
CHAPTER-4
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The deficiencies noticed in audit of Urban Local Bodies during 2012-13 are discussed in the succeeding paragraphs.

4.1 Revenue

4.1.1 Loss due to non-revision of rates of house tax

Non-revision of rates of house tax by four ULBs as per recommendations of SFC resulted in loss of revenue of ₹ 1.70 crore.

Rule 65 of Himachal Pradesh Municipal Act, 1994 provides that MC is empowered to impose house tax on buildings and land which shall not be less than 7.5 percent and more than 12.5 percent on the annual value of such buildings and land. The Director, Urban Development directed (November, 2003) all the ULBs that as per recommendations of the 2nd State Finance Commission (SFC) there shall be one percent increase in the rate of house tax every year from 2002-03 onwards so as to attain the level of 12.5 *per cent* at the end of 2006-07.

It was, however, noticed in audit that four ULBs (**Appendix-20**) had not followed the instructions for revision of rates of house tax and demand for house tax was levied at various rates ranging between 7.5 *percent* and 10 percent, resulting in loss of revenue of ₹ 1.70 crore during 2003-12. The ULBs concerned stated (October 2012- February 2013) that action would be taken to enhance the rates of house tax.

4.1.2 Outstanding house tax

Due to ineffective monitoring, revenue of ₹ 5.33 crore on account of house tax in eight ULBs remained outstanding.

In eight ULBs (Municipal Councils: 2 and Nagar Panchayats: 6), there was an opening balance of outstanding house tax of ₹ 5.10 crore as of March 2008 and demand of ₹ 1.18 crore was raised during the period 2008-13 (**Appendix-21**). However, the collection of house tax was to the extent of only ₹ 0.95 crore during the corresponding period, leaving an outstanding balance of ₹5.33 crore as of March 2013. The pace of recovery was slow as even the current demand could not be recovered. Non-recovery of house tax has impacted the revenue receipts of ULBs to the above extent which could have been utilized for other developmental works. The Secretary, Nagar Panchayat Sarkaghat stated (November 2012) that people were not making payment of house tax and demanding sanitation facilities. The reply is not tenable because Nagar Panchayat is already providing basic facilities like street lights, roads, drainage, cleanliness of streets etc. but adequate efforts are not being made to recover House Tax. The Executive Officers/Secretaries of the remaining ULBs stated (November 2012-February 2013) that notices had been issued against the defaulters for recovery of arrears.

4.1.3 Non-imposing of House Tax

MC, Baddi did not impose the house tax.

The State Government vide its notification of January 2004 had empowered the Nagar Panchayat Baddi (upgraded as MC Baddi from November 2009) for imposing the house tax not less than seven and half percent of the annual value of such building and land.

During audit, it was noticed that there were 2,553 households in the area of MC Baddi, but the house tax as per provision of the Act and notification ibid had not been imposed as yet. Thus, due to non-imposing of house tax, the MC Baddi is deprived of the revenue which could have been utilized on multifarious developmental activities.

4.1.4 Non-recovery of sanitary tax

MC, Baddi failed to impose sanitary tax amounting to ₹ 20.67 lakh.

As per notification (August, 1990) of the State Government, the municipality is empowered to impose a sanitary tax at the rate of ₹ 5 per month on each private building / other residential building and at the rate of ₹ 7.50 per month for each shop falling under the jurisdiction of municipality concerned.

It was noticed in audit that there existed 2,553 residential buildings and 80 hotels/guest houses within the area of MC, Baddi but no sanitary tax at the prescribed rate had been recovered. This resulted in non-recovery of ₹ 20.67 lakh⁷ for the period from December 1999 to December 2012.

The Executive Officer, MC Baddi stated (December 2012) that the matter to levy the sanitary tax would be brought before the House of the MC. The reply is not tenable because due to non-imposition of sanitary tax MC Baddi was deprived of the income of ₹20.67 lakh.

4.1.5 Non-recovery of electricity tax

MC Baddi failed to impose electricity tax amounting to ₹ 54.23 lakh

The State Government authorized (April, 2002) the MCs to collect tax at the rate of one paisa per unit on the consumption of electricity by any person within the limits of MC area.

During audit of MC Baddi, it was noticed that from April 2008 to March 2012 within the MC area, consumption of electricity was 54,23,05,600 units and electricity tax on it worked out to ₹ 54.23 lakh. However, the MC had not realised it from the HPSEBL, which was to collect it from the consumers. While admitting the facts the Executive Officer, MC Baddi stated (December 2012) that efforts would be made to recover the tax.

4.1.6 Non-realization of rent

Seven ULBs failed to realize the rent of shops from allottees amounting to ₹ 1.92 crore.

Section 258 (i) (b) (2) of the Himachal Pradesh Municipal Act, 1994 provides that any amount which is due to the municipality and remains unpaid for fifteen days after the

⁷ No. of buildings (2553+80) = 2633; Period Involved = 157 months;
Amount Recoverable = 2633x5x157 = ₹ 20,66,905 or say ₹ 20.67 lakh.

same is due, the Executive Officer/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 recovered as arrear of land revenue.

It was noticed that in seven ULBs (three MCs and four NPs), recovery of rental charges amounting to ₹ 2.00 crore were pending for recovery as on March 2011 (**Appendix-22**) against the allottees of shops/stalls, owned by these ULBs. Further, demand of ₹1.33 crore was raised against the tenants/ lessees of these shops/stalls during 2008-13. Against the total demand of ₹ 3.33 crore, only ₹ 1.41 crore had been recovered leaving outstanding recovery of ₹ 1.92 crore as of March 2013. The ULBs stated (December 2012-February 2013) that notices had been issued to the defaulters and the amount would be recovered shortly.

4.1.7 Outstanding recovery of lease money

Municipal Corporation, Shimla failed to recover the lease money of ₹ 32.84 lakh.

MC, Shimla has leased out shops/stalls and lands developed by it to the private individuals on rent basis.

During audit, it was noticed that 852 shops/stalls were leased on rent to private individuals prior to 2009-10 and an amount of ₹ 32.84 lakh as lease rent for the period 2009-13 remained unrecovered as of March 2013.

The year wise details of rental charges due and actually received are given in **Table 15 below**:

Table 15 : Details of outstanding recovery of lease money

Year	(₹ in lakh)				
	Opening Balance	Demand	Total	Collection	Outstanding
2009-10	14.62	178.82	193.44	3.26	190.18
2010-11	190.18	69.79	259.97	181.70	78.27
2011-12	78.27	29.00	107.27	9.46	97.81
2012-13	97.81	29.33	127.14	94.30	32.84
Total		306.94		288.72	

As seen from the above table, during 2009-13, the MC Shimla collected ₹ 288.72 lakh against the due amount of ₹ 321.56 lakh (opening balance in the beginning of 2009-10: ₹ 14.62 lakh + amount of ₹ 306.94 lakh due for recovery during 2009-13). The MC while advancing no reasons for non-realization of rent stated (September 2012) that the notices were being issued to the defaulters for realising the outstanding dues.

4.1.8 Non-recovery of installation/renewal charges on mobile towers.

Failure to realize the installation/renewal charges on mobile towers by seven ULBs resulted in loss of revenue of ₹ 47.05 lakh.

Himachal Pradesh Government authorized (August 2006) the ULBs to levy duty on installation of mobile communication towers at the rate of ₹ 10,000 per tower and annual renewal fee at the rate of ₹ 5,000.

In seven ULBs, mobile towers were installed in their jurisdiction during 2004-12 but the concerned ULBs had not recovered the charges of ₹ 47.05 lakh as of March 2011 in respect of 83 towers (**Appendix-23**). The ULBs concerned stated (April 2012-December 2012) that action would be taken shortly to recover the dues.

4.2 Excess expenditure on establishment

Three ULBs incurred expenditure of ₹ 3.14 crore in excess of norms.

As per provisions contained in section 53 (i) (c) of Himachal Pradesh Municipal Act and section 75 (i) of the Himachal Pradesh Municipal Corporation Act, 1994, the expenditure on establishment should not exceed one third of the total expenditure of the ULBs.

In three ULBs, total expenditure of ₹ 18.75 crore was incurred during 2009-12, but the expenditure on establishment was not regulated in accordance with the above provisions as against the permissible limit of ₹ 6.25 crore to be spent on establishment, these ULBs had incurred an expenditure of ₹ 9.39 crore. Thus, expenditure aggregating ₹ 3.14 crore was incurred in excess of the prescribed norms during 2009-12 (**Appendix-24**). The EOs of ULBs concerned stated (December 2012-January 2013) that the excess expenditure was incurred due to enhancement of rates of dearness allowance, revision of pay scales and regularization of services of daily waged staff. The reply was not tenable as expenditure on salary in excess of permissible limits is contrary to the provisions of Himachal Pradesh Municipal Act.

4.3 Blocking of funds under Jawahar Lal Nehru National Urban Renewal Mission (JNNURM).

Municipal Corporation, Shimla did not utilize ₹ 12.33 crore under JNNURM for rejuvenation of sewerage network in missing lines and left out/worn out sewerage in various zones of Shimla.

The existing sewerage network in Shimla city, which was laid during the British period is very old and due to increase in population and the extended areas of municipal limits, this sewerage network is not sufficient to cater to the present and future demands of the city. In order to improve the existing sewerage network, the Central Sanctioning and Monitoring Committee of JNNURM approved (February, 2010) rejuvenation of sewerage network in missing lines and left out area for ₹ 54.74 crore. The cost sharing between centre, state and MC Shimla was in the ratio of 80:10:10.

As per detailed project report (DPR), the said project was to be completed within a period of 36 months from the date of approval. The MC, Shimla received ₹ 12.33 crore (₹ 9.70 crore as central share and ₹ 2.63 crore as state share) as first installment in May 2010 for carrying out rejuvenation of the sewerage network.

As per guidelines of JNNURM, quarterly progress reports, showing status of works executed and funds utilised on these works were required to be submitted to the funding agency.

It was noticed that the work had not been taken up for execution as of March, 2013. The Municipal Commissioner stated (September 2012) that prior to sanction of this project, GOI had approved (February 2009) another DPR amounting to ₹ 72.36 crore for rejuvenation of water supply (WS) of Shimla and the State Government had decided (March 2011) to abort the bidding process of sewerage network and call fresh bids to execute both the projects in a public private partnership (PPP) mode instead of

Engineering, Procurement and Construction (EPC) mode. The process of invitation of fresh bids was taken up by MC Shimla in April, 2012 and the process for finalisation of technical bids was stated to be still under way. The reply is not convincing as in the DPR approved by the GOI, the fact of sanction of WS scheme of Shimla should have been taken into account to ensure execution of works in a systematic manner. Also, the issue of execution of both the works in a PPP mode should have been decided well in advance before getting the DPR sanctioned from the GOI.

Thus, inaction on the part of MC, Shimla resulted in blocking of funds of ₹ 12.33 crore for three years. Besides, the problem of worn-out sewerage network remained unresolved resulting in unhygienic conditions in the town.

4.4 Creation of liability

Failure to make payment of water bills resulted in creation of liability of ₹ 112.66 crore.

The MC, Shimla is responsible for ensuring water supply in the town. However, water is being supplied by the Irrigation and Public Health (I&PH) department and bills are raised at the rates approved from time to time.

It was noticed that the MC, Shimla had outstanding liability of ₹ 112.66 crore on account of water bills payable to I&PH department as of March, 2012. It was also seen that I&PH department was supplying water at the rate of ₹ 14.20 per kilolitre whereas water charges were being received from the domestic consumers at the rate of ₹ 7.50 per kilolitre. Thus, there was a huge difference between rates charged by I&PH department and those being charged from domestic consumers. The difference in rates of cost of water payable to the I&PH department and actually charged from the domestic consumers had led to creation of liability of ₹ 112.66 crore. No cogent reasons were advanced for huge variation in rates and liquidation of liability of ₹ 112.66 crore recoverable from the users as of March 2013.

4.5 Non-adjustment of contingent advances

Municipal Corporation (MC) Shimla did not adjust/recover contingent advance of ₹ 24.52 crore due to non availability of records.

To defray contingent expenses, temporary/ contingent advances are paid by the MC, Shimla to its various departments from time to time. It was noticed that at the end of March, 2012 contingent advance totaling ₹ 24.52 crore were pending for adjustment. The department-wise details of advances awaiting adjustment are given in

Table 16 below :

Table 16 : Details of unadjusted advances

Sr. No.	Head of Account	Detail Head Description	Period	(₹ in lakh)				
				OB as on 31.03.11	Addition during 2011-12	Total	Adjusted during 2011-12	Outstanding as on 31.3.12
1.	460-10-01	HBA	1.4.07 to 31.3.12	0.16	0	0.16	0.12	0.04
2.	460-10-01	Conveyance	1.4.07 to 31.3.12	4.27	9.08	13.35	13.17	0.18
3.	460-10-01	Vehicle	1.4.07 to 31.3.12	0.17	0	0.17	0.09	0.08
4.	460-10-01	WCA	1.4.07 to 31.3.12	35.00	0	35.00	28.63	6.37

Sr. No.	Head of Account	Detail Head Description	Period	OB as on 31.03.11	Addition during 2011-12	Total	Adjusted during 2011-12	Outstanding as on 31.3.12
5.	460-10-01	Medical	1.4.07 to 31.3.12	1.75	4.39	6.14	1.67	4.47
6.	460-10-01	Public Works	1.4.07 to 31.3.12	2.69	4.30	6.99	0	6.99
7.	460-10-01	Store/ Material	1.4.07 to 31.3.12	54.80	102.08	156.88	131.40	25.49
8.	460-10-01	Permanent Advance	1.4.07 to 31.3.12	0.38	0.78	1.16	0.77	0.39
9.	460-10-01	Project	1.4.07 to 31.3.12	518.23	11.94	530.17	0	530.17
10.	460-10-01	Scheme	1.4.07 to 31.3.12	5.52	46.26	51.78	2.09	49.68
11.	460-10-01	Temporary	1945 to 31.3.12	1542.45	73.54	1615.99	173.16	1442.83
12.	460-10-01	Street Light	1.4.07 to 31.3.12	215.43	58.30	273.73	49.74	224.00
13.	460-10-01	Water Supply	1.4.07 to 31.3.12	128.96	32.21	161.17	0	161.17
		Total		2509.81	342.88	2852.69	400.84	2451.86 or say ₹ 24.52 crore

Year-wise details of these advances were not available with the MC, Shimla despite the fact that the House of MC Shimla had instructed (June 2006) the concerned authorities to scrutinize the records after 1996 and to take steps for ensuring adjustment of long outstanding advances. No action in this regard was taken by the authorities. While admitting the facts, the Assistant Commissioner, MC, Shimla stated (July 2012) that due to non-availability of old records, the advances could not be adjusted. This indicated casual approach of the authorities for ensuring adjustment of huge amount of advances fraught with the risk of fraud or misappropriation of funds cannot be ruled out.

4.6 Idle investment

Municipal Corporation, Shimla incurred an expenditure of ₹ 25.60 lakh on construction of car parkings without planning resulting in idle investment.

To provide parking facility in Shimla town, MC Shimla had constructed two car parkings near Community Centre at Kaithu and Aggarwal Dharamshala Longwood in August 2006 and June 2011, respectively, after incurring an expenditure of ₹ 25.60 lakh.

It was noticed that both the car parkings had remained unutilised since the date of construction. The MC, Shimla stated (August 2012) that tenders were invited for leasing out these parkings but no party responded to these tenders as the same fell outside the city. This was indicative of selection of unsuitable sites and defective planning for construction of parkings and resulted in idle investment of ₹ 25.60 lakh.

4.7 Non-utilization of assets

MC Baddi did not utilize the community hall, constructed at a total cost of ₹ 4.38 lakh.

MC, Baddi constructed (May, 2010) a community hall in ward No.8, (Dhaknu Mazra) at a cost of ₹ 4.38 lakh. It was noticed in audit that the community hall was never put to use after completion due to non providing of the facilities like electricity and water.

While admitting the facts, Executive Officer, MC Baddi stated (December, 2012) that the matter would be put up before the MC House very soon. Thus, due to non-utilization of community hall, the expenditure of ₹ 4.38 lakh had largely remained unfruitful and the public was also deprived of the intended benefits.

4.8 Blocking of funds

Nagar Panchayat, Bhota failed to utilize the funds of ₹ 7.50 lakh meant for the purchase of Hydraulic Tipper for disposal of municipal garbage.

The Director, Panchayati Raj Department, Shimla released an amount of ₹ 7.50 lakh in August 2009 (₹ 5.50 lakh) and January 2011 (₹ 2.00 lakh), respectively, to the NP, Bhota for purchase of Hydraulic Tipper for disposal of municipal garbage. The purchase was required to be made within a month from the manufacturing company/authorized dealer directly after observing all codal formalities.

During audit, it was noticed that the NP had not purchased the required vehicle as of November 2012 and the whole amount remained parked in a savings bank account. The secretary of the NP stated (December 2012) that due to shortage of funds and non-existence of the post of driver, for which the matter had been taken up with the Government, the vehicle could not be purchased. The reply was not tenable as NP failed to pursue the matter to get the additional funds and post of driver sanctioned from the government.

The audit findings were referred to the Government in September 2013. Reply is awaited.

Shimla
Dated:



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