b>
<b>Municipal Councils</b>						
1.	Bilaspur	36.50	20.88	57.38	30.85	26.53
2.	Kangra	5.68	20.06	25.74	19.41	06.33
3.	Kullu	62.75	79.46	142.21	103.51	38.70
4.	Mandi	78.41	95.73	174.14	104.34	69.80
5.	Sundernager	13.04	12.24	25.28	18.28	7.00
6.	Nahan	16.49	57.08	73.57	50.02	23.55
7.	Solan	23.24	53.15	76.39	48.03	28.36
<b>Total</b>		<b>236.11</b>	<b>338.60</b>	<b>574.71</b>	<b>374.44</b>	<b>200.27</b>
<b>Nagar Panchayats</b>						
1.	Arki	2.09	6.93	9.02	6.81	2.21
2.	Bhota	0.85	3.78	4.63	2.21	2.42
3.	Chopal	8.99	5.01	14.00	3.65	10.35
4.	Gagret	3.35	5.72	9.07	3.96	5.11
5.	Manali	48.56	167.86	216.42	154.82	61.60
6.	Rewalsar	1.69	5.34	7.03	4.62	2.41
7.	Narkanda	10.78	21.89	32.67	19.51	13.16
8.	Sunni	1.17	8.94	10.11	9.03	1.08
<b>Total</b>		<b>77.48</b>	<b>225.47</b>	<b>302.95</b>	<b>204.61</b>	<b>98.34</b>
<b>Grand Total</b>		<b>555.02</b>	<b>1128.90</b>	<b>1683.92</b>	<b>1013.61</b>	<b>670.31</b>

## Appendix-10

**(Refer paragraph;3.5.2)**

### Non-recovery of house tax (2006-09).

( in lakh)

Sr. No.	Name of MCs	O.B as on 1.04.2006	Demand raised during 2006-09	Total Demand	Collection during 2006-09	Outstanding amount
1.	Kangra	8.48	33.98	42.46	21.86	20.60
2.	Mandi	183.28	158.20	341.48	120.30	221.18
3.	Nahan	99.17	121.01	220.18	51.95	168.23
4.	Sundernagar	54.82	75.35	130.17	22.15	108.02
5.	Solan	108.39	357.40	465.79	0	465.79
6.	Kullu	21.64	29.92	51.56	21.91	29.65
<b>Total</b>		<b>475.78</b>	<b>775.86</b>	<b>1251.64</b>	<b>238.17</b>	<b>1013.47</b>
<b>Nagar Parishads</b>						
1.	Arki	18.18	10.26	28.44	1.50	26.94
2.	Bhota	3.16	4.85	8.01	1.25	06.76
3.	Chopal	9.23	7.26	16.49	0	16.49
4.	Gagret	19.35	15.21	34.56	9.42	25.14
5.	Manali	6.80	125.34	132.14	118.80	13.34
6.	Narkanda	1.29	0.77	2.06	1.22	0.84
7.	Rewalsar	25.04	9.05	34.09	1.44	32.65
8.	Sunni	12.16	12.28	24.44	9.15	15.29
<b>Total</b>		<b>95.21</b>	<b>185.02</b>	<b>280.23</b>	<b>142.78</b>	<b>137.45</b>
<b>Grand Total</b>		<b>570.99</b>	<b>960.88</b>	<b>1531.87</b>	<b>380.95</b>	<b>1150.92</b>

## Appendix-11

(Refer paragraph; 3.5.5)

### Loss of revenue due to non-revision of rates of house tax

(` in lakh)

Sr. No.	Name of ULBs	Period from when rates not revised	Percent Rates it which the demand was raised	Demand raised upto 2008-09	Required demand as per revised rates	Outstanding amount
<b>Municipal Councils</b>						
1.	Kangra	2004-05	Between 8.5 & 11.5	46.47	54.71	8.24
2.	Mandi	2005-06	10	185.59	229.25	43.66
3.	Nahan	2005-06	10	153.64	188.78	35.14
<b>Total</b>				<b>385.70</b>	<b>472.74</b>	<b>87.04</b>
<b>Nagar Panchayats</b>						
1.	Arki	2006-07	7.5	10.26	17.10	6.84
2.	Chopal	2005-06	7.5	9.68	15.81	6.13
3.	Manali	2007-08	11.5	100.00	108.69	8.69
4.	Narkanda	2003-04	7.5	1.48	2.25	0.77
5.	Rewalsar	2006-07	8	9.04	14.14	5.10
6.	Sunni	2003-04	7.5	24.45	37.01	12.56
<b>Total</b>				<b>154.91</b>	<b>195.00</b>	<b>40.09</b>
<b>Grand Total</b>				<b>540.61</b>	<b>667.74</b>	<b>127.13</b>

## Appendix-12

**(Refer paragraph; 3.5.6)**

### **Non-recovery of duty on account of installation of Mobile towers.**

(` In lakh)

Sr. No.	Name of MC	Year of installation	No. of towers	Period from when due	Amount		
					Installation	Annual renewal Fee	Total
<b>Municipal Councils</b>							
1.	Bilaspur	2001-02	2	2006-07	0	0.30	0.30
		2005-06	1	2006-07	0	0.10	0.10
		2008-09	2	2008-09	0.20	0	0.20
2.	Mandi	2001-02	4	2006-07	0	0.60	0.60
		2007-08	8	2007-08	0.80	0.40	1.20
3.	Kangra	2003-04	1	2006-07	0	0.15	0.15
		2004-05	1	2006-07	0	0.15	0.15
4	Nahan	2006-07	1	2007-08	0	0.10	0.10
		2006-07	1	2008-09	0	0.05	0.05
<b>Total</b>					<b>1.00</b>	<b>1.85</b>	<b>2.85</b>
<b>Nagar Panchayats</b>							
1	Chopal	2007-08	1	2007-08	0.10	0.05	0.15
		2008-09	1	2008-09	0.10	0	0.10
2	Gagret	2005-06	1	2006-07	0	0.15	0.15
		2007-08	2	2007-08	0.20	0.10	0.30
		2008-09	1	2008-09	0.10	0	0.10
3	Manali	2006-07	6	2006-07	0.60	0.60	1.20
		2008-09	1	2008-09	0.10	0	0.10
4	Sunni	2005-06	1	2006-07	0	0.15	0.15
		2006-07	1	2006-07	0.10	0.10	0.20
<b>Total</b>					<b>1.30</b>	<b>1.15</b>	<b>2.45</b>
<b>Grand Total</b>					<b>2.30</b>	<b>3.00</b>	<b>5.30</b>



## Appendix-13

**(Refer paragraph; 3.8)**

### **Expenditure incurred on establishment in excess of prescribed norms during 2006-09.**

(` in Crore).

Sr. No.	Name of MCs	Total Expenditure	Required 1/3 <sup>rd</sup> on Estt.	Expenditure on Estt	Expd. In excee of norms	Total Expenditure	Required 1/3 <sup>rd</sup> on Estt.	Expenditure on Estt	Expd. In excee of norms	Total Expenditure	Required 1/3 <sup>rd</sup> on Estt.	Expenditure on Estt	Expd. In excee of norms
		2006-07				2007-08				2008-09			
1	Bilaspur	0.66	0.22	0.52	0.30	1.30	0.43	0.77	0.34	1.63	0.54	0.80	0.26
2	Kullu	2.63	0.88	1.35	0.47	3.19	1.06	1.41	0.35	3.90	1.30	2.02	0.72
3	Mandi	2.97	0.99	1.68	0.69	3.53	1.18	2.18	1.00	4.00	1.33	1.67	0.34
4	Nahan	2.75	0.92	1.71	0.79	3.19	1.06	1.87	0.81	3.21	1.07	2.28	1.21
5	Solan	4.10	1.37	1.80	0.43	6.08	2.03	2.35	0.32	8.27	2.76	3.03	0.27
6	Sunder nagar	1.02	0.34	0.82	0.48	1.18	0.39	0.98	0.59	1.62	0.54	1.39	0.85
<b>Total</b>		<b>14.13</b>	<b>4.72</b>	<b>7.88</b>	<b>3.16</b>	<b>18.47</b>	<b>6.15</b>	<b>9.56</b>	<b>3.41</b>	<b>22.63</b>	<b>7.54</b>	<b>11.19</b>	<b>3.65</b>

Year	Total Expenditure	Expenditure on Estt.	Required 1/3r Expenditure	Excess Expenditure
2006-07	14.13	7.88	4.72	3.16
2007-08	18.47	9.56	6.15	3.41
2008-09	22.63	11.19	7.54	3.65
<b>Total</b>	<b>55.23</b>	<b>28.63</b>	<b>18.41</b>	<b>10.22</b>