

## **CHAPTER – III**

### **Results of Audit of Urban Local Bodies**



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#### 3.1 Audit by Accountant General (Audit) under TGS

Government of Jammu and Kashmir entrusted CAG of India, under TGS role, to conduct test-check of the accounts and to comment on and supplement the report of the statutory auditor. The AG (Audit) conducted audit of ten<sup>1</sup> ULBs during the period May 2015 to October 2015 covering the period 2011-15. The significant audit findings are discussed in succeeding paragraphs.

#### 3.2 Erection of Hoardings

In accordance with Section 85 of the J&K Municipal Corporation Act, 2000 and Section 66 of the J&K Municipal Act, 2000 the ULBs were required to levy fee on advertisements, except advertisements in newspapers, from various business establishments and organizations who advertise their business by way of hoardings within the respective municipal limits.

Audit noticed that annual contracts for charging advertisement fee from advertisers were awarded by the SMC and MC Udhampur. MC Rajouri had charged advertisement charges departmentally for a brief spell of eleven months<sup>2</sup> during the period 2010-15.

##### 3.2.1 Delay in cancellation of the contract-loss of ₹3.93 lakh

The contract for erection of hoardings for the period 2013-14 to 2015-16 was awarded (May 2013) by the MC Udhampur to a contractor for ₹15.50 lakh. The contractor was required to deposit 30 *per cent* of the bid amount at the time of provisional acceptance and balance in 10 equal installments. In case of any default in making the due payments, the contract was required to be cancelled and re-auctioned as envisaged under clause 9 and 10 of terms and conditions of the tender notice.

Audit noticed (May 2015) that the contractor deposited (May 2013) the 30 *per cent* of the bid amount of ₹4.65 lakh at the time of acceptance of the contract. The subsequent due installments were not deposited by the contractor as per the NIT. However, the contractor deposited (June 2014) an amount of ₹5.42 lakh representing five installments through cheque which bounced every time on presentation at the bank. Finally, the contract was cancelled (March 2015) and Call Deposit Receipt (CDR) of the contractor amounting to ₹two lakh was forfeited.

<sup>1</sup> Srinagar Municipal Corporation, Municipal Council: Udhampur and Municipal Committees at Rajouri, Khour, Reasi, Batote, Budgam, Pulwama, Tangmarg and Kulgam

<sup>2</sup> January 2014 to November 2014

The contract, although required to be cancelled during 2013-14 due to non-depositing of the due amounts in time, was cancelled after a delay of more than 20 months. Thus, against due amount of ₹10.58 lakh, the contractor had paid ₹6.65 lakh only which resulted in loss of ₹3.93 lakh.

The CEO, MC Udhampur stated that the recovery will be made from the contractor. However mechanism to be adopted for the same was not intimated.

### **3.3 Non-implementation of Centrally Sponsored Scheme “Basic Services to Urban Poor” (BSUP) at all the planned places and irregularities in its implementation**

For rehabilitation of the urban poor families, a proposal for construction of 622 dwelling units at four<sup>3</sup> different locations along with allied works such as water supply, sewerage system, road connectivity, drainage system, land acquisition, development of land and community toilets under the Centrally Sponsored Scheme “Basic Services to Urban Poor” (BSUP) under JNNURM was approved by the GoI for implementation by the SMC. The works at an estimated cost of ₹22.38 crore including ₹17.48 crore for construction of dwelling units and ₹4.40 crore for allied works at three locations were to be completed within 12 and 18 months<sup>4</sup>. The project was to be funded by the Central Government and State Government in the ratio of 90:10. Funds of ₹10.00 crore (Centre: ₹9 crore; State: ₹one crore) were received by the SMC under the scheme during the period April 2010 to February 2015.

Project at one of the locations (Wanganpora) comprising 240 dwelling units and allied works could not be started due to non-conducting of proper surveys and preparation of faulty estimates thereby resulting in denial of benefits to the beneficiaries.

#### **3.3.1 Non-recovery of penalty of ₹0.28 crore and excess payment of ₹0.56 crore**

Contracts for construction of 382 dwelling units and allied works at three different locations<sup>5</sup> were allotted (February 2010 and November 2011) to different contractors with completion period of 12 to 18 months. Due to slow pace in execution and abandonment of works half-way by the contractors, all the works were retendered but penalty of ₹28.50 lakh, as provided under the terms and conditions of the contract had not been imposed upon the defaulting contractors. It was further noticed that against allotted cost of ₹50.22 lakh for construction of 18 units at Tibetan Colony, an amount of ₹105.85 lakh was paid against work done claims which resulted in payment of excess amount of ₹55.63 lakh to the contractor. Reasons for excess payments were not on record.

<sup>3</sup> Sumer Bugh-246, Behrar-100, Tibetan Colony-36, Wangpora-240

<sup>4</sup> Sumer Bugh and Behrar-18 months, Tibetan Colony-12 months

<sup>5</sup> Sumer- Bugh-246, Behrar-100 and Tibetan Colony-36

### 3.4 Allotment of Car Parking Lots

In order to meet the increasing parking demand of local commuters and to avoid frequent road congestions, SMC had established car parking lots at various places within its municipal limits. The parking lots are allotted to the contractors on yearly basis after invitation of bids. As regards other ULBs test-checked in audit, no parking lots had been established and vehicles are parked on the main roads, along sub-lanes and inner pockets of the towns resulting into traffic congestion and other problems to the local commuters.

#### 3.4.1 Non-recovery of contract amount of ₹ 9.04 lakh

Contract for parking lot at Cheshmashahi was allotted (July 2012) by SMC in favour of a contractor for ₹27.11 lakh. The contract was cancelled (September 2012) as the contractor failed to deposit the contractual amount within the stipulated time. The parking lot was put to fresh tenders and allotted (October 2012) for an amount of ₹12.59 lakh. Corporation had not recovered the contract amount of ₹9.04 lakh due from the original contractor on for the period July 2012 to October 2012 during which the parking lot was run by him.

#### 3.4.2 Non-allotment of parking lots resulted in loss of ₹ 16.40 lakh

- SMC invited (May 2012, March 2013) bids for allotment of car parking lot at Iqbal Park and Apna Bazar Srinagar at a minimum reserved price of ₹2.65 lakh and ₹two lakh respectively. Without assessing requirement/feasibility, Corporation decided (March 2013, June 2013) to convert these parking lots into cycle sheds which did not mature and again decided (April 2015) to put both the parking lots to fresh tenders for the subsequent year 2015-16. Faulty decision of the Corporation resulted in idling of parking lots for three and two years and subsequent revenue loss of ₹9.65 lakh calculated on the basis of contract value of the earlier years. (Iqbal park: ₹4.65 lakh<sup>6</sup>; Apna Bazar: ₹5.00 lakh<sup>7</sup>)

The Estates Officer, SMC while admitting the facts regarding Iqbal Park stated (October 2015) that the decision in this regard had been taken by the higher authority and in respect of Apna Bazar parking lot, the decision was taken by the competent authority setting aside/ rejecting the recommendations of the Auction committee.

- Parking lot at Pratap Park Srinagar, was put (2013-14) to tenders by the SMC at a minimum reserve price of ₹4.00 lakh. Despite offer bid of ₹4.06 lakh, it was decided (September 2013) not to allot the parking lot on the plea of not having received hand some bids. Subsequently, the parking lot was run by the Corporation departmentally during the period July 2013 to April 2015 during which an amount of ₹0.69 lakh was collected. Non allotment of the parking lot to the highest bidder resulted in revenue loss of ₹6.75 lakh<sup>8</sup> to the Corporation.

<sup>6</sup> ₹4.65 lakh for the period 2012-15 @ ₹1.55 lakh per year as per allotted value for 2011-12

<sup>7</sup> ₹5.00 lakh for the period 2013-15 @ ₹2.50 lakh per year as per allotted value of 2012-13

<sup>8</sup> Calculated on the basis of bid amount of ₹4.06 lakh offered by the highest bidder for 22 months less by revenue realized by the ULB

In respect of Pratap Park parking lot The Estates Officer, SMC stated (October 2015) that the decision was taken by the auction committee and duly accepted by the Commissioner. The fact is that decisions taken by SMC have resulted in loss to the corporation.

### 3.5 Assets Management

The ULBs create infrastructure in the shape of shops, building, flats, godowns, kiosks etc. for allotment on rent to boost their financial health. The ULBs had failed to safeguard their interests and recover rent due to deficient recovery mechanism as discussed below:

#### 3.5.1 Outstanding rent of Municipal Assets of ₹534.22 lakh

Audit noticed that amount of ₹534.22 lakh outstanding on account of rent of assets of nine ULBs was not received from the allottees resulting in huge outstanding against them as on March 2015 as indicated below:

**Table-6**  
**Outstanding rent of Municipal assets**

(₹ in lakh)

S. No	Allottee	Amount outstanding	Period
1.	Government Departments	122.87	ended March 2015
2.	Public Sector Undertakings	197.51	ended March 2015
3.	Business Establishments	18.54	ended March 2015
4.	Individuals	179.52	ended March 2015
5.	Security forces	15.11	ended March 2015
6.	Others (Political parties)	0.67	ended March 2015
	<b>Total</b>	<b>534.22</b>	

The Chief Executive Officers (CEOs) Executive Officers (EO) of five<sup>9</sup> ULBs stated (July 2015) that action will be taken to recover the outstanding amounts and four<sup>10</sup> ULBs did not furnish reply.

The Chief Revenue Officer (CRO), SMC stated (September 2015) that the concerned have been requested to clear the outstanding rent but no tangible results had been achieved so far. Reply may be seen in the light of the fact that no rent demand had been raised by the Corporation against the concerned agencies.

#### 3.5.2 Allotment of shops at Bagh Nund Singh-unrecovered rent of ₹1.44 crore

To restore the beauty of the Iqbal Park Srinagar, 313 vegetable vendors were shifted (1995) by the SMC to a vacant Municipal land at Bagh Nund Singh Batmaloo where 313 shops were constructed (2000) by the Corporation and

<sup>9</sup> Udampur, Batote, Khour, Reasi and Rajouri

<sup>10</sup> Srinagar, Tangmarg, Pulwama and Budgam

allotted to the dislocated vendors. As mutually agreed upon between the SMC and vegetable vendors association, the allottees had to pay ground rent amounting to ₹0.23 lakh, for occupation of the land during the period January 1995 to February 2010 and monthly rent @ ₹5.50 per sft. with effect from March 2010 with 10 per cent increase after every three years.

Audit noticed (August 2015) that against a total amount of ₹209.34 lakh due from the vegetable vendors on account of rent and ground rent for the period January 1995 to March 2015, an amount of ₹64.86 lakh was deposited by the vendors. The balance payment was not deposited by them due to a dispute regarding the cut off date from which the rent was due which had not been decided (August 2015) and resulted in non-recovery of rent of ₹144.48 lakh. The CRO, SMC stated (September 2015) that the shopkeepers have not accepted the decision taken on November 2014 and have stopped further payment of rent.

### **3.5.3 Allotment of Kiosks at Kabadi Market-Short recovery of ₹73.87 lakh on account of rent and premium**

In order to pave way for construction of Flyover Expressway from Jehangir chowk Srinagar to Natipora-Ram Bagh crossing, 43 kiosks existing at Kabadi Market were removed (November 2011) by the SMC and subsequently 42 dislocated shopkeepers allotted (August 2012) newly constructed kiosks at a nearby place. As per the terms and conditions of allotment, the shopkeepers were required to pay an amount of ₹one lakh each as part payment towards premium pending fixation of premium amount and monthly rent @ ₹2,940 with an increase of 10 per cent after every three years.

Audit noticed (August 2015) that the Corporation had neither executed agreements nor fixed the amount of premium to be recovered from the allottees. Against the total amount of ₹42.00 lakh due on account of initial/ part payment of premium, an amount of ₹15.75 lakh only had been recovered Similarly against ₹47.80 lakh due on account of rent upto period ending March 2015, an amount of ₹0.18 lakh had been recovered by the Corporation resulting in non/ short recovery of ₹73.87 lakh.

## **3.6 Lorry Adda Contracts**

Lorry Adda Toll (Entry Fee) is collected from all commercial vehicles entering the Municipal limits of a particular ULB. The ULB had failed to safeguard their financial interests and had either allotted the contracts irregularly or had not been able to recover the contract amounts from the contractors as discussed below.

### **3.6.1 Outstanding contract amount of ₹44.55 lakh**

Seven ULBs had not recovered contract amount of ₹44.55 lakh (including interest amount of ₹3.36 lakh) on account of Lory Adda Toll from Commercial vehicles during 2010-11 to 2014-15 as shown below:

**Table-7**  
**Outstanding toll from Commercial vehicles**

(₹ in lakh)

S. No	Name of the ULB	Amount unrecovered	Period of contract
1	Municipal Council Udhampur	12.82	2012-13 to 2014-15
2	Municipal Committee Batote	1.50	2013-14
3	Municipal Committee Rajouri	9.82	2011-12 and 2013-14
4	Municipal Committee Reasi	3.06	2013-14 and 2014-15
5	Municipal Committee Budgam	1.06	2011-12 and 2013-14
6	Municipal Committee Pulwama	9.28	2010-11
7	Municipal Committee Kulgam	7.01	2010-11
	<b>Total</b>	<b>44.55</b>	

No measures were taken by the ULBs to safeguard their financial interests by way of obtaining Bank Guarantees from the concerned contractors. Even the post dated cheques obtained from the contractors had not been presented for realization.

The EOs of the four ULBs stated (May and June 2015) that action shall be taken against the contractors for recovery of the due amounts and EOs of three ULBs did not reply.

### **3.7 Financial Management**

Deficiencies notices in financial management are discussed in following paragraphs:

#### **3.7.1 Non-recovery of embezzled money of ₹19.49 lakh**

An amount of ₹25.66 lakh realized by MC Reasi on account of rent, taxes and premium during the period February 2010 to October 2011 was neither entered into the cash book nor remitted by the concerned official(s) into the official account of the Committee. The amount was embezzled by the concerned revenue collecting official(s). The matter was referred by MC Reasi to the Deputy Commissioner Reasi following which a committee was constituted (15.06.2013) by the latter for conducting an enquiry. The report of the enquiry committee to be submitted by 30.06.2013 was awaited (June 2015).

In the meantime, an amount of ₹6.17 lakh was remitted (June 2013 and February 2015) by the delinquent official, leaving behind ₹19.49 lakh yet to be recovered. Delay in submission of report by the enquiry committee has resulted in non-recovery of embezzled amount of ₹19.49 lakh besides not initiating of action against the defaulting official.

The EO MC Reasi stated (June 2015) that final action shall be taken only after outcome of the report of the enquiry committee.

### 3.7.2 Unremitted revenue receipts of ₹0.17 lakh

Revenue receipts amounting to ₹0.17 lakh collected by two<sup>11</sup> ULBs between July 2012 and March 2015 had not been deposited into the bank but were retained by the concerned tax collectors for the periods ranging between three and 36 months (June 2015).

The EOs of the ULBs stated (June and July 2015) that necessary directions have been issued to the tax collectors for depositing the unremitted amounts.

### 3.7.3 Outstanding Temporary Advances of ₹69.01 lakh

In accordance with the provisions contained in Jammu and Kashmir Public Works Account Code temporary advance is granted to sub-disbursers against passed vouchers who are required to submit the detailed accounts in support of expenditure incurred before the close of financial year and refund the unspent amounts, if any, so that the funds are not retained un-necessarily and carried over to the next financial year.

Audit noticed that temporary advance amounting to ₹69.01 lakh was outstanding against 77 employees of three<sup>12</sup> ULBs for the periods between 30 days and 23 years ending March 2015. No mechanism was found to have been put in place by these ULBs for recovery of the outstanding amounts.

It was stated (June-October 2015) by two<sup>13</sup> ULBs that the matter had been taken up with the Director ULB for recovery of the outstanding amounts. For SMC it was stated that the amounts shall be recovered from the concerned.

### 3.7.4 Inadmissible payment of ₹19.48 lakh paid to Standing Counsels

SMC had engaged seven Standing Counsels/ Sr. Standing Counsels for defending its cases in various Courts. Against the admissible amount of ₹0.03 lakh per month fixed by the Government, the monthly retainer-ship was paid to seven Standing Counsels at rates ranging between ₹0.10 lakh and ₹0.18 lakh resulting in excess payment of ₹18.74 lakh as detailed in *Appendix-IV*. Moreover, one Standing Counsel was paid (January 2015) ₹0.76 lakh<sup>14</sup> as counsel fee and final disposal fee against admissible amount of ₹0.02 lakh resulting in excess payment of ₹0.74 lakh.

In reply the Sr. Law Officer (SMC) stated (September 2015) that the, Standing Counsels were paid as per fee structure fixed by the General Function Committee of the Corporation. The reply is not tenable as Standing Counsels deputed by the

<sup>11</sup> Rajouri: ₹16045 and Reasi: ₹1100

<sup>12</sup> Udhampur: ₹35.14 lakh (9 employees); SMC: ₹30.87 lakh (67 employees) and Batote: ₹3.00 lakh (one employee)

<sup>13</sup> Udhampur and Batote

<sup>14</sup> Counsel Fee: ₹0.25 lakh (against admissible amount of ₹0.02 lakh) and Final Disposal Fee ₹0.51 lakh (not admissible at all)

Government were entitled to fee/ retainer-ship/ other charges in accordance with the fee structure fixed by the Government.

### **3.7.5 Inadmissible payment of Counsel Fee to the Advocate General**

The Advocate General is the Chief Law Officer of the State appointed under Section-42 of the Constitution of Jammu and Kashmir and is entitled to a fee of ₹0.04 lakh per effective hearing before the Hon'ble Supreme Court and a sum of ₹0.01 lakh for each day of travelling in addition to monthly remuneration payable by the Government. Records showed that the Advocate General was paid an amount of ₹5.50 lakh for five effective hearings against admissible amount of ₹0.25 lakh which resulted in excess payment of ₹5.25 lakh.

In reply the Sr. Law Officer (SMC) stated that payment had been made to the Advocate General as per the approval of the Commissioner (SMC). This is not tenable as Advocate General is entitled to counsel fee/payments as fixed by the Government.

### **3.7.6 Irregular execution of works of ₹2.33 crore**

Rule 9.11 of the J&K Financial Code Volume-I envisages that works should be executed only after ascertaining reasonability of rates by invitation of tenders/ obtaining quotations. Para 200 of the Public Works Account Code further provides execution of emergent nature of that works departmentally by engaging labour through mates/ contractors.

Audit noticed that an expenditure of ₹2.33 Crore was incurred by three<sup>15</sup> ULBs and its subordinate agencies during the period 2012-15 on execution of original nature of works departmentally by engaging labour through mates in violation of the laid down norms.

The concerned ULBs stated that the works being of emergent nature were got executed departmentally on the directions of higher authorities. Reply is not tenable as the works executed pertained to construction of various buildings/ premises and lanes/ drains that were not of emergent nature.

### **3.7.7 Non-deduction of Labour Cess of ₹2.97 lakh**

With a view to augmenting the resources of the Building and Other Construction Workers Welfare Boards constituted under the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996, an act to provide for levy and collection of cess on the cost of construction incurred by the employers was enacted by the Parliament in August 1996 and was deemed to have come into force with effect from November 1995. The State Government notified (July 2006) the Building and other Construction Workers (Regulation of Employment and Conditions of Service) Rules 2006 and accordingly the Building

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<sup>15</sup> SMC: ₹1.13 crore; Khour: ₹0.93 crore; Reasi: ₹0.27 crore

and Other Construction Workers Welfare Cess Act became operational in the State with effect from July 2006. Section 3 of the Act *ibid* provides for mandatory levy/ collection of cess at the rate not less than one *per cent* of the cost of construction by every employer and deposit it with the concerned Board.

Audit noticed that three ULBs had failed to comply with the provisions of the Act and cess at the rate of one *per cent* amounting to ₹2.97 lakh<sup>16</sup> had not been deducted from the bills of the contractors during the period 2012-13 to 2014-15. It was further noticed that cess amounting to ₹0.48 lakh, although recovered from the bills of contractors during 2014-15, was not remitted by the MC Udhampur to the concerned quarters as of May 2015.

The EO MC Batote and MC Khour stated (June and October 2015) that labour cess had not been deducted due to ignorance, EE of Sewerage and Drainage-II (SMC) stated that the amount shall be recovered from the contractors from their future claims. In respect of unremitted amounts, the CEO, MC Udhampur stated (June 2015) that the amount shall be remitted to the concerned agency.

### **3.7.8 Expenditure on Maintenance and Repairs**

In pursuance to the provisions contained in Chapter 5.5 of the Jammu and Kashmir Book of Financial Powers, the Executive Engineer (EE) is empowered to accord technical sanction to the detailed estimates chargeable under the head “maintenance and repairs” up to ₹5.00 lakh during a financial year provided that ‘Annual Repair Demand’ (ARD) projected by the division is approved by the Commissioner. Alternatively, each work is required to be got approved by the Commissioner before incurring expenditure provided that the estimates are within the corresponding provision of the ARD of Maintenance Grant.

Audit noticed that in absence of approved ARD, an expenditure of ₹471.26 lakh was incurred by 03 EEs of SMC on maintenance and repairs during the period August 2011 to March 2015 without obtaining approval of the Commissioner.

EEs stated (June and July 2015) that the funds had been received by the divisions as per the ARD statements. Reply is not tenable as expenditure was made in absence of approved ARD.

### **3.7.9 Expenditure in excess of the allotted amounts of ₹188.19 lakh**

As per book of financial powers, the EE, Superintending Engineer, and Commissioner SMC are empowered to authorize expenditure on estimates in excess of allotment to the extent of 5 *per cent*, 10 *per cent*, and 15 *per cent* respectively as per the necessity of site conditions beyond which the approval of the Administrative Department is required to be obtained.

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<sup>16</sup> SMC: ₹1.91 lakh; MC Khour: ₹0.81 lakh; MC Batote: ₹0.25 lakh

Audit noticed that expenditure of ₹1.88 crore in excess of prescribed limit of 15 per cent of the allotted amount was incurred by two<sup>17</sup> executing divisions of SMC without obtaining the sanction of the Administrative Department.

The EEs stated (September and October 2015) that the expenditure was incurred in excess of the allotments due to certain changes in drawings found necessary at site and as per the public demand. Reply is not tenable as necessary approval had not been obtained before incurring excess expenditure.

### 3.7.10 Unrecovered Garbage Collection charges of ₹41.51 lakh

SMC had installed garbage containers within the premises of various Government Departments, Banks, Hospitals, Hotels etc. for lifting of garbage for which Corporation receives garbage collection charges.

Audit noticed that an amount of ₹41.51 lakh had not been recovered from sixteen government departments and private agencies during the year 2013-14 and 2014-15. The Compost Officer (SMC) stated (October 2015) that no action could be taken in absence of any directions from the higher authorities despite the matter being brought to their notice.

### 3.7.11 Non-utilization of funds of ₹2.46 crore

Check of records revealed that funds amounting to ₹2.46 crore received by SMC had remained un-utilised as of 31<sup>st</sup> March 2015 under various schemes and projects as detailed below:

**Table-8**  
**Unutilised funds under various schemes/projects**

(₹ in lakh)

S. No	Name of the project/ scheme	Source	Amount Unutilized	Period since when unutilized
1.	Urban Resource Infrastructure Fund	GoI	83.00	More than five years
2.	12 <sup>th</sup> Finance Commission	GoI	23.69	December 2013
3.	Building structure	PLAN	102.21	August 2013
4.	High Mast Lights	PLAN	36.71	Prior to March 2013
<b>Total</b>			<b>245.61</b>	

Non-utilisation of the funds by the Corporation has resulted in denial of intended benefits to the local population under the respective schemes.

CAO, SMC stated (July 2015) that various proposals are under consideration and that the funds would be utilized during the current year.

<sup>17</sup> S&D Division-II (SMC): ₹90.47 lakh and City Drainage Civil (SMC) Srinagar: ₹97.72 lakh

### 3.8 Levy and collection of Professional Tax and User Sanitation Charges

#### 3.8.1 Non maintenance of records

Jammu and Kashmir Municipal Corporation Act, 2000 and Jammu and Kashmir Municipal Act, 2000 provides levy and collection of trade/professional tax annually from traders within the Municipal limits at rates notified by the ULBs. In order to bring all the establishments under this ambit, the ULBs ought to have conducted a detailed survey of their designated areas and maintain an establishment wise database showing distinctly the name of the shop/outlet, nature of activity, annual trade tax and user charges due, amounts recovered and balance outstanding on a particular date so that appropriate steps are taken to recover the same from the defaulters.

Eight<sup>18</sup> out of 10 test-checked ULBs had not maintained proper records and trade tax was being collected randomly without ascertaining whether the taxes for the earlier years had been received or not. The ULBs had neither maintained establishment date-wise data nor conducted any survey to ascertain the details/ number of shops/ business establishments existing within their limits thus affecting their own resources and consequent loss. Under these circumstances, the exact amount of tax due and tax outstanding could not be ascertained in audit.

CEO/ EO of five<sup>19</sup> ULBs stated that necessary records will be maintained in future. No reply was furnished by three CEOs/ EOs.

#### 3.8.2 Loss of ₹37.14 lakh due to non-levy of Professional tax and user sanitation charges

Audit noticed that MC Rajouri, despite having conducted a detailed survey for identification of shops and other business establishments carrying out their business activities within its limits, had failed to levy/ recover professional tax and user sanitation charges amounting to ₹37.14 lakh<sup>20</sup> during the period 2010-15 due to non/ improper maintenance of tax records.

The EO stated (July 2015) that the concerned staff shall be directed to recover the amounts from the shops and establishments.

#### 3.8.3 Conducting of Food Inspections

In accordance with the provisions contained in the Food Safety and Standards Act 2006, a Food Inspector/ Food Safety Officer/ Health Officer is vested with the responsibility of conducting frequent inspections of units dealing with

<sup>18</sup> Municipal Council Udhampur and Municipal Committees of Batote, Khour, Reasi, Rajouri, Budgam, Kulgam and Pulwama

<sup>19</sup> Rajouri, Udhampur, Batote, Khour and Reasi

<sup>20</sup> Professional Tax: ₹17.01 lakh; User Charges: ₹20.13 lakh

manufacturing, storage or sale of food articles and lifting of food samples for analysis at the notified laboratory for checking the cases of adulterated/ unhygienic food besides maintenance of records pertaining to inspections conducted *vis-a-vis* action taken including seizure and/ or destroying of unfit food stock.

Audit noticed (September 2015) that SMC had not conducted sufficient food inspections during the period 2011-15. Although Food Business Operators (FBO) numbering between 3905 and 5006 were registered with the SMC during the period 2012-15, yet only one FBO had been inspected on an average basis in each ward after every three days thereby putting the health and lives of people to a great risk.

The Health Officer (SMC) (September 2015) attributed non-conducting of sufficient inspections to shortage of manpower. Reply may be seen in the light of the fact that 11 Food Safety Officers/ Food Inspectors and two Food Samplers though available with SMC did not perform their designated duties.

It was further noticed that four<sup>21</sup> ULBs had not conducted regular food inspections and two ULBs<sup>22</sup> had not conducted any food inspection due to non-availability of staff.

It was stated by five<sup>23</sup> ULBs that the Director ULB shall be approached for posting of suitable staff MC Budgam MC Kulgam did not reply.

### **3.9 Solid Waste Management**

As per Municipal Solid Wastes (Management and Handling) Rules, 2000, every Municipal authority, within its territorial area, is responsible for collection, storage, segregation, transportation, processing and disposal of Municipal Solid Waste. The rules *ibid* provide for establishing and maintaining waste storage facilities in such a manner that these do not create unhygienic and insanitary conditions besides providing of white storage bins for recyclable, green for biodegradable and black for other wastes and treatment of all such wastes in a scientific way. Rules also provide for use of covered vehicles for transportation of waste and garbage as it should not be visible to public or exposed to open environment.

Audit noticed that no mechanism was in place in nine<sup>24</sup> ULBs to handle and dispose-off the wastes in accordance with the provisions of Solid Waste (Management and Handling) Rules 2000 thus posing a great threat to human health and surrounding environment. The number of storage bins available with the ULBs was also found to be insufficient to cater to the demand of the area and the waste was being dumped in open sites near public places, along streets and main roads giving birth to unhygienic conditions as shown below in the photographs taken by the Audit.

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<sup>21</sup> Municipal Council Udhampur; Municipal Committees of Batote, Khour and Rajouri

<sup>22</sup> Municipal Committee of Budgam and Kulgam

<sup>23</sup> Municipal Council Udhampur, and Municipal Committees of Batote, Khour, Rajouri and Reasi

<sup>24</sup> Batote, Khour, Rajouri, Reasi, Udhamur, Tangmarg, Pulwama, Budgam and Kulgam



**Khanyar Srinagar**



**Bus stand Udhampur**

The waste was being transported in open/ uncovered vehicles as the ULBs were neither equipped with such facilities nor possessing tarpaulin sheets/ poly sheets to cover garbage carrying vehicles.

In reply MC Reasi and MC Khour stated that the land had been identified for establishment of a Solid Waste Management plant but the same is yet to be handed over to the department. MC Rajouri stated that the matter is under active correspondence for identification of land and two<sup>25</sup> ULBs stated that action shall be taken after taking the approval of the higher authorities. No reply was furnished by four<sup>26</sup> ULBs.

### **3.10 Redressal of Public Grievances**

The ULBs are vested with the responsibility of providing services to the general public which *inter alia* include public health, sanitation, conservancy services, solid waste management, maintenance of sewerage/ drainage network system, lighting of streets and lanes, registration of death and birth, regulation of slaughter houses, maintenance of bus stops, making availability of parking lots and public convenience, issuance of building permissions besides taking sufficient measures for ensuring planned execution of construction works within its periphery. In order to ensure that all its designated duties are attended to in a systematic manner and that all the genuine demands/ grievances of the local public are taken care of in a shortest possible time, the ULBs ought to have established a Public

<sup>25</sup> Udhampur and Batote

<sup>26</sup> Tangmarg, Budgam, Pulwama and Kulgam

Grievance Cell for receiving grievances and complaints from the general public and monitoring its redressal thereof.

Audit noticed that no such grievance cell had been established in any of the ULBs test checked in audit as a result there was no mechanism to monitor the redressal of grievances of the local public with regard to various public services.

No reply was furnished by any of the ULBs.

### **3.11 Accounting mechanism and other issues**

- Chapter-11 of the J&K Municipal Accounting Manual 2011 envisages that each ULB shall prepare Annual Financial Statements (AFS) comprising of Receipt and Payment Account Income and Expenditure Account and a Balance Sheet in prescribed format at the end of each financial year and submit it to Examiner, LFA&P for scrutiny and compilation thereof. The Manual further envisages that AFS shall be approved by the Commissioner/ CEO/ EO of the ULB concerned, as the case may be, and placed before the Standing Committee for preparing an Action Taken Note. The manual had not been adopted fully by the ULBs.
- SMC had prepared annual accounts on accrual basis yet primary records viz. cashbook and allied records had not been maintained by the Corporations on double entry system. AFS though prepared upto 2011-12 had neither been submitted to the Examiner LFA&P for verification and compilation nor placed before the Standing Committee for approval by the Commissioner SMC. The CAO SMC (September 2015) while admitting the lapses stated that these will be got approved by the Commissioner SMC. Five ULBs<sup>27</sup> had neither switched over to double entry/ accrual based accounting system nor prepared their annual accounts but had only prepared the monthly receipt and payment accounts. As a result, true and fair view of the financial affairs of these ULBs including position of assets and liabilities at the end of each financial year was not ascertainable. All the CEO/ EOs stated that necessary records will be prepared in future. No reply was furnished by SMC.
- In pursuance to Rule 8.28 of the Jammu and Kashmir Financial Code Volume-I, physical verification of stores/ stock is required to be conducted annually to bring out the variations, if any, between book balances and the ground balances. Audit noticed (September 2015) that out of ten ULBs test-checked in audit, annual physical verification of stores stock of five<sup>28</sup> ULBs had not been conducted during last five years and in respect of SMC no physical verification was conducted since 2010-11.

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<sup>27</sup> Batote, Khour, Rajouri, Reasi and Udhampur

<sup>28</sup> Batote, Khour, Udhampur, Reasi and Rajouri

- Rule 18.7.1 of Budget Manual envisages conducting of administrative inspection by higher authority of subordinate offices/ establishments at least once every year. No administrative inspection was conducted in any of the ULBs during the period covered under audit.

Srinagar / Jammu  
Dated :

  
**(Hoveyda Abbas)**  
Accountant General (Audit)  
Jammu and Kashmir