

CHAPTER-4

**RESULTS OF AUDIT OF URBAN
LOCAL BODIES**

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The deficiencies noticed during audit of Urban Local Bodies in 2017-18 and 2018-19 are discussed in the succeeding paragraphs.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

4.1 Accounting system

As per instruction of the Director, Urban Development (April 2009) ULBs are required to adopt the double entry system of accounting. As stated by the department (July 2018 and August 2019), 12 ULBs test-checked during 2017-18 and 14 ULBs test-checked during 2018-19 had maintained their accounts in double entry system.

4.1.1 Non-preparation of Accounts

According to Sections 252 and 253 of Himachal Pradesh Municipal Act, 1994, accounts of the income and expenditure of the municipality shall be kept in accordance with such rules as may be prescribed. The municipality shall within a period not exceeding three months from the end of the financial year prepare the accounts for that year. The Municipality shall, as soon as the annual accounts have been finally passed by it, transmit this to Director (Urban Development).

During test check of records in 2018-19, it was noticed in four¹ ULBs (Municipal Corporation Shimla, Municipal Councils Sujampur and Nerchowk, and NP Bhuntar) that annual accounts had not been prepared whereas these accounts were required to be prepared and approved by the elected house of the Municipality.

The Executive Officer, MC Sujampur stated (December 2018) that annual accounts would be prepared regularly in future whereas the Secretary, NP Bhuntar stated (February 2019) that due to heavy rush of work annual accounts could not be prepared. The Accounts Officer, MCorp. Shimla stated (November 2018) that due to vacant post of Accountant/ Sr. Accountant, annual accounts could not be prepared, but the same would be prepared in future whereas the Executive Officer, MC Nerchowk stated (February 2019) that due to shortage of staff, annual accounts could not be prepared, but the same would be prepared in future.

4.2 Preparation of Budget

Preparation of budget without estimating expected expenditure.

The budget estimates of ULBs are to be prepared as per Himachal Pradesh Municipal Accounts Code, 1975, keeping in view the expected income and expenditure for the next financial year, and are placed before the House of the Committee thereafter. After passing of

¹ MCorp. Shimla (for 2017-18); MCs Sujampur (for 2014-15 to 2017-18) and Nerchowk (for 2016-17 to 2017-18); NP Bhuntar (for 2014-15 to 2017-18).

budget by the House of the Committee, budget estimates are submitted to the Director, Urban Development for approval.

(i) The year-wise position of budget provision and expenditure there against in the two Municipal Corporations, six Municipal Councils and four Nagar Panchayats for the years 2014-17 is given in **Table-15(i)** below.

Table-15 (i): Budget provision vis-a-vis expenditure in 12 test-checked ULBs during 2017-18
(₹ in crore)

Year	Budget Provision	Actual Expenditure	Savings (-)/ Excess (+)	Percentage of savings
2014-15	320.62	210.07	110.55 (-)	34
2015-16	265.25	181.68	83.57 (-)	32
2016-17	427.42	245.85	181.57 (-)	42

Note: Unit-wise position is given in **Appendix-24(i)**.

It is evident from **Table-15(i)** that there were persistent savings ranging between 32 and 42 per cent during 2014-17 indicating that the budget estimates were not realistic. The Director, Urban Development Department stated (March 2019) that reasons had been sought from the concerned ULBs.

(ii) The year-wise position of budget provision and expenditure there against in two Municipal Corporations, seven Municipal Councils and five Nagar Panchayats for the years 2015-18 is given in **Table-15(ii)** below.

Table-15(ii): Budget provision vis-a-vis expenditure in 14 test-checked ULBs during 2018-19
(₹ in crore)

Year	Budget Estimates	Actual Expenditure	Savings (-)/ Excess (+)	Percentage of savings
2015-16	417.11	203.68	213.43(-)	51
2016-17	530.19	213.41	321.35(-)	61
2017-18	591.48	225.99	368.90(-)	62

Note: Unit-wise position is given in **Appendix-24(ii)**.

It is evident from **Table-15(ii)** that there were persistent savings ranging between 51 and 62 per cent during 2015-18 indicating that the budget estimates were not realistic. This resulted in blockade of funds as this amount could have been used for other developmental works. The Director, Urban Development Department stated (January 2021) that reasons had been sought from the concerned ULBs.

4.3 Purchase of material without inviting quotations

Four ULBs purchased different materials amounting to ₹9.79 lakh without inviting quotation.

Rule 97(1) of Himachal Pradesh Financial Rules, 2009 (revised) provides that goods can be purchased up to monetary value not exceeding ₹3,000/- on each occasion subject to a maximum of ₹50,000 during a financial year without inviting quotations or bids. If the monetary value exceeds ₹3000/- and is up to ₹1,00,000 purchase will be made on the recommendation of a duly constituted Local Purchase Committee as per rule 98. Purchases above ₹1,00,000 will be made through tender system.

During 2018-19, audit noticed that four ULBs (MCorp. Dharamshala, NPs Banjar, Bhuntar and Karsog) had purchased items/materials like cement, furniture, computer etc. worth ₹9.79 lakh² during 2014-15 to 2017-18 without inviting quotations. This was in contravention to the rules *ibid*. This might have led to uneconomical purchases by the ULBs.

The Additional Commissioner/the Secretaries concerned stated (December 2018-February 2019) that these items were required to be purchased immediately and hence quotations were not called for. Reply is not tenable as purchase without following due procedure is not permissible in ordinary circumstances except for emergency cases.

4.4 Non-maintenance of records

As per provision of HP Municipal Accounts Code, 1975 read with section 57(3) of Municipal Council Act, 1994 the Municipal Council is required to maintain the register and map of all immovable assets of which it is proprietor or which vests in it or which it holds in trust for the State Government.

(a) During 2017-18, it was noticed in MC Nalagarh that the following registers had not been maintained:

- 1) Immovable properties (including maps and inventory of immovable property vested on in possession of MC).
- 2) Register of securities.
- 3) Register of earnest money.
- 4) Classified abstract.
- 5) Register of medical claims.
- 6) Register of maintenance of vehicle repairs.
- 7) Register of tender forms

It was further noticed that in NPs Sunni and Arki, Pay Bill Register for the establishment was not being maintained in violation of Financial Rules. Non-maintenance of these registers in the above mentioned ULBs indicated lack of control mechanism.

The Executive Officer/the Secretaries of ULBs concerned stated (December 2017-January 2018) that the record would be maintained in future and compliance would be shown to Audit.

(b) During 2018-19, it was noticed in NP Karsog that the following registers had not been maintained:

- 1) Stock & issue register
- 2) House tax (Demand & Collection) register
- 3) MAS register related to works executed
- 4) Shop rent (Demand & Collection) register
- 5) Mobile tower fee register
- 6) Electricity cess and liquor fee register

This is a non-compliance of the provision of the Act *ibid* and can lead to possibility of

² NPs Banjar: ₹1.74 lakh, Karsog: ₹1.11 lakh and Bhuntar: ₹1.39 lakh; MCorp. Dharamshala: ₹5.55 lakh.

misappropriation of Government resources. Non-maintenance of these registers also indicated lack of control mechanism.

The Secretary, NP Karsog stated (February 2019) that the records would be maintained in future.

4.5 Revenue

4.5.1 Outstanding House Tax

(a) Due to ineffective monitoring, revenue of ₹11.80 crore on account of house tax in 17 out of 26 test checked ULBs remained unrealised.

Section 258 (2) of the Himachal Pradesh Municipal Act, 1994 stipulates that sum due to municipality is to be paid within 15 days failing which the sum shall be recovered, with all costs, by distraint and sale of the property of the defaulter.

Audit noticed that in eight out of 12 test-checked ULBs in 2017-18, recovery of house tax of ₹4.47 crore was outstanding as on April 2016 whereas in nine out of 14 test-checked ULBs in 2018-19, recovery of house tax of ₹4.45 crore was outstanding as on 1st April 2017. Demand of ₹11.94 crore (₹6.17 crore in 2016-17 and ₹5.77 crore in 2017-18) of house tax was raised during the years 2016-17 and 2017-18. Total demand was ₹20.86 crore (₹10.64 crore up to March 2017 and ₹10.22 crore up to March 2018) against which collection of ₹8.98 crore (₹3.06 crore in 2016-17 and ₹5.92 crore in 2017-18) was made. Rebate of ₹0.08 crore was also allowed in 2018-19 in MC Kullu and NP Nadaun. Thus, total revenue of ₹11.80 crore (₹7.58 crore as of March 2017 and ₹4.22 crore as of March 2018) on account of house tax remained outstanding in these ULBs. This indicated that effective action had not been taken as per rule *ibid* to recover the tax outstanding for long periods. This also deprived the ULBs concerned of revenue amounting to ₹11.80 crore (**Appendix-25**) which could have been utilised for other developmental works in ULBs.

The Executive Officers/the Secretaries of ULBs concerned stated (December 2017-March 2019) that notices had been issued to the defaulters and efforts for recovery of outstanding amount would be made whereas the Executive Officer, MC Hamirpur stated (December 2018) that the outstanding tax was due to land dispute and the Executive Officer, MC Ghumarwin stated (December 2018) that despite being raising bills to the residents multiple times, the residents were not depositing the house tax.

(b) Non- imposing of house tax

As per Section 65 of the Himachal Pradesh Municipal Act, 1994 and further notification issued by the Govt. of Himachal Pradesh vide no. 1997/24 dated 28/8/1997, directions were issued to MCs/NPs to pass resolution to impose house tax on building and land within their jurisdiction varying from seven and half *per cent* to twelve and half *per cent* on the annual rental value of such buildings and lands.

(a) During 2017-18, audit noticed that MCs Solan and Nalagarh were providing various facilities to households falling within the MC area such as maintenance of roads, paths, streetlights, cleanliness, collection of garbage, etc. but house tax as per the above provision had not been imposed by the MCs.

In the case of Municipal Council Solan, scrutiny further revealed that correspondence made with Director, Urban Development regarding imposition of house tax was discussed in various meetings of the elected House of MC and proposal was rejected by the House with the plea that sanitary/ conservancy tax was already being collected. However, all resolutions passed by the House were rejected by the Director, Urban Development who directed the MC to impose the house tax.

In the case of Municipal Council Nalagarh, it was noticed that the elected house passed the resolution to impose house tax excluding domestic buildings. Despite this, the MC had not imposed house tax on any kind of building (domestic/ commercial). Scrutiny further revealed that MC had not conducted any survey regarding number of households (domestic/ commercial) falling under the jurisdiction of the MC in order to assess the amount of realisable revenue.

The Executive Officer, MC Solan stated (January 2018) that the matter would be placed before the House for reconsideration as the resolution passed by the House had been rejected by the Director, Urban Development whereas the Executive Officer, MC Nalagarh stated (November 2017) that the resolution to impose house tax had been passed and valuation of buildings was being undertaken.

(b) During 2018-19, audit noticed that in NPs Jawali and Karsog who were providing various facilities to the households falling within its area, no house tax had been imposed. There were 3,918 houses in these NPs (NP Karsog: 952 houses and NP Jawali: 2,966 houses) on which House Tax had not been imposed thereby resulting in substantial loss of revenue to NPs.

The Secretaries of ULBs concerned stated (January-February 2019) that a survey of newly constructed buildings of the NP area would be conducted and house tax would be imposed in the area covered under jurisdiction of the NPs.

(c) Incorrect opening balances taken in House Tax registers amounting to ₹8.03 lakh

In three ULBs (MCs Ghumarwin, Hamirpur and Manali) audited during 2018-19, audit noticed that an amount of ₹8.03 lakh³ was taken less in the opening balances during the period from 2014-15 to 2017-18 in the house tax registers. MCs had taken opening balance ₹13.41 lakh instead of ₹21.44 lakh in these test checked cases. This resulted in suspected misappropriation of MC funds.

The Executive Officers concerned stated (December 2018-March 2019) that house tax register would be scrutinized, and mistakes would be corrected accordingly.

4.5.2 Non-realisation of rent

Rent due from shops, booths and stalls amounting to ₹14.75 crore remained unrealised in 21 test checked ULBs during 2017-18 and 2018-19.

Section 258 (1)(b) of the Himachal Pradesh Municipal Act, 1994 provides that if any amount due to the municipality remains unpaid for 15 days, the Executive Officer/the Secretary may serve notice of demand upon the persons concerned.

It was noticed that rental charges amounting to ₹7.60 crore (**Appendix-26**) were pending for

³ MCs Ghumarwin: ₹5.92 lakh; Hamirpur: ₹1.22 lakh and Manali: ₹0.89 lakh.

recovery as of April 2016 in 10 out of 12 test-checked ULBs during 2017-18 whereas rental charges amounting to ₹6.72 crore (**Appendix-26**) were pending for recovery as of March 2017 in 11 out of 14 test-checked ULBs during 2018-19 against tenants and lessees of shops and stalls owned and rented out by these ULBs. Further, demand of ₹9.56 crore (₹4.66 crore during 2016-17 and ₹4.90 crore during 2017-18) was raised. Against the total demand of ₹23.88 crore (₹12.26 crore up to March 2017 and ₹11.62 crore up to March 2018), ₹9.13 crore (₹4.27 crore in 2016-17 and ₹4.86 crore in 2017-18) were recovered leaving recovery of ₹14.75 crore (₹7.99 crore as of March 2017 and ₹6.76 crore as of March 2018) pending in these ULBs. This adversely affected the income of ULBs.

The Executive Officers/the Secretaries of concerned ULBs stated (November 2017-March 2019) that notices had been issued to the defaulters and the amount would be recovered shortly whereas the Executive Officer, MC Kullu stated (February 2019) that in the general meeting of Lok Adalat of Kullu district, the session judge had directed that opportunity of about a year may be granted to the defaulters and recovery be effected in equal instalments.

4.5.3 Non-recovery of installation and renewal fees on mobile towers

Failure to realise installation and renewal fees on mobile towers by 18 out of 26 test checked ULBs resulted in loss of revenue of ₹56.69 lakh.

Himachal Pradesh Government vide notification no. DIT.Dev-(IT) 2005(Misc.) dated 22 August 2006 authorised ULBs to levy duty on installation of mobile communication towers at prescribed rates. Further as per notification no. DIT.Dev-(IT) 2005(Misc.) 96 dated 21 June 2017 rates amended as one time installation fee at the rate of ₹50,000 per tower and annual renewal fee at the rate of ₹25,000 per tower in case of Municipal Corporation area and at the rate of ₹25,000 and ₹12,500 respectively in case of Municipal Councils and Nagar Panchayats.

Scrutiny of records revealed that in 18 out of 26 test-checked ULBs during 2017-18 and 2018-19 (**Appendix-27**), mobile towers were installed during 2004-17 but the ULBs concerned had not recovered installation and renewal fees of ₹56.69 lakh (₹25.21 lakh as of March 2017 and ₹31.48 lakh as of March 2018). This deprived the ULBs of their due share of revenue.

The ULBs concerned (audited in 2017-18) stated (November 2017-January 2018) that action would be taken shortly to recover the dues. The ULBs concerned (audited in 2018-19) stated (December 2018-March 2019) that notices were being issued to defaulters and recovery would be made shortly.

4.5.4 Outstanding tehbazari fee/ show tax/ trade tax/ hostel's rent

Collection of tehbazari fee/ show tax/ trade tax/ hostel's rent remained pending in six ULBs resulting in outstanding amount of ₹55.85 lakh.

Section 66 of Himachal Pradesh Municipal Act, 1994 provides that municipality is empowered to impose any toll, tax, or fee such as sanitation tax, rehri/ tehbazari fee, trade tax, etc., in its jurisdiction.

(a) During 2018-19, it was noticed that in three ULBs (MCorp. Shimla, MC Sujampur and NP

Bhuntar), an amount of ₹41.35 lakh⁴ was outstanding on account of rehri/tehbazari fee from the allottees of 343 sites/ khokhas. No specific effort was made by the ULBs to recover the outstanding amount which adversely affected the revenue of ULBs.

The Executive officers of ULBs concerned stated (December 2018-March 2019) that notices were being issued to the defaulters and recovery would be made shortly.

(b) During 2018-19, it was noticed that in NP Karsog, no resolution was passed by the house of NP for identification of street vendors and collection of rehri/ tehbazari fees for the site allotted.

In reply, the Secretary stated (February 2019) that Town Vending Committee had not been formed and the matter of collection of tehbazari fee had not been decided in the house.

(c) According to Municipal Corporation Shimla house resolution No. 3(21) dated 23/04/12, lump-sum amount of show tax at the rate of ₹72,000/- per year has been approved. Further section 121 of Himachal Pradesh Municipal Corporation Act, 1994 provides that if the tax or fee is not paid within one month of the due date, an interest at the rate of one per cent per month shall be charged for every calendar month or part thereof.

During 2018-19, it was noticed in MCorp. Shimla that show tax of ₹11.94 lakh (including interest of ₹6.41 lakh) was outstanding from the owners of two cinema halls (Ritz and Shahi) running in MC jurisdiction for the period of 2012-18.

No reply was furnished by the Municipal Corporation, Shimla in this regard.

(d) During 2018-19, it was noticed in MC Dehra that trade tax amounting to ₹1.85 lakh was pending for recovery as of March 2015. Further, demand of ₹0.76 lakh was raised against traders during 2015-18. Out of total demand of ₹2.61 lakh, ₹0.41 lakh were recovered leaving trade tax of ₹2.20 lakh (84.29 per cent of total demand) pending as of March 2018. The detail is shown in the table below:

Table 16: Details of Trade tax

Year	Opening Balance (₹)	Current Demand (₹)	Total (₹)	Collection (₹)	Balance Outstanding (₹)
2015-16	1,84,860.00	25,400.00	2,10,260.00	00	2,10,260.00
2016-17	2,10,260.00	25,400.00	2,35,660.00	00	2,35,660.00
2017-18	2,35,660.00	25,400.00	2,61,060.00	40,700.00	2,20,360.00
Total		76,200.00		40,700.00	

The Executive Officer stated (January 2019) that trade tax was not collected due to shortage of staff and the amount would be recovered shortly.

(f) During 2018-19, it was noticed in Municipal Council, Kullu that eight women were living in working women hostel on monthly rent basis (w.e.f. 1992/2003 till date of audit) which was under the jurisdiction of MC. But the hostel rent was neither paid by occupants nor demanded by the MC. Against the total demand on account of rent for hostel of ₹0.43 lakh

⁴ MCorp. Shimla: ₹0.40 lakh; MC Sujampur: ₹5.18 lakh and NP Bhuntar: ₹35.77 lakh.

(including opening balance of ₹0.32 lakh as of March 2017), ₹0.08 lakh were recovered during 2017-18 leaving rent amount of ₹0.36 lakh pending from occupants as of March, 2018. The Executive Officer stated (March 2019) that notices had been issued to defaulters and legal action would be taken to recover the outstanding amount of rent.

Thus, non-recovery of various taxes had deprived the ULBs of revenue which could have been utilised for other developmental works.

4.5.5 Non-recovery of lease money

MCorp. Shimla failed to realise lease money of ₹1.74 crore from shops and stalls.

Scrutiny of records during 2017-18, it was noticed that Municipal Corporation, Shimla had leased out shops/stalls to 153 parties on rent basis. It was noticed that lease money amounting to ₹0.53 crore was pending for recovery against these 153 shops and stalls as of April 2016. Further, demand of ₹1.63 crore was raised during 2016-17. Against the total demand of ₹2.16 crore, ₹0.42 crore was recovered leaving recovery of ₹1.74 crore pending as of March 2017. Lack of action in recovering the lease money had resulted in loss of revenue.

The Executive Officer stated (December 2017) that the main reason for less recovery of lease money was shortage of staff and efforts were being made to recover the outstanding lease money.

4.5.6 Non-renewal of lease deed

Non-renewal of lease deed of shops resulting in a loss of revenue of ₹5.35 lakh.

As per para 5 of notification no. LSG-F (6)-1/85-IV dated 21/12/2001 Govt. of HP, MC shall lease out the stalls/shops constructed by MC for period not exceeding 25 years in the first time and after every five years, the lease rent shall be enhanced by 10 *per cent* of the amount being charged at the time of signing of lease.

During 2018-19, it was noticed that in two Municipal Councils, Hamirpur and Sujampur had leased out 24 shops for five or ten years with the conditions that the premises would be given for a period of five years at first time and after expiry of the period it would be extended by enhancing rent of 5% or 10% of the amount being charged at the time of signing the lease deeds. It was noticed that the validity of lease deeds has elapsed for the period ranging between two months and 108 months. Neither the period of lease deed had been extended nor was the rate of shops enhanced by the MCs. This resulted in a loss of revenue to MCs amounting to ₹5.35 lakh⁵.

In reply, the Executive Officer (MC Hamirpur) stated (December 2018) that the process of renewing the lease would be initiated shortly whereas the Executive Officer (MC Sujampur) stated (December 2018) that rent register would be verified.

⁵ MCs Hamirpur: ₹0.91 lakh and Sujampur: ₹4.44 lakh.

4.5.7 Non-realisation of rent from the Government offices amounting to ₹13.81 lakh

During 2018-19, it was noticed in two Municipal Councils Kullu and Ner Chowk that seven offices⁶ were running in the buildings of the MCs since 2004 and 2017 respectively. MCs had not prepared any rent agreement for running these offices. It was further noticed that MC Kullu had fixed rent at ₹7,500/- per month and 10% increase after every five years. Accordingly, a rent of ₹13.81 lakh (including ₹10.54 lakh as opening balance in April 2015) had not been paid by the office of District Election Officer as of March 2019. Whereas MC, Ner Chowk had neither fixed any rent for the space provided to different offices nor these offices were paying any amount of rent to MC as of February 2019. This resulted in a loss of revenue to MCs to that extent.

The Executive Officer, MC Kullu stated (March 2019) that DC Kullu had directly refused to pay any rent for this premise and the matter for waiving of this outstanding rent would be taken up with the competent authority whereas the Executive Officer, MC Ner Chowk stated (February 2019) that the matter regarding realisation of rent had been discussed in the meeting vide resolution no.14/2018, but due to shortage of staff, the rent could not be realized.

4.5.8 Non-recovery of Electricity Cess

ULBs failed to realise electricity cess from HPSEB resulting in loss of revenue.

Section 69 of The Himachal Pradesh Municipal Act, 1994 provides that electricity cess was recoverable on consumption of electricity at the rate not exceeding 20 paise per unit, consumed by any person for the electricity within the limits of municipal area. The electricity cess was to be collected by the Himachal Pradesh State Electricity Board (HPSEB) and paid to the municipality concerned.

(a) During 2017-18, it was noticed in Municipal Council (MC) Nalagarh that the MC had not recovered/ collected electricity cess amounting to ₹11.19 lakh from HPSEB for the last four years i.e., 2013-17 as per the above provision.

The Executive Officer stated (December 2017) that the electricity cess could not be collected due to shortage of staff.

(b) During 2018-19, it was noticed in four ULBs⁷ that the electricity cess had not been recovered/collected by these ULBs from the HPSEB as per the above provision. In the cases of NPs, the cess was pending from its inception whereas dues were pending for year 2017-18 in MC, Ghumarwin. Thus, due to non-recovery of electricity tax, ULBs suffered a loss of revenue to that extent.

The Executive Officer, MC Ghumarwin stated (December 2018) that matter would be taken up with the Executive Engineer of HPSEBL for recovery of electricity cess. The Secretaries (NPs Karsog and Jawali) stated (January-February 2019) that electricity cess could not be collected due to shortage of staff whereas the Secretary, NP Banjar stated (February 2019) that due to heavy rush of work, the electricity cess could not be collected.

⁶ MC Kullu: District Election Officer and MC Ner Chowk: Treasury Office, Election Office, Welfare Office, Veterinary Office, SDM Office and Tehsil Office.

⁷ MC Ghumarwin; NPs Banjar, Jawali and Karsog.

4.5.9 Non-collection of water charges by Municipal Council Solan

Non-collection of water charges deprived the Municipal Council Solan of revenue of ₹63.67 lakh.

Section 258 (1)(b) of the Himachal Pradesh Municipal Act, 1994 provides that if any amount due to the municipality remains unpaid for 15 days, the Executive Officer/ Secretary may serve notice of demand upon the persons concerned.

During 2017-18, test-check of records of Municipal Council, Solan revealed that MC had raised bills for water charges amounting to ₹63.67 lakh for the period 2015-17 but collection of the charges remained pending as of January 2018. Municipal Council, Solan had not initiated any action to recover the water charges in the manner prescribed *ibid*. Thus, MC Solan had not taken any steps for recovery of water charges.

The Executive Officer stated (January 2018) that the water connections of defaulting consumers were being disconnected and the matter would be placed before the General House in the next meeting.

4.5.10 Suspected misappropriation of funds

Discrepancies in cash book entries of Municipal Council Nalagarh indicated suspected misappropriation of ₹1.59 lakh.

During 2017-18, scrutiny of cash book and receipt books of Municipal Council Nalagarh revealed that the actual amount as per receipt books had not been entered on the receipt side of the cash book. For the period 2014-16, the entries in the cash book were made for lesser amount (₹14,079) than the actual receipts (₹18,351) resulting in less deposit of amount (₹4,272) in the bank account. It was further noticed that the totals recorded on the receipt side of the cash book was incorrect (pages 7, 32, 35, 36, 39, 47, 59, 77, 110, 170, 179, 189, 190, 196) resulting in less deposit of ₹8,727/- in the bank account.

On the payment side of the cash book for the period 2015-16, more amount (₹17.57 lakh) had been entered whereas actual amount (₹16.11 lakh) was less as per vouchers, resulting in excess withdrawal (₹1.46 lakh) from bank. This shows weak control of the MC over financial transactions.

Admitting the facts, the Executive Officer stated (November 2017) that necessary corrections would be made in the cash book and compliance would be shown to Audit. The reply is not acceptable as the matter needs to be investigated and the possibility of misappropriation of ₹1.59 lakh cannot be ruled out.

4.6 Blocking of funds

4.6.1 Blocking of funds amounting to ₹8.97 crore under AMRUT

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) provides basic services (e.g., water supply, sewerage, urban transport) to households and builds amenities in cities which will improve the quality of life for all, especially the poor and the disadvantaged as a national priority.

During 2018-19, audit noticed that Municipal Council Kullu received funds amounting to ₹12.97 crore for Water supply, Sewerage, Drainage, Urban Transport (Non-Motorized) and

Parks, and ₹0.25 crore for preparation of Service Level Improvement Plan/ Individual Capacity Building under AMRUT Scheme in three instalments (₹6.08 crore in August 2016, ₹0.25 crore in March 2017 and ₹6.89 crore in July 2017). The details of the approved projects are mentioned in table below:

Name of Project approved under AMRUT	Funds received (₹ in crore)	Name of executing agencies/amount released (₹ in crore)	Status of work as on March 2019
Water supply & Sewerage	4.00	IPH Kullu (4.00)	Completed
Urban transport (provision of foot over bridge)	0.25	IPH Kullu (0.25)	Work cancelled and amount refunded to MC Kullu after one-year lapse
Urban transport (Work regarding provision of underpass)	0.25	PWD Kullu (0.25)	Not yet started
Storm water drainage	8.72	Municipal Council, Kullu	Not yet started
Urban transport			Development of footpaths and pedestrian paths (Work awarded)
Green space and park			Development of parks (Work awarded)
Total	13.22		

Thus, non-execution of these projects due to non-approval of DPR/ estimates not only resulted in blockade of funds of ₹8.97 crore (₹8.72 crore with MC + ₹0.25 crore returned after project cancellation) but also deprived the beneficiaries from the intended benefits of the scheme. The Executive Officer, MC Kullu stated (March 2019) that tenders had been invited and works would be started soon.

4.6.2 Blocking of funds amounting to ₹2.67 crore under Pradhan Mantri Awas Yojna

The scheme "Pradhan Mantri Awas Yojna" (PMAY) comes with an aim of constructing more than two crore houses during 2015-2022 to meet the demand posed by urban cities and provides central assistance to Urban Local Bodies and other implementing agencies for providing houses to all eligible families and beneficiaries. A beneficiary family will comprise husband, wife, unmarried sons and/or unmarried daughters and the beneficiary family should not own a pucca house either in his/her name or in the name of any member of his/her family in any part of India to be eligible to receive central assistance under the mission.

During 2018-19, scrutiny of records revealed that Municipal Corporation, Dharamshala and Municipal Council, Kullu had targeted 986 beneficiaries⁸ to be covered during 2015-22 and a grant of ₹8.29 crore under PMAY was received during 2016-17 to 2017-18. Out of these funds, only ₹5.11 crore had been disbursed to 420 beneficiaries out of whom 141 beneficiaries had completed their houses and got full benefits of the scheme. 279 beneficiaries have partially completed the construction work to plinth, lintel and roof level. Rest of 566 beneficiaries had not started the construction work due to having pucca house, having not

⁸ MCorp. Dharamshala: 895 beneficiaries and MC Kullu: 91 beneficiaries.

enough money to start even foundation work, land dispute etc. Also, as per instruction of Director (UDD), an amount of ₹70.00 lakh had been refunded to the department by MCorp. Dharamshala. Hence, remaining ₹2.67 crore⁹ (including interest) was lying undisbursed till the date of audit resulting into blocking of funds with ULBs and deprived the beneficiaries from intended benefits of the scheme. This also shows that the selection of beneficiaries was not done properly by these ULBs as some beneficiaries were already having pucca houses and there is a possibility that eligible beneficiaries being left out.

The Additional Commissioner, MCorp. Dharamshala stated (October 2019) that some beneficiaries had not started the construction work due to financial constraints even after doing earnest efforts to motivate them for the same whereas the Executive Officer, MC Kullu stated (March 2019) that 24 beneficiaries paused the work due to winter season which would be completed soon, and 41 beneficiaries had not started the work due to non interest in construction of new house and financial constraints.

4.6.3 Blocking of funds amounting to ₹1.00 crore under National Urban Livelihood Mission

As per para 4.10 of the guidelines of Support to Urban Street Vendors under National Urban Livelihood Mission (NULM), financial support will be provided to the ULBs for improvement of infrastructure and providing of basic services in the existing market of street vendors.

During 2018-19, audit noticed that Director, Urban Development Department had released ₹1.00 crore under NULM to Municipal Corporation, Dharamshala for development of vendors' market in August 2016. MC had held these funds in the bank account for a period of more than six months and thereafter the same was released to the Superintendent Engineer, H.P. Housing and Urban Development Authority (HIMUDA), Rakkar, Dharamshala in February 2017 for the development of market for street vendors and construction of prefabricated market. HIMUDA had submitted the preliminary estimate amounting to ₹4.07 crore to MC with the request that necessary administrative approval & expenditure sanction may be arranged, and 50 *per cent* of total estimated cost may be deposited with HIMUDA to start the work. MC had not accorded administrative approval & expenditure sanction from the competent authority and requested HIMUDA to return the amount in October 2018 by stating the reason of non-availability of land. This not only resulted in blockade of fund of ₹1.00 crore with HIMUDA for 21 months from the release of fund till the date of audit (November 2018) but also deprived the public from the intended benefits of the scheme. This showed improper planning on the part of MCorp. Dharamshala.

The Additional Commissioner, MCorp. Dharamshala stated (November 2018) that land at proposed sites was not available and NOC was not received for the vendor market development. The reply is not acceptable as all codal formalities should have been completed before the release of fund.

⁹ MCorp. Dharamshala: ₹223.85 lakh and MC Kullu: ₹43.25 lakh.

4.6.4 Blocking of funds received under 13th & 14th Finance Commission and 4th State Finance Commission

Funds amounting to ₹4.75 crore under 13th & 14th Finance Commission and 4th State Finance Commission remained blocked in three ULBs.

(a) The recommendations of 13th Finance Commission for the award period 2010-15 includes, inter-alia, release of grant-in-aid to State Governments for Rural and Urban Local Bodies. The 13th Finance Commission was required to recommend measures needed to augment the Consolidated Funds of the States to supplement the resources of the Panchayats and Municipalities.

During 2018-19, it was noticed that Director, Urban Development, Shimla had released grants amounting to ₹35.09 lakh under 13th Finance Commission during the period from 2014-15 to 2015-16 to MC Ghumarwin. Out of total amount, an expenditure of ₹6.49 lakh had been incurred upto March 2018 by the MC. Moreover, the remaining amount was neither utilised by the MC in above duration nor returned to the funding agency as period of the Commission had ended. This not only resulted in blockade of funds amounting to ₹28.60 lakh but also deprived the public from the intended benefits of the grants.

The Executive Officer, MC Ghumarwin stated (December 2018) that the grant was proposed for construction of Gau Sadan for Municipal Council but due to non-availability of land, it could not be constructed. The reply is not acceptable as codal formalities for availability of land should have been completed before making any proposal. If the land was not available in MC area, the said amount should have been transferred to the sanctioning authority without delay. The updated status in this regard has been sought from MC Ghumarwin (January 2021), but no reply was furnished by the MC.

(b) As per guidelines of the 14th Finance Commission, grants received by urban local bodies shall be utilised for delivery of basic civic services such as water supply, sanitation, sewage, maintenance of roads, footpath, street lights, etc.

During 2018-19, audit noticed in two (NPs Karsog and Jawali) out of 14 ULBs that funds amounting to ₹1.32 crore¹⁰ were received under 14th Finance Commission during 2016-17 to 2017-18 out of which an expenditure of ₹45.17 lakh was incurred. These ULBs, after lapse of one to two years, utilised only 34 *per cent* of total funds received under 14th FC. Thus, amount of ₹86.75 lakh¹¹ was blocked and remained unutilized as of March 2019.

The Secretaries (NPs Karsog and Jawali) stated (January-February 2019) that the work could not be started due to shortage of staff, but the funds would be utilised shortly.

(c) The grants under 4th State Finance Commission shall be utilized by the local bodies for maintenance of assets, performance of statutory and delegated functions, and honorarium of the elected representatives.

During 2018-19, audit noticed in two (NPs Karsog and Jawali) out of 14 ULBs that funds amounting to ₹4.95 crore¹² were received under 4th State Finance Commission during 2016-17

¹⁰ NPs Karsog: ₹28.91 lakh and Jawali: ₹103.01 lakh.

¹¹ NPs Karsog: ₹28.37 lakh and Jawali: ₹58.38 lakh.

¹² NPs Karsog: ₹195.43 lakh and Jawali: ₹299.75 lakh.

to 2017-18 out of which an expenditure of ₹1.36 crore was incurred. Thus, amount of ₹3.59 crore¹³ (73 per cent of total fund) was blocked and remained unutilized as of March 2019.

The Secretaries (NPs Karsog and Jawali) stated (January-February 2019) that the work could not be started due to shortage of staff, but the funds would be utilised shortly.

4.6.5 Blocking of funds under various schemes

Funds amounting to ₹14.52 crore remained unspent in twelve out of 26 ULBs due to non-completion/ commencement of works.

(a) During 2017-18, it was noticed in five out of 12 test checked ULBs that funds amounting to ₹9.46 crore¹⁴ were available during 2014-17 for execution of 32 development works such as construction of retaining walls, boundary walls, shed, repair of paths, sarai bhawan, construction/ restoration of office, parking, parks, etc. These works were to be completed within a period of six months to one year. However, no expenditure had been incurred out of these funds on execution of these works as of January 2018 which resulted in depriving the beneficiaries of intended benefits.

The Executive Officers of the ULBs concerned stated (December 2017-January 2018) that the works could not be started due to non-fulfilment of codal formalities, land disputes, involvement of forest land, non-transfer of possession of land etc. and efforts were being made to start the works at the earliest.

(b) During 2018-19, it was noticed in seven out of 14 ULBs that funds amounting to ₹5.13 crore¹⁵ under schemes such as Vidhayak Keshetra Vikas Nidhi Yojna (VKNVY), Central Road Funds (CRF), Sectoral Decentralized Planning (SDP), Members of Parliament Local Area Development Scheme (MPLADS), National Urban Livelihood Mission (NULM), Swachh Bharat Mission (SBM), etc. were received during 2012-18 for execution of development works such as construction of roads, parking, parks, shed, retaining walls, pucca path, samshan ghat, sarain, sewerage works, etc. However, no expenditure had been incurred out of the funds on execution of these works due to different reasons¹⁶ as of March 2019 whereas in NP Jawali funds of ₹7.17 lakh was utilised for works under Civic Amenities and NULM as of January 2019 and remaining funds of ₹1.69 crore remained unspent with the NP due to non-completion of work. Non-utilisation of funds for developmental activities resulted in blocking of funds amounting to ₹5.06 crore besides depriving the beneficiaries of the intended benefits from these development works.

The Executive Officers (MCs Ghumarwin and Dehra) stated (December 2018-January 2019) that the works could not be started due to land issue/disputes whereas the Executive Officer, MC Manali stated (March 2019) that tendering process for the work was in progress. The Executive Officer, MC Kullu stated (March 2019) that the works were in progress. The

¹³ NPs Karsog: ₹146.09 lakh and Jawali: ₹213.66 lakh.

¹⁴ MC Mandi: ₹18.60 lakh (12 works); NPs Bhota: ₹50.00 lakh (01 work); Sunni: ₹20.00 lakh (01 work); Baijnath: ₹2.00 crore (01 work) and MCorp. Dharamshala: ₹6.57 crore (17 works).

¹⁵ MCs Ner Chowk: ₹35.25 lakh, Ghumarwin: ₹1.60 crore, Kullu: ₹25.00 lakh, Manali: ₹60.00 lakh, Dehra: ₹4.00 lakh, and NPs Karsog: ₹38.04 lakh, Jawali: ₹1.91 crore.

¹⁶ Not tendered (25 works), Land issue/disputes (03 works), Work in progress (01 work), Tendering process (05 works), Shortage of fund (01 work) and Shortage of staff (03 works).

Executive Officer/the Secretary (MC Ner Chowk and NP Karsog) stated (February 2019) that the works could not be started due to shortage of staff whereas the Secretary, NP Jawali stated (January 2019) that the works could not be started due to shortage of funds and the other works could not be completed due to shortage of staff.

The replies are not tenable as codal formalities should have been completed before getting the works sanctioned and release of funds.

4.6.6 Blocking of funds received for sewerage schemes

Urban Development Department released funds amounting to ₹4.41 crore to two test checked ULBs¹⁷ for execution of sewerage schemes during 2014-17. These funds were required to be further released to the Irrigation and Public Health (IPH) Department as per their requirement to execute sewerage schemes in respective ULBs.

During 2017-18, audit noticed that the work of sewerage schemes had either not been executed (NP Sunni) or lying incomplete (MC Solan) as of January 2018 and funds amounting to ₹4.41 crore were lying blocked in the bank accounts of respective ULBs and the facility of sewerage schemes could not be provided to the public of the area.

The Executive Officer, MC Solan stated (August 2021) that no funds were released for Sewerage Scheme to IPH Department, and no work was executed by the MC after 2016-17 whereas the Secretary, NP Sunni stated (August 2021) that NP was trying all its efforts such as making verbal request and correspondence with the IPH Deptt., but the sewerage work was still pending. The reply is not acceptable as the funds were lying blocked with the ULBs even after lapse of more than four years from the date of release of fund.

4.6.7 Blocking of funds received for construction of parks

For the improvement of living standard of people residing in urban areas, the State Government framed a policy (2015-16) for establishment of parks in areas falling under the jurisdiction of Urban Local Bodies. Under this policy 60 *per cent* of the total cost of the project was to be provided by the State Government as grant-in-aid and the remaining amount was to be met by the concerned ULB from its own resources.

During 2017-18, it was noticed that the Director, Urban Development released funds amounting to ₹95.00 lakh¹⁸ for the construction of parks in their jurisdiction during 2016-18. It was noticed that more than six months to one year had lapsed from the date of release of funds but both ULBs could not finalize the site for the said works and funds of ₹1.42 crore (₹95.00 lakh + matching share of ₹47.42 lakh) had been deposited in bank accounts. Blocking of funds deprived the public of intended facility of the parks.

The Executive Officer, MCorp. Dharamshala stated (August 2021) that the fund could not be utilised due to unavailability of land in MCorp. Dharamshala. Now fund of ₹31.21 lakh has been transferred on 29.07.2021 to Forest Department for construction of park at their own land while the Secretary, NP Baijnath stated (July 2021) that ₹20.00 lakh had been transferred to HPPWD in August 2018 and construction of two parks were in progress. Release of funds

¹⁷ NP Sunni: ₹99.20 lakh and MC Solan: ₹341.84 lakh.

¹⁸ MCorp. Dharamshala: ₹35.00 lakh and NP Baijnath: ₹60.00 lakh.

without availability of land or submission of proposal had resulted in unnecessary parking of funds.

4.7 Diversion of funds

Four ULBs diverted grants amounting to ₹10.29 crore during 2014-17.

(i) During 2017-18, audit noticed that Director, Urban Development released funds amounting to ₹15.24 crore under 4th State Finance Commission (SFC) to three ULBs¹⁹ during 2014-17 with the direction to utilize the grant for the purpose for which it had been sanctioned/ provided. The SFC had recommended the grant for maintenance of assets (streets, street lighting, public toilets, parks, office buildings, town halls, drainage, etc.), performance of statutory and delegated functions and honorarium to elected representatives. Scrutiny of records revealed that ULBs had incurred expenditure amounting to ₹9.48 crore on pay and allowances, pension, and gratuity, leave encashment and payment of provident fund which were not covered under the components recommended by the 4th SFC.

The Executive Officers/the Secretaries concerned ULBs stated that (December 2017-January 2018) the grants were utilized for the above purposes due to shortage of funds. The replies are not acceptable as utilization of development grants towards payment of pension/ gratuity and pay & allowances was contrary to the terms.

(ii) During 2017-18, test check of records revealed that NP Baijnath received funds amounting to ₹1.00 crore from Director, Urban Development during 2015-16 for construction and creation of infrastructure facilities in new office building. Scrutiny revealed that the NP had not identified the land for construction of office building even though more than two years had elapsed from the date of release of funds. Instead, the NP had incurred expenditure of ₹0.81 crore on salary of staff, sanitation and other office expenses which was irregular.

The Secretary stated (January 2018) that no asset had been handed over to NP Baijnath. The reply is not tenable as funds should have been utilized for the stipulated purpose only.

Above instances of irregular diversion of funds shows poor management of funds. Further provision for salary/ pension/ gratuity should have been made under relevant head of account.

4.8 Unfruitful expenditure and non-realisation of beneficiary share

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.

Integrated Housing & Slum Development Programme (IHSDP) was launched during the year 2005 under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for holistic slum development and basic infrastructure facilities to slum dwellers of identified urban areas. As per guidelines, total household survey of slums was required to be conducted prior to submission of Detailed Project Report (DPR) to GOI.

During 2017-18, scrutiny of records revealed that MC Nalagarh had prepared a DPR for 128 houses for identified urban poor under the scheme. For the construction of these houses, funds amounting to ₹5.46 crore were released by the Director, Urban Development to the CEO-cum

¹⁹ MCs Hamirpur: ₹7.50 crore and Mandi: ₹7.08 crore; NP Bhota: ₹0.66 crore.

Secretary HIMUDA in two instalments (February 2010: ₹2.57 crore and April 2013: ₹2.89 crore). HIMUDA had completed construction of these houses (construction cost per dwelling unit: ₹4.27 lakh) and handed over the same to MC Nalagarh in February 2016. It was noticed that out of 128 houses, MC Nalagarh had allotted only 55 houses to the beneficiaries of identified urban poor after receiving an amount of ₹1.87 lakh from each beneficiary. Non-allotment of the remaining 73 houses (August 2021) resulted in unfruitful expenditure of ₹3.12 crore (₹4.27 lakh x 73) and non-realisation of beneficiary share of ₹1.36 crore (₹1.87 lakh x 73) to be received from the beneficiaries to whom these houses were to be allotted.

In reply, the Executive Officer stated (August 2021) that the tender had been called for remaining 73 no. of houses. The fact however is that MC failed to allot these houses even after lapse of five years besides resulted in deterioration of the assets with passage of time.

4.9 Unfruitful expenditure amounting to ₹11.55 lakh

Unfruitful expenditure amounting to ₹11.55 lakh was incurred by NP Bhuntar.

As per works manual, work taken up for execution should be completed in time in order to avoid cost escalation and to provide benefit of the work to the intended beneficiaries in time.

During 2018-19, it was noticed in NP Bhuntar that the Director, Urban Development had released funds amounting to ₹20.00 lakh for construction of park in July 2017. The work was awarded to a contractor in March 2018 with stipulated period of two months for construction. Out of these funds, ₹11.55 lakh was incurred on the construction of park, but the work was not completed as of July 2021. Thus, non-completion of park resulted not only in unfruitful expenditure of ₹11.55 lakh but also in blocking of funds amounting to ₹8.45 lakh. Besides, public of the area were deprived of the intended benefits of the park.

The Secretary stated (February 2019) that Honourable Supreme Court had stopped the dumping of garbage at dumping site, Pirdi and therefore in absence of any other site, the garbage was being dumped at the other end of park. Remaining work of the park would be completed after finalisation of another dumping site. The reply is not acceptable as NP did not make efforts to finalise another site for dumping of garbage to complete the construction of park.

4.10 Unfruitful expenditure and lapse of GOI grant

Housing units for Krishna Nagar slum, Shimla under Rajiv Awas Yojna remained incomplete, and grant of ₹23.32 crore was lapsed.

During 2017-18, audit noticed that Municipal Corporation, Shimla prepared a pilot Detailed Project Report (DPR) for Krishna Nagar slum in Shimla under Rajiv Awas Yojna for ₹33.99 crore (Central share: ₹27.62 crore, State share: ₹4.39 crore, ULB's share: ₹0.50 crore and beneficiaries' share: ₹1.48 crore) which was approved (March 2013) by the Ministry of Housing & Urban Poverty Alleviation (MoHUPA). The project included three main components- Construction of Housing Complex (300 Dwelling Units of which 224 were beneficiary housing units while 76 were rental housing units) on three sites, Community Centre, and Children Park. The cost per dwelling unit was estimated at ₹10.12 lakh (including cost of infrastructure) and the beneficiary contribution was stipulated at ₹0.66 lakh per unit.

The work was scheduled to be completed during the Twelfth Five Year Plan (2013-17) in Mission Mode.

It was noticed that the work of construction of 296 dwelling units, Community Center and Children Park were awarded to different contractors at a tendered cost of ₹ 32.57 crore against which funds of ₹10.67 crore (Central Share: ₹ 9.21 crore and State Share: ₹1.46 crore) were released (November 2013) by the State Government to MCorp. Shimla with the stipulation to complete the work within two to 24 months. Scrutiny of records revealed that only ₹4.93 crore had been utilized during 2013-18 and the works were left incomplete (except construction of Children Park) by the contractors. It was further noticed that no penal action was initiated against the contractors for incomplete works as required under clause-3 of individual contract agreement. Further scrutiny of records revealed that MCorp. Shimla had requested (August 2017) the Director, Urban Development to take up the matter of release of balance grant of ₹23.32 crore. Thus, the project scheduled to be completed during 2013-17 was still incomplete and the possibility of lapse of balance GOI grant of ₹23.32 crore could not be ruled out. Besides, housing facilities had not been provided to the slum dwellers of Krishna Nagar area as envisaged. There was also the possibility of cost overrun which would entail additional financial burden on the State exchequer and the beneficiaries.

The matter was referred (December 2017) to MCorp. Shimla but no reply was furnished.

4.11 Idle expenditure on salary

Idle expenditure of ₹15.95 lakh on salary of Library Attendant posted in MC Nagrota Bagwan without existence of library.

During 2017-18, it was noticed in MC Nagrota Bagwan that Director Urban Development regularised (August 2007) services of a Library Attendant (LA) against a newly created post. LA joined duty on 23.08.2007. An amount of ₹15.95 lakh was paid to LA on account of salary (August 2007 to November 2017). It was noticed that services of the incumbent were not being used as Library Attendant because no library existed in Nagrota Bagwan.

The Executive Officer stated that (December 2017) services of the official were being utilized for various activities. The reply is not tenable as posting of Library Attendant without existence of any library was irregular. The matter may be reviewed by the competent authority.

4.12 Liability for electricity bills along with surcharge amounting to ₹34.09 lakh

Non-payment of electricity bills in time resulted in unnecessary liability of NP Bhuntar amounting to ₹34.09 lakh with surcharge.

Rule 2.10 (b) (3) Himachal Pradesh Financial Rules, 1971 provides that all charges incurred are drawn and paid at once and are not held up for want of funds and allowed to stand over to be paid from the grant of another year, that money indisputably payable should not, as far as possible, be left unpaid; and that all inevitable payments are ascertained and liquidated at the earliest possible date.

During 2018-19, scrutiny of records of NP Bhuntar revealed that electricity bills of street light amounting to ₹37.42 lakh including surcharge for the month of March 2017 (continued from previous outstanding bills) was issued by the Assistant Engineer (AE), HPSEBL, Electrical Sub-Division, Bhuntar. NP had deposited ₹1.00 lakh and ₹7.00 lakh against these bills on dated 17.03.2017 and 24.03.2017 respectively leaving a balance of ₹29.42 lakh. The AE had again issued the electricity bills amounting to ₹34.09 lakh (including surcharge of ₹0.67 lakh) in September 2018, but NP failed to deposit the same as of February 2019. Thus, delay in depositing the electricity bills resulted in not only unnecessary liability of NP but also excess payment of surcharge amounting to ₹0.67 lakh.

The Secretary stated (February 2019/July 2021) that due to non-payment of outstanding electricity cess (pending from approximately last 10 years) by the HPSEBL, electricity bill had not been paid. It was further stated that information regarding outstanding electricity cess was not provided by HPSEBL. If actual amount of cess is intimated by the HPSEBL, rest amount of the bill would be paid at the earliest in instalments.

4.13 Violation of norms-Splitting up of works

Para 6.44 of PWD Manual of Orders, read with instruction issued in April 2012 provides that splitting up of work/project should not be carried out to avoid e-tendering, publication through press or to avoid approval of the higher authority.

During 2018-19, audit noticed in NP Karsog that four works²⁰ amounting to ₹14.40 lakh were awarded to three contractors for the period from November 2014 to January 2015. Each of these works was split up in two works to avoid wide publicity and to avoid sanction of the higher authority. Splitting up of works resulted in violation of tendering process of ensuring maximum competition and transparency. Besides, possibility of extension of undue favour to the contractors cannot be ruled out in Audit.

The Secretary stated (February 2019) that the matter would be taken up with the Director, Urban Development for obtaining ex-post-facto sanction.

4.14 Non-obtaining of Utilisation Certificates of ₹3.97 crore

Financial rules require that Utilization Certificate (UC) should be submitted to the competent authority within the time as prescribed so that it can be ensured that fund had been utilized for the purpose for which it was sanctioned.

During 2018-19, audit noticed that NP Karsog and MC Dehra have received ₹22.41 lakh and ₹3.75 crore from Urban Development Department for construction of road/ toilets and sewerage work respectively during 2014-15 to 2017-18. The funds were released to the executive agencies (HPPWD, BDO office, IPH Department) during 2016-17 to 2018-19. Even after lapse of eight to 32 months, Utilization Certificates of ₹3.97 crore relating to these

²⁰ 'Drain & Providing & fixing grating from Rest House to Bimla Khad', 'Providing & fixing grating from PNB towards Pawan Studio', 'Providing & lying tile flooring from house of Sh. Hitesh to house of Sh. Mast Ram' and 'Providing & fixing grating from Krishna complex towards Phase 2 & 3'.

works were not obtained by ULBs as of February 2019. Further, physical reports were also not obtained by NP Karsog till the date of audit. In case of MC Dehra, physical report for the work under sewerage scheme were obtained which showed that only 75% of the total work was completed as of January 2019. As a result, public of the area had been deprived of the intended benefits of the schemes.

The Secretary, NP Karsog/the Executive Officer, MC Dehra stated (January-February 2019) that UCs of the released funds would be obtained immediately.

4.15 Irregular expenditure incurred without obtaining technical sanction

Municipal Council Manali incurred irregular expenditure of ₹37.00 lakh without obtaining technical sanction.

Rule 4(1) of Himachal Pradesh Municipal Works Rules, 2010 provides that no original/ repair work shall be undertaken by a municipality, if it involves an expenditure exceeding ₹50,000/- unless technical sanction of the Competent Authority has previously been obtained.

During 2018-19, audit noticed that in Municipal Council Manali, an expenditure of ₹37.00 lakh was incurred on three works for repairing road and extension of garbage dumping site during 2017-18. The amount in each case was more than ₹50,000/-, but MC did not obtain technical sanction of the Competent Authority for these expenditures. Thus, expenditure of ₹37.00 lakh without obtaining technical sanction of the Competent Authority was irregular and contrary to the rule *ibid*.

The Executive Officer, MC Manali stated (March 2019) that technical sanction for the work was obtained. The reply is not tenable as technical sanction for the work was obtained from Assistant Engineer, but the Assistant Engineer (municipality) had power to sanction the work up to ₹10 lakh and cost of each work was more than ₹10 lakh.

4.16 Non-adjustment of advances

Six ULBs sanctioned advances of ₹32.21 crore during 2015-18 without adjustment of previous advances.

As per rule 189 (1) to (4) of Himachal Pradesh Financial Rules, 2009, Head of the Office is authorised to sanction advances to a Government servant for purchase of goods or for hiring services or for any other special purpose, as may be prescribed. Rule further provides that adjustment bills along with balances, if any, had to be submitted within 15 days of the withdrawal of advance. Second advance shall not be granted until the Government servant concerned has submitted adjustment account of the first advance.

(a) During 2017-18, audit noticed that in two Municipal Councils (Nalagarh and Solan), temporary/contingent advances of ₹1.09 crore sanctioned between 1999-2017 to 20 Government officials/Departments for carrying out development works, establishment expenditure, store purchase, etc. were pending for adjustment for a period of more than one

to 18 years (**Appendix-28**) as of January 2018. Subsequent advances were being given to the officials without adjustment of previous advances. In MC Nalagarh, two officials had retired from service but the adjustment bills for amount of ₹3.33 lakh advanced to them between December 1999 and July 2012 were neither submitted by them nor adjusted by the Department at the time of their retirement.

(b) During 2017-18, it was observed in Municipal Corporation Shimla that ₹31.03 crore sanctioned by the Municipal Corporation during 1963-2017 as contingent advances to various departments for different purposes (under detail heads public works, store material, project, scheme, temporary advances, street light, water supply, etc.) were pending for adjustment (**Appendix-28**) as of December 2017. Subsequent advances were being given to the departments without adjustment of previous advances. It was further noticed that temporary advances amounting to ₹17.68 crore sanctioned during 1963-2017 were pending for adjustment as of December 2017 and record relating to these advances was not available with the Municipal Corporation. This indicated laxity on the part of the Municipal Corporation in enforcing codal provisions regarding adjustment of advances involving substantial amounts.

(c) During 2018-19, audit noticed in three ULBs²¹ that temporary /contingent advances of ₹9.42 lakh (**Appendix-28**) had been sanctioned between 2015-16 and 2017-18 to six Government officials. The advances were given for carrying out different purposes such as purchases of stores for development works, establishment expenditure, door to door garbage collection etc. which were pending for adjustment for a period of more than 17 to 43 months from the date of granting of such advances ranging from December 2018 to March 2019. Subsequent advances were given to the officials without adjustment of previous advances. This indicated laxity on the part of these ULBs in enforcing codal provisions regarding adjustment of advances.

The Additional Commissioner, MCorp. Dharamshala and the Executive Officers (MCs Kullu and Manali) stated (December 2018- March 2019) that outstanding advances would be adjusted/recovered immediately.

4.17 Undue Benefits to the firms amounting to ₹6.69 lakh

Rule 103 of Himachal Pradesh Financial Rules, 2009 provides that limited tender system may be adopted for purchase of goods up to ₹10 lakh.

During 2018-19, scrutiny of records in two ULBs (MC Dehra and NP Jawali) revealed that NP Jawali had purchased dust bins amounting to ₹3.32 lakh from the firm 'Himalaya Engineering Works, Dehra' during 2016-17. Similarly, Municipal Council, Dehra had hired a firm named 'Plan Foundation, Broadway enclave, Sanjauli, Shimla' for getting services in respect of house tax assessment work, survey, development of software and its renewal and paid ₹3.37 lakh to this firm during 2014-15 to 2016-17.

²¹ MCorp. Dharamshala; MCs Kullu and Manali.

In both the cases, amount of the goods purchased/ services obtained were more than ₹1.00 lakh, but tenders were not invited by these ULBs. This was a violation of the provisions of the rule *ibid*. By not inviting tenders, ULBs had been deprived of the benefit of goods and services at competitive prices. Besides, possibility of passing undue favour to the firms cannot be ruled out.

The Executive Officer, MC Dehra stated (January 2019) that due to completion of the work at urgent basis, tender was not called for whereas the Secretary, NP Jawali stated (January 2019) that at time of purchase, facilities like office set-up, computers were not available and due to shortage of staff, NP failed to call for tender. Reply is not tenable as financial procedures of procurement cannot be bypassed unless compelling reasons are there and purchase without following due procedure under such circumstances is permissible as per rules.

4.18 Non-accounting of material

Material of ₹1.14 lakh was not accounted for in the stock register by the Municipal Council Hamirpur.

Rule 135 of HPFR 2009 provides that all the goods received shall be counted, measured, and weighed as the case may be when delivery is being taken by a responsible Government servant who should see that quantity is correct and quality is good. A certificate in token of receipt of material is to be recorded and entry made in an appropriate register.

During 2017-18, scrutiny of records of Municipal Council, Hamirpur showed that cement bags and drain covers purchased at a cost of ₹1.14 lakh were not accounted for in the relevant store and stock register. Hence, the possibility of pilferage or loss cannot be ruled out. This was indicative of poor record maintenance on the part of the MC. In reply, the Executive Officer stated (December 2017) that the relevant entries would be made in the stock registers. Reply is not acceptable as there was absence of proper check over maintenance of records by the MC concerned.

4.19 Non-conducting of Physical Verification of stores/ stock

Rule 140(2) of Himachal Pradesh Financial Rules, 2009 provides that Head of the Department shall conduct the physical verification of fixed assets, consumable goods and dead stock or unserviceable items or cause it to be conducted through his subordinate officer or through a committee constituted either by him or by the State Government, at least once in a year.

During 2018-19, audit noticed that in four²² out of 14 ULBs, physical verification of stores/stock had not been conducted for the period ranging between 1999 and 2018. Consequently, physical existence of stores/ stock could not be verified in audit. Moreover,

²² MCorps. Shimla (from 1999) and Dharamshala (from 2016-17), MCs Ghumarwin (from 2011) and Hamirpur (from 2006).

due to non-conducting of physical verification, there is a risk of misuse of store items.

The Municipal Engineer, MCorp. Dharamshala and the Executive officers (MCs Ghumarwin and Hamirpur) stated (December 2018) that due to huge burden of work, physical verification of stores/stock could not be carried out which would be conducted shortly whereas the Commissioner MCorp. Shimla did not furnish any reply in this regard.

Shimla

Date: 14 March 2022



(RITU DHILLON)

**Principal Accountant General (Audit)
Himachal Pradesh**

