

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 lakh⁸ 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.

⁸ 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*⁹ 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 4th 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

⁹ 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.

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