

CHAPTER –III

TRANSACTION AUDIT

3.1 Blockage of funds under Jawahar Lal Nehru National Urban Renewal Mission

Non start of renewal and rejuvenation of Water Supply Scheme Shimla resulted in blockage of ₹ 15.92 crore

With a view to provide adequate quantum of portable water to the citizens of Shimla town, Government of India approved (February 2009) a Detailed Project Report (DPR) for rejuvenation of water supply system under Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) for ₹ 72.36 crore and released first installment of ₹ 14.47 crore in May 2009. The State Government conveyed (July 2009) the administrative approval and expenditure sanction of funds amounting to ₹ 15.92 crore (Central Share: ₹ 14.47 crore and State share ₹ 1.45 crore). Himachal Pradesh Housing and Urban Development Agency (HIMUDA) was declared as Executing Agency in September 2009 and the project was to be completed by the end of March 2010. But no progress was made as of June 2010 for which no reasons were available on records. The Principal Secretary (UD) declared (June 2010) MC Shimla as Project Implementation Unit. For execution of the DPR Principal Secretary (UD) asked (August 2010) Water and Power Consultancy Services (WAPCOS) to submit initial bid which WAPCOS submitted in September 2010. In October 2010, Pr. Secretary (UD) asked MC Shimla to reframe/ restructure the DPR with special emphasis on ensuring 24x7 water supplies and zoning of water supply system with main lines on trestles and branch lines in ducts on roads. In turn WASCOS showed its inability to execute the work as per revised terms of references and the whole amount of ₹ 15.92 crore is lying unspent as of March 2011 resulting in blockage of funds and depriving the public of intended benefits.

3.2 Blockage of funds due to non construction of Modern Slaughter House at Boileaguanj, Shimla

Non commencement of construction of Modern Slaughter House at Boileaguanj, Shimla resulted in blockage of ₹ 6.51 crore.

Ministry of Food Processing Industries (MFPI) accepted (August 2007) the proposal for construction of Modern Slaughter House and establishment of rendering cum carcass utilization plant at Boileauganj, Shimla and approved (November 2008) ₹19.66 crore. MFPI released (November 2008) ₹ 1.14 crore being first installment and State Government released (March 2009) ₹ 5.37 crore, being 25 percent share of the Project cost to MC, Shimla. MC, Shimla awarded (June 2009) the work to a Noida based firm. As per agreement the project was to be completed within 18 months from the date of approval of final design. MC, Shimla released (July 2009) ₹ 5.00 crore to the firm against bank guarantee. The firm started (August 2009) the work but the local residents stopped the work within a period of seven days from the start of work. The firm requested (January 2010) MC, Shimla to hand over new site for the project due to resistance by local people in the existing site. After one year of closure of the work, the Assistant Commissioner MC, Shimla held meeting (July 2010) with the Deputy Secretary of MFPI for identifying/change of the site for construction of the project. As a result, the site was shifted (November 2010) near Darni ka Bagicha but permission of the forest department for the clearance of new site is yet to be obtained (March 2011). Thus, improper planning in execution of work resulted in blockage of ₹ 6.51 crore (₹ 5.00 crore with the firm and ₹ 1.51 crore with MC, Shimla) and public was also deprived of the intended benefit.

3.3 Doubtful execution and non-utilisation of funds under Twelfth Finance Commission.

Doubtful execution of work valued at ₹ 23.02 lakh and non-completion of Solid Waste Management Project (SWMP) resulted in blockage of Twelfth Finance Commission funds of ₹ 0.47 crore.

TFC Guidelines provide that funds sanctioned under the scheme should be utilized promptly. Director UDD placed ₹ 108.77 lakh (February 2006:

₹ 51.29 lakh and February 2009: ₹ 57.48 lakh) at the disposal of Executive Officer (EO), Parwanoo, under Twelfth Finance Commission (TFC) for the construction of Solid Waste Management Project at Parwanoo. As per Detailed Project Report (DPR) the estimated cost of the project was ₹ 81.48 lakh. Of this, ₹ 25.00 lakh were earmarked for the site development and construction of RCC retaining wall from RD 0/0 to 0/72 meters. The work pertaining to RCC retaining wall completed in February 2007 for which payment of ₹ 38.62 lakh was made to the contractor. However, EO Parwanoo again called (June 2009) tenders for the construction of the RCC retaining wall on the same retaining wall by splitting the tenders in six parts for 12 meters each and awarded (July 2009) the works to two contractors. The initial stretch of 24 meters was awarded to one contractor for ₹ 13.56 lakh and remaining 48 meters stretch was awarded to 2nd contractor for ₹ 27.12 lakh. The contractor to whom work for initial stretch was awarded did not execute the work due to illness and hence the revised work from RD 0/0 to 0/36 was got executed from the other contractor and payment of ₹ 23.02 lakh was made (November 2009) after completion of this work.

Executive Officer, MC Parwanoo stated that the work was actually awarded/executed beyond the point upto which work had already been executed but RD beyond that point was again mentioned as 0/0 to 0/72. It was noticed in audit that records in support of this was not available with the MC. Nowhere in the Measurement books the RD was mentioned on which the RCC wall was actually constructed in the absence of which it could not be ascertained in audit on which RD the work was actually executed or not which is indicative of doubtful execution of work of ₹ 23.02 lakh.

After incurring expenditure of ₹ 62.08 lakh (inclusive of cost of preparation of DPR of ₹ 0.44 lakh) only RCC wall could be completed and work pertaining to construction of composting pits for 20 batteries and construction of platform for dry composting was not started as of March 2010. Non-completion of SWMP work resulted in blockage of TFC funds of ₹ 0.47 crore besides depriving the public of the intended benefits.

3.4 Execution of works without estimates.

MC Parwanoo extended undue favour to contractor for execution of work valued at ₹ 13.97 lakh without getting the estimates approved.

Executive Officer, MC, Parwanoo after getting the estimates approved for the construction of Rehan Basera building upto ground floor, awarded the work to a contractor (December 2009) for ₹ 19.94 lakh with the stipulated date of completion within six months from the date of awarding the work. However, instead of completing the work upto ground floor, only form work and brick work was got executed upto 2nd floor of the building for which no estimates were prepared/approved from the competent authority. For execution of additional work of 1st and 2nd floor additional payment of ₹ 13.97 lakh was released to the contractor resulting in undue favour to contractor to this extent. Due to execution of additional work the building could not be completed upto ground floor despite incurring an expenditure of ₹ 27.89 lakh (March 2010). While confirming the facts, EO, MC Parwanoo stated (February 2010) that additional work was got executed on the recommendations of the House and asked that contractor agreed to execute the work on the rates already offered by him upto ground floor. The reply is not tenable because execution of works without getting the estimates approved was contrary to the financial rules.

3.5 Non adjustment of contingent Advances

Municipal Corporation Shimla did not adjust/recover contingent advance of ₹ 24.33 crore due to non availability of records.

Municipal Corporation, Shimla has been making contingent advances from time to time to its various departments to meet their immediate requirement for different purposes. The arrear of outstanding contingent advances accumulated to 24.33 crore at the end of March 2010. Department wise detail of outstanding advances is given below:

Table 9: Detail of outstanding advances**(In ₹)**

Name of the Department	Period	OB as on 31.03.2009	Addition during 2009 -10	Total	Adjusted during 2009 -10	Outstanding as on 31.03.10
Water Supply and sanitation	1945 to 31.03.09	47891348	10831252	58722600	132950	58589650
Roads and building	1955 to 31.03.2009	132818173	12945741	145763914	3112623	142651291
Health	1948 to 31.03.2009	20738294	14294638	35032932	45516	34987416
General	1959 to 31.03.09	5087090	2618824	7705914	1073915	6631999
Forest	1960 to 31.03.2009	419617	0	419617	0	419617
Total		206954522	40690455	247644977	4365004	243279973

Year wise details of these advances were not available with the Corporation. The House of MC, Shimla instructed (June 2006) the MC authorities to scrutinize the records after 1996 and further instructed to take steps for adjusting long outstanding advances but action taken by the authorities to scrutinize the records for adjusting the advances was not on records. While admitting the facts, Assistant Commissioner, MC, Shimla stated (December 2010) that due to non availability of old records the advances could not be adjusted. Thus due to casual approach adopted by the MC, Shimla the old outstanding contingent advances could not be adjusted/ recovered.

3.6 Outstanding recovery

MC Parwanoo failed to recover ₹ 22.33 lakh as rent of office premises from Assistant Commissioner (Protocol).

Office of the Assistant Commissioner (Protocol) is housed in two rooms covering 49.145 sqm carpet area of the office building of MC, Parwanoo since October 1992. No agreement for handing over these two rooms was available with the MC. However, MC raised (January 2002) rent bill of ₹ 12.69 lakh for the premises which included rent for parking area of 230 sqm, average electricity and water bills upto March 2002 against which no payment was received. Thereafter neither any bill was raised nor efforts made to get the accommodation vacated. On the basis of bill raised by MC, Parwanoo, outstanding rent works out to 9.64 lakh from April 2002 to February 2010. Thus MC, Parwanoo failed to recover total rent of ₹ 22.33 lakh. While

admitting the facts, EO, MC, Parwanoo stated (February 2010) that initially the charge of EO, MC, Parwanoo was with the Assistant Commissioner (Protocol) and after posting of regular EO, Assistant Commissioner did not vacate the accommodation despite repeated requests.

3.7 Loss due to non revision of rates of house tax

Non-revision of rates of house tax by six ULBs as per recommendations of SFC resulted in loss of revenue of ₹ 2.86 crore.

The Director, Urban Development directed (November, 2003) all the ULBs that, as per the recommendations of the 2nd State Finance Commission (SFC) there shall be a percentage increase in the rate of house tax every year so as to reach the level of 12.5 per cent at the end of 2006-07 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 Six ULBs (**Appendix-4**) 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 ₹ 2.86 crore. The concerned officers of ULBs stated (April 2010 to March 2011) that action would be taken to revise the rates.

3.8 Non realization of rent

Fourteen ULBs failed to realize the rent of shops from allottees amounting to ₹ 6.00 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 Executive Officer(EO)/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 thirteen ULBs, (Municipal Corporation Shimla, Five MCs and eight NPs) (**Appendix-5**), rent of ₹ 4.52 crore was pending recovery as on April 2007 against the allottees of shops/stalls owned by these ULBs. Further demand of ₹ 8.24 crore was raised against the tenants/ lessees of these shops/stalls during 2007-10. Against the total demand of ₹ 12.76 crore only

₹ 6.76 crore was recovered leaving outstanding rent of ₹ 6.00 crore as of March 2010 thereby showing increasing trend. The concerned local bodies stated (April 2010 to March 2011) 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.

3.9 Outstanding house tax

Due to ineffective monitoring a revenue of ₹ 4.85 crore on account of house tax in eleven ULBs remained outstanding.

In eleven ULBs (MC: 6 and NP: 5) (**Appnedix-6**) there was an opening balance of outstanding house tax of ₹ 3.78 crore as on April 2007 and demand of

₹ 6.14 crore was raised during the period 2007-10. However, the collection of house tax was to the extent of ₹ 5.07 crore during the corresponding period leaving outstanding balance of ₹ 4.85 crore as of March 2010. The pace of recovery 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. It was further noticed that NP Rajgarh did not impose house tax. The Secretary NP Rajgarh stated (June 2010) that house tax could not be imposed due to lack of staff. The EOs/ Secretaries of other concerned ULBs stated (April 2010 to March 2011) that action would be taken against the defaulters for recovery of arrears

3.10 Non-recovery of installation/renewal charges for Mobile Towers.

Failure to realize the installation/renewal charges of mobile towers by twelve ULBs resulted in loss of revenue of ₹ 14.40 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 twelve ULBs, mobile towers were installed in their jurisdiction during 2005-09 but the concerned ULBs had not recovered the charges of ₹ 14.40 lakh (installation charges ₹ 2.40 lakh and renewal charges ₹12.00 lakh) as of

March 2010 in respect of 74 towers (**Appendix-7**). The concerned ULBs stated (April 2010 to March 2011) that action would be taken to recover the dues.

3.11 Creation of liabilities.

Failure to make payment of water bills resulted in creation of liability of ₹ 75.04 crore.

MC Shimla has been distributing and 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 ₹ 75.04 crore was outstanding on account of water bills payable to IPH department as of March 2010. The IPH department was supplying the water at the rate of ₹ 8/- per kilolitre till May 2005. Thereafter with the increase in the rates at 10 percent every year the cost increased to ₹11.70 per kilolitre whereas the MC has been charging the rate of ₹ 4.24 per kilolitre from domestic connections. There was thus huge difference between rates payable to IPH department and those being charged from domestic consumers. MC, Shimla did not make the payment for water bills to IPH Department after March, 2004. Due to non payment of bills to IPH Department after March 2004 and of rates payable to IPH department and recoverable from the water users has resulted in creation of liability of ₹ 75.04 crore. No cogent reasons were advanced for non payment of bills after March 2004 and huge variation in rates recoverable from the users.

3.12 Excess expenditure on establishment.

Five MCs and three NPs incurred expenditure of ₹ 2.70 crore in excess of norms and failed to collect the outstanding taxes to the tune of 3.08 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 Five MCs and three NPs, total expenditure of ₹ 23.51 Crore (2007-08: ₹ 7.70; 2008-09: ₹ 6.54 and 2009-10: ₹ 9.27) crore was incurred during 2007-10. As per provisions of the MC Act, ₹ 7.84crore (2007-08: ₹ 2.57; 2008-09 ₹ 2.19 and 2009-10: ₹ 3.08) were to be spent on establishment whereas these ULBs incurred ₹ 10.54 crore (2007-08: ₹ 3.27; 2008-09: ₹ 3.01 and 2009-10: ₹ 4.26) on establishment resulting in excess expenditure of ₹ 2.70 crore (2007-08: ₹ 0.70; 2008-09: ₹ 0.82 and 2009-10: ₹ 1.18) beyond prescribed norms during 2007-10 (**Appendix-8**). The EOs of concerned ULBs stated (April 2010 to March 2011) 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 ₹ 3.07 crore⁸ 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.

Shimla
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⁸ Hamirpur ₹ 1.03, Nurpur ₹ 0.04, Poanta ₹ 0.33, Rampur ₹ 0.54, Theog ₹ 0.68, Chowari ₹ 0.03, Joginder Nager ₹ 0.46