

# **OVERVIEW**



## OVERVIEW

This Report comprises of two parts containing four chapters. Chapters 1 and 2 pertain to Panchayati Raj Institutions and Chapters 3 and 4 pertain to Urban Local Bodies. A synopsis of important audit findings is presented in this overview.

### PART A: Panchayati Raj Institutions (PRIs)

In accordance with the provisions under the Constitution (Seventy Third Amendment) Act, 1992, a three tier Panchayati Raj System structure *viz.* Gram Panchayat at village level, Panchayat Samiti at block level and Zila Parishad at district level was established under the Himachal Pradesh Panchayati Raj Act, 1994. Functions relating to 15-line departments have been assigned by the State Government to PRIs.

#### Chapter 1: Profile of Panchayati Raj Institutions

- Primary audit of Panchayati Raj Institutions (PRIs) is being undertaken by the Director, HP State Audit Department (HP SAD). The State Government has entrusted (March 2011) audit of PRIs to the Comptroller and Auditor General (CAG) with the responsibility of providing technical guidance and support under section 20(1) of the CAG's (DPC) Act, 1971.  
*(Paragraph 1.2)*
- There are 12 Zila Parishads (ZPs), 78 Panchayat Samitis (PSs), and 3,226 Gram Panchayats (GPs) in the State as on 31 March 2019.  
*(Paragraph 1.3)*
- The Panchayati Raj Institutions (PRIs) have technical and non-technical staff in various cadres. There are 413 vacant posts in PRIs against total sanctioned posts of 9,465 as of March 2019.  
*(Paragraph 1.3.2)*
- The resource base of PRIs consists of (i) Central Finance Commission (CFC) grants, (ii) State Finance Commission (SFC) grants, (iii) Central Government grants and (iv) State Government grants for developmental activities and implementation of schemes. The funds of ₹ 1,457.99 crore and ₹ 1,757.57 crore were allotted to the PRIs for the years 2017-18 and 2018-19 respectively.  
*(Paragraph 1.4.1)*
- With regard to accounting system in PRIs, the State Government adopted (March 2011) PRIASoft, a software developed by MoPR, for maintaining the accounts of PRIs as per the Model Accounting Structure.  
*(Paragraph 1.5)*
- During 2017-19, 457 PRIs were audited by the HP SAD whereas the internal audits of 4,843 PRIs were conducted by the Audit Wing under Director, Panchayati Raj during the above period.  
*(Paragraph 1.7)*

## Chapter 2: Results of audit of Panchayati Raj Institutions

During the years 2017-18 and 2018-19, audit of three ZPs, nine PSs, 45 GPs and three ZPs, seven PSs, 103 GPs was conducted respectively. Audit of PRIs highlighted:

- Differences between figures of receipts and expenditure furnished to audit and those uploaded on PRIASoft.  
*(Paragraph 2.1.2)*
- Non-reconciliation of balances of cashbook with bank statements.  
*(Paragraph 2.1.4)*
- Non-depositing of liquor cess amounting to ₹ 12.26 lakh in Account-A.  
*(Paragraph 2.1.6(ii))*
- Funds of ₹ 1.37 crore remained unspent due to non-commencement of works.  
*(Paragraph 2.3.1)*
- Funds of ₹ 1.95 crore remained unspent due to non-completion of works.  
*(Paragraph 2.3.2)*
- Funds of ₹ 5.12 crore received under 13th Finance Commission remained unutilised on account of non-start of works, incomplete works and non-release of funds.  
*(Paragraph 2.3.3)*
- Funds of ₹ 8.16 crore under 14th FC remained unutilised owing to non-completion of works.  
*(Paragraph 2.4.1)*
- Delay in release of wages amounting to ₹ 57.11 lakh under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for period ranging between 15 and 518 days.  
*(Paragraph 2.6)*
- One hundred twenty-two PRIs purchased material costing to ₹ 8.74 crore without inviting quotations/ tenders.  
*(Paragraph 2.10)*
- Irregular payment of Government money amounting to ₹ 72.39 lakh was done in 35 Gram panchayats.  
*(Paragraph 2.11)*

## PART B: Urban Local Bodies (ULBs)

The 74<sup>th</sup> Constitutional (Amendment) Act, 1992 paved the way for decentralisation of power, transfer and devolution of more functions and funds to the ULBs. The objective was to make the ULBs self-reliant and to provide better civic facilities to the people of areas under their jurisdiction. To implement the provisions of the said Act, the Government of Himachal Pradesh enacted the Himachal Pradesh Municipal Corporation Act, 1994 and the Himachal Pradesh Municipal Act, 1994. In Himachal Pradesh, 17 functions stand transferred to ULBs.

### Chapter 3: Profile of Urban Local Bodies

- Primary audit of Urban Local Bodies (ULBs) is being undertaken by the Director, HP State Audit Department (HP SAD). The State Government has entrusted (March 2011) audit of ULBs to the Comptroller and Auditor General (CAG) with the responsibility of providing technical guidance and support under section 20(1) of the CAG's (DPC) Act, 1971.  
(Paragraph 3.2)
- There are two Municipal Corporations, 31 Municipal Councils (MCs) and 21 Nagar Panchayats (NPs) in the State as on 31 March 2019.  
(Paragraph 3.3)
- There are 1,230 vacant posts in Urban Local Bodies (ULBs) against total sanctioned posts of 3,749 in various cadres as of March 2019.  
(Paragraph 3.3.2)
- For execution of various development works, ULBs receive funds in the form of grants mainly from (a) Central Finance Commission (CFC) grants, (b) State Finance Commission (SFC) grants, (c) Central Government grants and (d) State Government grants. Besides, revenue is also mobilised by the ULBs in the form of taxes, rent, fees, etc. The funds of ₹ 433.52 crore and ₹ 794.91 crore were allotted to the ULBs for the years 2017-18 and 2018-19 respectively.  
(Paragraph 3.4.1)
- During 2017-18 and 2018-19, 25 and 26 ULBs respectively were audited by the HP SAD whereas there is no provision for a separate and independent internal audit agency under the control of the Director, Urban Development to conduct internal audit of ULBs.  
(Paragraph 3.6)

### Chapter 4: Results of audit of Urban Local Bodies

During the years 2017-18 and 2018-19, audit of two Municipal Corporations, six Municipal Councils, four Nagar Panchayats and two Municipal Corporation, seven Municipal Councils, five Nagar Panchayats was conducted respectively. Audit of ULBs *inter alia* highlighted:

- Due to ineffective monitoring, revenue of ₹ 11.80 crore on account of house tax in 17 ULBs remained unrealised.  
(Paragraph 4.5.1(a))
- Rent due from shops, booths and stalls amounting to ₹ 14.75 crore remained unrealised in 21 ULBs.  
(Paragraph 4.5.2)
- MC Shimla failed to realise lease money of ₹ 1.74 crore from shops and stalls.  
(Paragraph 4.5.5)
- Funds amounting to ₹ 8.97 crore under AMRUT, ₹ 2.67 crore under PMAY and ₹1.00 crore under NULM remained unutilized.  
(Paragraph 4.6)

- In three ULBs, funds amounting to ₹ 4.74 crore under 13<sup>th</sup> & 14<sup>th</sup> Finance Commission and 4<sup>th</sup> State Finance Commission remained unutilized.  
*(Paragraph 4.6.4)*
- Funds amounting to ₹ 14.52 crore remained unspent in twelve test checked ULBs due to non-completion/ commencement of works.  
*(Paragraph 4.6.5)*
- Funds amounting to ₹ 4.41 crore received for execution of sewerage schemes were lying unspent in two ULBs depriving public of the sewerage facilities.  
*(Paragraph 4.6.6)*
- Non-allotment of 73 houses in MC Nalagarh resulted in unfruitful expenditure of ₹ 3.12 crore and non-realisation of beneficiary share of ₹ 1.36 crore.  
*(Paragraph 4.8)*
- Utilisation Certificates of ₹ 3.97 crore were not obtained in two ULBs.  
*(Paragraph 4.14)*
- Six ULBs sanctioned advances of ₹ 32.21 crore during 2015-18 without adjustment of previous advances.  
*(Paragraph 4.16)*