

CHAPTER - II

ACCOUNTS AND FINANCES

ACCOUNTS

2.1 Budget Estimates.

The budget estimates of ULBs are prepared as per Himachal Pradesh Municipal Code 1975 in the prescribed form keeping in view the budget estimates of expected income and expenditure for the next financial year and placed before the house of the committee for passing the same. After passing the budget by the house of the committee it is submitted to the Director Urban Development for approval. The overall budget provisions and the expenditure there against of one Municipal Corporation, seven MCs and nine NPs for the year 2004-05 to 2006-07 were as under:- (Unit-wise position in Appendix- 1):-

(Rs. in lakh)

<i>Year</i>	<i>Budget Estimate</i>	<i>Actual Expenditure</i>	<i>Savings (-) Excess (+)</i>	<i>Percentage over all utilisation</i>
2004-05	4012.28	3063.66	(-)948.62	76%
2005-06	4464.06	2995.54	(-)1468.52	67%
2006-07	4262.82	3576.19	(-)686.63	84%

Perusal of above table would indicate that the budget estimate were not realistic as the expenditure during 2004-07 was between 67 and 84 percent of the budget estimate. No reasons for less utilization of budget had been furnished.

2.2 Non Reconciliation of Balances.

Rule 19 (2) Chapter-III of Municipal Code 1975 enjoins that the cash balances of the accounts maintained with the bank should tally with the balances of the cash book at the end of every month by way of reconciliation.

From the record of MC Kangra it was noticed that a difference of Rs. 13.63 lakh between the cash balances as per cash books and that of bank accounts at the end of *March, 2008* remained unreconciled.

In two NPs⁵ test checked, there were unreconciled balance of Rs. 3.69 lakh as of *March 2008*. The un-reconciled balances not only reflect incorrect financial status of the ULBs but the possibility of misappropriation of Government funds could not be ruled out. The concerned officers of ULBs stated (May 2007 to March 2008) that efforts were being made to reconcile the differences.

2.3 Advances lying un-adjusted.

Financial rules provide that the advances made to individuals/contractors/suppliers for departmental purposes should be promptly adjusted and the unspent balances refunded/recovered immediately.

Test check of records of three MCs⁶ revealed that advances of Rs. 10.54 lakh given during the years between 1985-86 to 2007-08 to Government officials had not been adjusted (March 2008). This is indicative of weak internal control mechanisms to follow up of regular adjustment of advances resulting in blocking of institutional funds.

2.4 Un-discharged liabilities

(i) The Irrigation and Public Health Department (IPH) had been providing drinking water to MC Nurpur on payment basis for further distribution to the public. Test check of records of MC Nurpur revealed that Rs. 1.18 lakh on account of water charges payable to IPH Department were outstanding (*March 2008*). Year-wise break-up of the pendency was not made available to audit.

(ii) The ULBs had been maintaining street lights in their jurisdiction and the payment for electricity being supplied by the HPSEB was to be made on billing basis. In two ULBs test checked, un-discharged liability amounting to Rs. 54.45 lakh (Nurpur Rs. 7.97 lakh, Hamirpur Rs. 46.48 lakh) on account of energy charges payable to HPSEB were outstanding (*March 2008*). Year wise break up of arrears in all the cases was not made available. The reasons for un-discharged liabilities were attributed to weak financial position of these ULBs.

2.5 Non-Certification of Accounts

With no specific provision in the State Acts/Rules, certification of accounts by any agency was not in existence in the ULBs. In the absence of

⁵ Kotkhai Rs. 0.05 lakh, Rohru Rs. 3.64 lakh.

⁶ Nurpur Rs. 0.61 lakh (1985-86) Poanta Sahib Rs. 2.05 lakh (2004-07) Rampur Rs. 7.88 lakh (1998-2007).

provisions for certification, the authenticity of the final accounts can not be vouchsafed and no audit opinion on the true and fair view of the accounts of ULBs could be given.

2.6 Awaited utilisation certificates.

Utilisation certificate are required to be sent on annual basis in respect of grants utilised.

Test check of GIA records maintained in the Directorate, Urban Development revealed that utilisation certificates (UCs) amounting to Rs. 248.64 lakh pertaining to various grants released during 2005-06 were awaited (*February 2008*) from five⁷ ULBs although their prescribed utilisation period of two years from the date of its receipt had since been over. No specific reasons were advanced for non submission of UCs by concerned local bodies.

FINANCES

2.7 Non realization of rent

(i) Section 258 (i) (b) (2) of Himachal Pradesh Municipal Act, 1994 provides that any amount which is due to the municipality and remains unpaid for fifteen days after the same is due, the E.O/Secretary as the case may be, may serve notice of demand upon the persons concerned. The Act also provides that any sum due for recovery shall without prejudice to any other mode of collection be recoverable as arrear of land revenue.

It was noticed that in the 15 ULBs test checked (*Appendix-2*) an amount of Rs. 153.27 lakh on account of rent from persons to whom shops/stalls (owned by these bodies) were rented out was outstanding as of *March, 2007*. Yearwise breakup of outstanding amount was not made available to audit. Although the concerned local bodies has issued notices to defaulters for recovery of rent but no case of recovery as arrear of land revenue had been initiated.

(ii) Test check of records of MC Parwanoo revealed that in *October 1992* two rooms were rented out to Assistant Commissioner (AC) Protocol Parwanoo without entering into the agreement. As no amount in respect of the rent was received

⁷ 2005-06:- Municipal Corporation Shimla Rs. 97.07 lakh, MC Bilaspur 48.44 lakh, NP Baddi 83.79 lakh. Chopal Rs. 5.59 lakh and Sarkaghat Rs. 13.75 lakh.

from AC (Protocol) Parwanoo, the MC Parwanoo raised (*April 2001*) the bill of Rs. 10.52 lakh for the period from *October 1992 to April 2001* on account of rent of premises and related civic amenities, but no amount was received. However, no bill had been raised for the period from *May 2001 to March 2008*, for outstanding amount of Rs. 18.97 lakh, calculated on the basis of formula adopted for working out the amount raised in the bill. E.O. stated (*May 2007*) that the matter has been taken with the higher authorities, but no progress has been made.

2.8 Loss of revenue due to non-revision of rates of House Tax.

The Director, Urban Development informed (*November, 2003*) all the ULBs that, as per the recommendations of the 2nd State Finance Commission (SFC) there shall be a percentage increase in the rate of house tax every year so as to reach the level of 12.5 per cent at the end of 2006-07. Accordingly, the rates were to be enhanced at the rate of one percent each year beginning of year 2002-03.

In ten test checked ULBs (*Appendix-3*) the instructions had not been followed for revision of rates of house tax resulting into loss of revenue to the tune of Rs. 1.32 crore. The concerned officers of ULBs stated (*May 2007- February 2008*) that action would be taken to revise the rates.

2.9 Outstanding House tax.

In test checked 14 ULBs (*Appendix-4*) an amount of Rs. 346.10 lakh on account of house tax was outstanding as of *March, 2008*. Yearwise breakup of outstanding amount was not made available to audit. The non-recovery of House tax reduce the revenue of these ULBs to that extant. EO of MC Parwanoo and Theog stated that recovery could not be effected due to shortage of staff and other ULBs stated that the cases would be filed against the defaulters.