



Annual Technical Inspection Report
on
Urban Local Bodies
for the year ended 31 March 2015



GOVERNMENT OF JAMMU AND KASHMIR

Office of the Accountant General (Audit)
Jammu and Kashmir

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PREFACE

This Report for the year ended March 2015 has been prepared for submission to the Government of Jammu and Kashmir in terms of Technical Guidance and Support to audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) under section 20 (1) of the CAG's (DPC) Act, 1971.

The Report contains significant results of the audit of the ULBs in the state including the departments concerned. As financial powers were not devolved to the PRIs (March 2015), it is not covered in TGS.

The issues noticed in the course of test audit for the period 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with the auditing standards issued by the Comptroller and Auditor General of India.

Overview

OVERVIEW

Profile of Urban Local bodies

There are two Municipal Corporations, six Municipal Councils and seventy two Municipal Committees. Though State Government prepared J&K Municipal Accounting Manual, this has not been fully adopted.

(Paragraphs: 1.2 & 1.4)

The State Government under the provisions of J&K Municipal Corporation Act, 2000 and J&K Municipal Act, 2000, notified (April 2013) 18 mandatory functions and powers to ULBs, out of which only eight functions, were carried out by the ULBs.

(Paragraph: 1.3)

85 *per cent* of funds were allocated under non-plan and merely 15 *per cent* of funds were allocated for plan expenditure by the State Government to the ULBs during the period 2011-15 indicating that adequate attention was not given towards developmental activities.

(Paragraph: 1.7)

The term of the elected representatives of the ULBs in the State expired in March 2010 and no elections had been held since then. Due to non holding of municipal elections, the State Government lost the financial assistance of ₹169.28 crore under the 13th Finance Commission Award.

(Paragraphs: 1.1 & 1.8.1)

Technical guidance and Supervision Role

Accountant General (Audit) provided technical guidance and assistance to Director, LFA&P regarding preparation of annual audit plan for the year 2015-16 and measures to be taken for improving the quality of Audit Inspection Reports. Accountant General (Audit) also imparted training to 36 staff members of local fund audit for capacity development on subjects relating to drafting of Audit Inspection Reports and maintenance of objection book items during the month of December 2015.

(Paragraphs: 2.3, 2.5 & 2.8)

Result of Audit of Urban Local Bodies

All the works relating to construction of 382 dwelling units under BSUP were retendered but penalty of ₹28.50 lakh, as provided under the terms and conditions of the contract was not imposed upon the defaulting contractors. Further, against the allotted cost of ₹50.22 lakh for construction of 18 units at Tibetan Colony, an amount of ₹105.85 lakh was paid to the contractor on account of his work done claims which resulted in excess payment of ₹55.63 lakh to the contractor.

(Paragraph: 3.3.1)

Faulty decision on part of the Srinagar Municipal Corporation resulted in idle parking lots and subsequent loss of ₹16.40 lakh to the Corporation.

(Paragraph: 3.4.2)

Due to weak recovery mechanism there was short realization of rent of ₹534.22 lakh from flats/shops/godowns rented out by nine ULBs.

(Paragraph: 3.5.1)

Failure on part of the Srinagar Municipal Corporation to take timely actions resulted in non recovery of ₹218.35 lakh on account of rent and premium of the shops allotted under the rehabilitation package.

(Paragraphs: 3.5.2 & 3.5.3)

The ULBs had failed to safeguard their financial interests as a result the contract amount of ₹44.55 lakh on account of Lory Adda Toll had not been recovered from the respective contractors by seven ULBs during the period 2010-15.

(Paragraph: 3.6.1)

Delay in submission of report by the enquiry committee resulted in non recovery of the embezzled amount of ₹19.49 lakh besides not initiating of action against the defaulting official.

(Paragraph: 3.7.1)

Failure on part of the Srinagar Municipal Corporation to comply with the orders and instructions issued by the Government from time to time resulted in inadmissible payment of ₹24.73 lakh to the Advocate General of the State and Standing Counsels.

(Paragraphs: 3.7.4 & 3.7.5)

Inaction on part of the Srinagar Municipal Corporation has resulted in non recovery of ₹41.51 lakh on account of garbage collection charges for the period 2013-15.

(Paragraph: 3.7.10)

Due to non maintenance of proper tax records, Rajouri Municipal Committee had failed to levy/ recover Professional Tax and User Sanitation Charges during the period 2010-15 and suffered a revenue loss of ₹37.14 lakh.

(Paragraph: 3.8.2)

CHAPTER – I
Profile of Urban Local Bodies

CHAPTER – I

Profile of Urban Local Bodies

1.1 Introduction

Under Article 243W of the Constitution of India, the State Government may, by law, endow the municipalities with such powers and authority as may be necessary to enable them to function as institutions of Self Government and such law may contain provisions for devolution of powers and responsibilities upon municipalities.

The 74th Amendment to the Constitution (1992) was enacted to decentralize powers and functions to the Urban Local Bodies (ULBs) and envisaged a three tier system (a) Nagar Panchayats (b) Municipal Councils and (c) Municipal Corporations. Under the said amendment, the 12th Schedule was incorporated in the Constitution whereby 18 functions were to be transferred to the ULBs.

Though the Government of Jammu and Kashmir has not adopted the 74th Amendment as it is, it enacted the Jammu and Kashmir Municipal Corporation Act, 2000 and Jammu and Kashmir Municipal Act, 2000. The aforesaid two Acts created three tiers of ULBs viz; Municipal Corporations, Municipal Councils and Municipal Committees with powers, functions, resources and responsibilities for making them viable and vibrant local Self-Government institutions.

The term of the elected representatives of the ULBs in the State expired in March 2010 and no fresh elections had been held as of December 2015.

1.2 Organizational structure

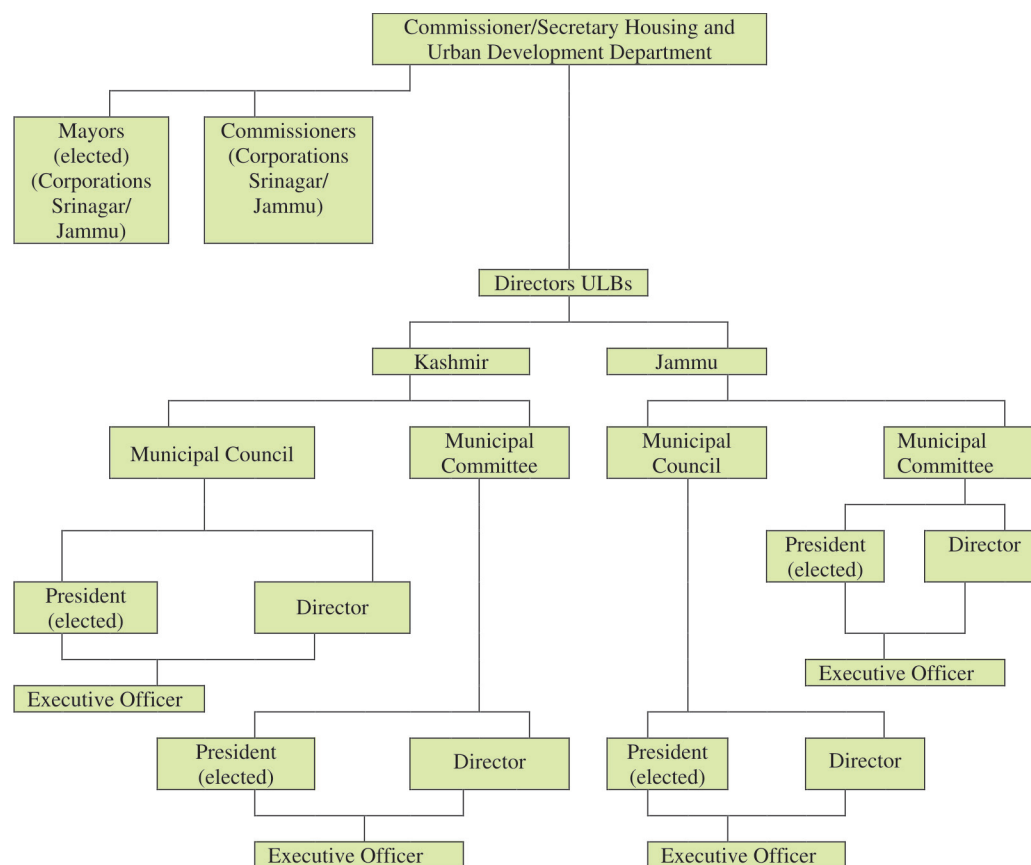
As per the J&K Municipal Corporation Act, 2000 and J&K Municipal Act, 2000, Municipal Corporations are formed in a city having population of more than four lakh, Municipal Councils for medium town and Municipal Committee for small town. At present, there are 80 ULBs which include two Municipal Corporations (one each at Jammu and Srinagar), six Municipal Councils¹ and 72 Municipal Committees² as detailed in *Appendix-I*.

The overall administrative control of the ULBs vests with Secretary, Housing and Urban Development Department (HUDD) at Government level. The organizational structure is as follows:

¹ Udampur, Kathua, Poonch, Anantnag, Sopore and Baramulla

² Two ULBs of Tangmarg and Pahalgam were de-notified (May 2015) by the Government but are still operating as per a stay order of the court over the de-notification orders

Chart - I



1.3 Powers and functions

The State Government, under the provisions of the J&K Municipal Corporation Act, 2000 and J&K Municipal Act, 2000, notified (April 2013) 18 mandatory functions and powers (as detailed in *Appendix-II*) to ULBs which are similar to those included in the 12th Schedule of the Constitution of India. Out of these 18 functions, only eight³ functions were carried out by the ULBs as of December 2015.

In order to oversee the process of transfer of functions, functionaries and funds, a committee, headed by the Chief Secretary of the Jammu and Kashmir Government, was constituted (April 2013) by the State Government. The committee had not submitted its report. As a result, transfer of remaining ten functions to ULBs was awaited (December 2015).

³ (i) Public Health Sanitation Conservancy and Solid Waste Management (ii) Cattle Ponds and prevention of cruelty to animals (iii) Vital Statistics (iv) Regulation of slaughter houses and tanneries (v) Slum improvement and up gradation (vi) Burials and burial grounds, cremations and cremations grounds and electric crematoriums (vii) Public Amenities including street lighting, parking lots, bus stops and public convenience (partly) (viii) Regulation of land use and construction of building (partly).

1.4 Accounting arrangement

Government of India (GoI) along with the Comptroller and Auditor General of India (CAG) took an initiative to develop a model 'National Municipal Accounting Manual' (NMAM) which State Governments could adopt to their specific requirements. Accordingly, Jammu and Kashmir Government prepared the J&K Municipal Accounting Manual, 2011 which *inter alia* provides for preparation of annual financial statements viz. Receipt and Payment Account and Income and Expenditure Statement on the transactions of ULB and a balance sheet depicting the status of assets and liabilities of the ULB at the end of the financial year. However, the manual was not fully adopted by all the ULBs and hence not fully implemented. Although, Srinagar Municipal Corporation (SMC) and Jammu Municipal Corporation (JMC) had prepared annual accounts on accrual basis, yet primary records were being maintained on single entry system by these corporations. Other ULBs, except Municipal Council Kathua, had not prepared annual accounts.

Two Examiners/ Chief Accounts Officers, one each at Jammu and Srinagar, functioning under the control of Director, Local Fund, Audit and Pensions, (LFA&P) compile the monthly accounts rendered by the ULBs.

1.5 Audit arrangement

Section 161 of J&K Municipal Corporation Act, 2000 and Section 256 of J&K Municipal Act, 2000 provides for audit of ULBs by a separate and independent audit agency under the control of a Director. The Director (LFA&P) was authorised (October 2012) by the State Government to conduct audit of the ULBs and PRIs. The State Government also entrusted (October 2012) the audit to the CAG of India under Section 20(1) of CAG's (DPC) Act, 1971 in respect of accounts of all the three tiers of PRIs and all categories of ULBs together with providing suitable Technical Guidance and Supervision (TGS) to the Director LFA&P or any other such designated statutory agency for the purpose of strengthening public financial management and accountability in PRIs/ ULBs.

The entrustment of audit *inter alia* authorizes CAG to conduct test-check of the accounts, comment thereon, supplement the report of the statutory auditor and communicate results thereof to the ULB/ PRI concerned and the State Government. The entrustment of audit also authorises the CAG to report results of audit to the State Legislature at his discretion.

As per the accepted recommendations (July 2006) of the sixth report of the Second Administrative Reforms Commission of the GoI on Local Bodies, the arrangement between the CAG and the State Governments with regard to providing TGS over maintenance of accounts and audit of ULBs and PRIs was to be institutionalized by making provisions in the State Laws governing local bodies. Although the State Government entrusted audit of PRIs and ULBs to the

CAG, yet the amendments to J&K Municipal Corporation Act, 2000 and Jammu and Kashmir Municipal Act, 2000 had not been made by the State Government (December 2015).

1.6 State Finance Commission recommendations

The State Finance Commission in its report (January 2004) had suggested 69 administrative and finance related recommendations for consideration by the Government. Records showed that 33 recommendations were implemented, seven were partly implemented and five were not accepted. Further, 21 recommendations were under examination by the Department, one was submitted to the Government and no action was taken in respect of two recommendations (February 2016).

The State Government enacted (April 2011) the Jammu and Kashmir State Finance Commission for Panchayats and Municipalities Act 2011. As per the Act, the State Government, at the commencement of the Act and thereafter at the expiration of every fifth year, was required to constitute a State Finance Commission for Panchayats and Municipalities to review the financial position of Panchayats and Municipalities and to exercise the powers conferred upon and to perform the functions assigned to it under the Act. The Commission had not been constituted so far (December 2015) despite lapse of almost four years.

1.7 Resources of ULBs

The finances of the ULBs comprise receipts from own sources, grants and assistance from the GoI, State Government etc. The own revenue sources of ULBs include tax and non-tax revenue. The non-tax revenue comprises mainly rental income from municipal properties, fees and user charges. The position of receipt of funds by ULBs in the State during the period 2011-15 furnished by Director (Finance), Housing and Urban Development Department (H&UDD) was as follows:

Table-1
Resources of ULBs

(₹ in crore)

Year	Funds released to ULBs			Own re-sources	Total Availability
	Plan	Non-Plan	Total		
2011-12	66.05	289.28	355.33	57.29	412.62
2012-13	60.85	306.45	367.30	64.84	432.14
2013-14	57.10	306.45	363.55	68.78	432.33
2014-15	60.15	514.68	574.83	56.75	631.58
Total	244.15	1416.86	1661.01	247.66	1908.67

As is evident from above table, the funds released under Non-Plan had increased by 78 per cent during the period 2011-15 from ₹289.28 crore in 2011-12 to ₹514.68 crore in 2014-15. The generation of own resources by the ULBs had also

shown an increasing trend during the same period except for the year 2014-15 during which it declined by 17 per cent.

Further, 85 per cent funds were allocated under Non-Plan and 15 per cent under Plan during the period 2011-15. This clearly indicates that adequate attention had not been given towards developmental activities.

1.7.1 Expenditure out of resources

The Administrative Department had not maintained any data of expenditure incurred by the ULBs. However, the position of receipt and expenditure for 2012-15, as communicated by Director LFA&P, who is vested with the responsibility of compilation/consolidation of monthly accounts of ULBs, was as under:

Table-2
Expenditure out of Resources

(₹ in crore)						
Year	Opening balance	Own resource	Grant-in-aid and others	Total	Expenditure	Closing balance
2012-13	152.44	53.78	285.59	491.81	374.37	117.44
2013-14	152.17*	63.68	334.57	550.42	413.87	136.55
2014-15	137.47*	103.56	421.75	662.78	441.46	221.32

*Unexplained variation

Audit noticed that the figures of receipts under various heads for the period 2012-15 furnished by the Director LFA&P were at variance with the figures communicated by the Administrative Department.

On being pointed out, it was stated (January 2016) by the Director LFA&P that the variation is due to the fact that the figures are updated on an ongoing basis as and when the accounts for the earlier years are submitted by the ULBs. In absence of complete information available with the Director, LFA&P and Administrative Department the correct financial position of the ULBs could not be ascertained in audit.

1.7.2 Under utilisation of funds

The ULBs had not been able to utilise funds fully during 2012-15 which resulted in piling up of unspent balance which accumulated from ₹117.44 lakh ending March 2013 to ₹221.32 lakh ending March 2015 which constituted an increase of 88 per cent.

1.7.3 Non-refund of unspent funds of ₹1.20 crore

During the period between July 2011 and August 2014, five ULBs⁴ were de-notified by the Government but the unspent balance of ₹120.02 lakh

⁴ Shangus, Qoimoh, Ashmuji, Arwani and Mohmadpora

(MC Qoimoh: ₹65.50 lakh; MC Shangus: ₹8.04 lakh; MC Mohmadpora: ₹27.70 lakh; MC Ashmuji: ₹18.69 lakh and MC Arwani: ₹0.09 lakh) lying in their accounts had not been refunded to the Government.

1.7.4 Non-submission of accounts by ULBs

The ULBs were required to furnish monthly accounts to the Director, LFA&P for examination, compilation and consolidation for its publication in the Government Gazette. Records showed that 732 monthly accounts pertaining to 44 ULBs had not been furnished to the Director, LFA&P and remained pending for 01 to 111 months during January 2006 to March 2015 as detailed in *Appendix-III*.

1.8 13th Finance Commission award

The position of funds allocated and released by the GoI under the 13th Finance Commission for ULBs during the years 2010-11 to 2014-15 was as follows:

Table-3
Funding Status under 13th Finance Commission

(₹ in crore)

Year	General Basic Grant (GBG)			General Performance Grant (GPG)		
	Allocation of funds	Funds released	Funds not released	Allocation of funds	Funds released	Funds not released
2010-11	19.00	18.79	0.21	0.00	0.00	0.00
2011-12	22.05	11.90	10.15	7.53	1.46	6.07
2012-13	25.77	0.00	25.77	17.68	2.75	14.93
2013-14	30.54	0.00	30.54	20.86	0.00	20.86
2014-15	36.14	0.00	36.14	24.61	0.00	24.61
Total	133.50	30.69	102.81	70.68	4.21	66.47

(Source: Director Finance H&UDD)

1.8.1 Loss of financial assistance ₹169.28 crore due to non holding of Municipal elections

Against the sanctioned grant of ₹204.18 crore for the period 2010-15, (GBG: ₹133.50 crore and GPG: ₹70.68 crore) under 13th Finance Commission for ULBs, funds amounting to ₹34.90 crore (GBG: ₹30.69 crore and GPG: ₹4.21 crore) were released by GoI during the period 2010-13. No funds were released during 2013-14 and 2014-15 due to not conducting elections to the ULBs after 2010. As a result State Government lost the financial assistance of ₹169.28 crore which resulted in not taking up of developmental activities envisaged under the scheme.

1.8.2 Furnishing of UCs under the 13th Finance Commission Award

As per the standard procedure, utilization certificates (UCs) are to be furnished by the implementing departments to the grants sanctioning authority against funds

received under various schemes/ programme. The UCs should indicate the funds received, funds utilized and the unspent balance, if any lying with them.

Audit noticed that out of ₹34.90 crore released by GoI during 2010-13 under 13th Finance Commission ₹4.56 crore had remained unutilized with SMC at the end of March 2015. However as per information made available by Administrative Department these funds had been fully utilized. This resulted in furnishing of incorrect UCs to the grants sanctioning authority.

1.9 Outstanding audit paras/ Objection Book items

The position of audit paras outstanding in the books of Director, LFA&P on account of audit conducted by his office as of 31st March 2015 was as under:

Table-4

Name of the Division	Outstanding paras (1.4.2014)	Additions (2014-15)	Clearance (2014-15)	Outstanding paras (31.3.15)
Kashmir	1465	338	83	1720
Jammu	752	303	-	1055
Total	2217	641	83	2775

Out of 2,217 audit paras outstanding as on 1st April 2014, 83 paras had been settled during the year indicating inadequate action by the concerned ULBs for settlement of the outstanding paras. No audit para pertaining to ULBs of Jammu division had been settled during the period 2014-15. No serious efforts were made by the ULBs to furnish replies/ documents for settlement of paras held under objection.

The position of outstanding Audit Inspection Reports and audit paras in the books of Accountant General (AG) Audit as of 31st March 2015 was as under.

Table-5

Outstanding as on 01.04.2014		Additions (2014-15)		Total		Clearance (2014-15)		Outstanding (31.03.2015)	
AIRs	Paras	AIRs	Paras	AIRs	Paras	AIRs	Paras	AIRs	Paras
16	196	45	159	61	355	01	54	60	301

As can be seen from above table 301 audit paras of 60 AIRs out of 355 audit paras of 61 AIRs were outstanding as of March 2015 in the books of the AG (Audit).

1.10 Issue of Annual Report

An Annual Report on the audit of Municipal Corporations and other local bodies is required to be prepared by the Director, LFA&P for its subsequent publication in the Government Gazette. The Report, though prepared had not been published for want of suggestions and comments of the Administrative Department.

1.11 Internal control mechanism

Internal control mechanism is an integral function of an organization which helps it to govern its activities effectively. It is intended to provide reasonable assurance for proper enforcement of Acts, Rules and Bye-laws and minimize the risk of errors and irregularities while discharging its duties. J&K Municipal Accounting Manual 2011 also envisages for creation of an internal audit wing for efficient conduct of business in the ULBs. Test-check of records of selected ULBs⁵ by the AG (Audit) revealed that internal control mechanism was very weak in the ULBs as neither audit wing nor monitoring wings existed in any ULB.

⁵ Srinagar Municipal Corporation, Municipal Council Udhampur and Municipal Committees at Rajouri, Khour, Reasi, Batote, Budgam, Pulwama, Tangmarg and Kulgam

CHAPTER – II
Technical Guidance and Supervision Role

CHAPTER – II

Technical Guidance and Supervision Role

2.1 Entrustment of TGS

Consequent upon entrustment (October 2012) of audit of accounts of PRIs and ULBs to the CAG of India and providing suitable TGS to the primary external auditors of PRIs and ULBs, viz Director LFA&P several steps have been taken by the AG (Audit) as envisaged under Sections 152 to 154 of Regulations on Audit and Accounts, 2007 issued by the CAG under Section 23 of the CAG's (DPC) Act, 1971. The guidance and supervision provided by the AG (Audit) and results obtained are summarized as under:

2.2 Audit Coverage for 2014-15

During the year 2014-15, against 70 ULBs planned for audit, Director LFA&P had conducted audit of 66 ULBs. Four ULBs had remained unaudited due to various reasons¹ against which audit of two² ULBs, not planned for audit during the year, was taken up by the Director, LFA&P.

2.3 Preparation of Audit plan for 2015-16

In accordance with the provisions contained under Section 152 (1) of the Regulations on Audit and Accounts, 2007, the Director, LFA&P is required to prepare by the end of March every year, an annual Audit Plan for the ensuing financial year and submit the same to AG (Audit). The annual Audit Plan for the year 2015-16 was submitted to the AG (Audit) within the stipulated time and suitable technical guidance in this regard was provided by AG (Audit) to the Director LFA&P. Out of 80 ULBs,³ audit of 66 had been planned during 2015-16.

- The ULBs had not been categorised as A, B, C and D on the basis of relevant parameters. Instead revenue/expenditure figures of first two quarters of previous year had been taken into consideration while formulating the audit plan.
- Neither working days of audit parties nor requirement of manpower was mentioned for implementation of the audit plan.

2.4 Preparation of Audit Manual

In order to carry out the audit activity effectively, Director LFA&P was advised (September 2013) by the AG (Audit) to prepare an Audit Manual which had not been prepared (February 2016).

¹ Kishtwar and Thathri: Road blockade, Sumbal: Deferred at the request of EO and Katra: Due to non cooperation

² Jammu Municipal Corporation and Municipal Committee Watergam

³ Including two ULBs of Tangmarg and Pahalgam denotified by the Government but still operating as per stay order of the Court over the denotification orders

2.5 Review of Audit Inspection Reports (AIRs)

In compliance to instructions contained in Section 152 (3) of the Regulations on Audit and Accounts, 2007, Audit Inspection Reports (AIRs) of ten ULBs issued by Director, LFA&P were reviewed by AG (Audit). Suggestions for improving the quality of the AIRs with regard to review of old outstanding paras for their subsequent settlement and/or updating of paras in the current report, better editing, reflecting of monetary values in the paras, basis for calculation of values included in a particular para and issuance of Test Audit Note for minor omissions/irregularities which may not merit inclusion in AIR were communicated (April 2015) to the Director LFA&P.

2.6 Presentation of audit findings in Annual Report

During the period 2012-13 to 2014-15, audit of 185⁴ ULBs was conducted by the Director, LFA&P. 65 AIRs made available to the AG (Audit) were further analysed by the AG (Audit) and Director LFA&P advised to collate these audit findings issue-wise for presentation in the Annual Report for publication in Government Gazette.

The Annual Report although prepared by the Director LFA&P had not been published (December 2015) for want of suggestions from the Administrative Department.

2.7 Internal Control System

In compliance to Section 152 (7) of Regulations on Audit and Accounts, 2007, the Director LFA&P was advised to devise a strong Internal Control System for bringing effectiveness in the working of the organization like maintenance of proper books of accounts, compliance to the acts, rules and regulations, maintenance of records of stores, regular conducting of physical verifications, etc.

No such mechanism had been evolved so far which consequentially resulted in improper maintenance of records, non-furnishing of accounts by the ULBs besides non-adherence to the provisions of the Act, rules and bye-laws as detailed in the succeeding chapter.

2.8 Training and capacity building of the local fund audit staff

In pursuance to Section 152 (8) of Regulations on Audit and Accounts, 2007, AG (Audit) imparted training on subjects relating to drafting of AIRs and maintenance of Objection Book items during the month of December 2015 to 36 staff members of the Director LFA&P.

⁴ 2012-13: 50; 2013-14: 67; 2014-15: 68

CHAPTER – III
Results of Audit of Urban Local Bodies

CHAPTER – III

Results of Audit of Urban Local Bodies

3.1 Audit by Accountant General (Audit) under TGS

Government of Jammu and Kashmir entrusted CAG of India, under TGS role, to conduct test-check of the accounts and to comment on and supplement the report of the statutory auditor. The AG (Audit) conducted audit of ten¹ ULBs during the period May 2015 to October 2015 covering the period 2011-15. The significant audit findings are discussed in succeeding paragraphs.

3.2 Erection of Hoardings

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

Audit noticed that annual contracts for charging advertisement fee from advertisers were awarded by the SMC and MC Udhampur. MC Rajouri had charged advertisement charges departmentally for a brief spell of eleven months² during the period 2010-15.

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

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

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

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

² January 2014 to November 2014

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

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

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

For rehabilitation of the urban poor families, a proposal for construction of 622 dwelling units at four³ different locations along with allied works such as water supply, sewerage system, road connectivity, drainage system, land acquisition, development of land and community toilets under the Centrally Sponsored Scheme “Basic Services to Urban Poor” (BSUP) under JNNURM was approved by the GoI for implementation by the SMC. The works at an estimated cost of ₹22.38 crore including ₹17.48 crore for construction of dwelling units and ₹4.40 crore for allied works at three locations were to be completed within 12 and 18 months⁴. The project was to be funded by the Central Government and State Government in the ratio of 90:10. Funds of ₹10.00 crore (Centre: ₹9 crore; State: ₹one crore) were received by the SMC under the scheme during the period April 2010 to February 2015.

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

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

Contracts for construction of 382 dwelling units and allied works at three different locations⁵ were allotted (February 2010 and November 2011) to different contractors with completion period of 12 to 18 months. Due to slow pace in execution and abandonment of works half-way by the contractors, all the works were retendered but penalty of ₹28.50 lakh, as provided under the terms and conditions of the contract had not been imposed upon the defaulting contractors. It was further noticed that against allotted cost of ₹50.22 lakh for construction of 18 units at Tibetan Colony, an amount of ₹105.85 lakh was paid against work done claims which resulted in payment of excess amount of ₹55.63 lakh to the contractor. Reasons for excess payments were not on record.

³ Sumer Bugh-246, Behrar-100, Tibetan Colony-36, Wangpora-240

⁴ Sumer Bugh and Behrar-18 months, Tibetan Colony-12 months

⁵ Sumer- Bugh-246, Behrar-100 and Tibetan Colony-36

3.4 Allotment of Car Parking Lots

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

3.4.1 Non-recovery of contract amount of ₹ 9.04 lakh

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

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

- SMC invited (May 2012, March 2013) bids for allotment of car parking lot at Iqbal Park and Apna Bazar Srinagar at a minimum reserved price of ₹2.65 lakh and ₹two lakh respectively. Without assessing requirement/feasibility, Corporation decided (March 2013, June 2013) to convert these parking lots into cycle sheds which did not mature and again decided (April 2015) to put both the parking lots to fresh tenders for the subsequent year 2015-16. Faulty decision of the Corporation resulted in idling of parking lots for three and two years and subsequent revenue loss of ₹9.65 lakh calculated on the basis of contract value of the earlier years. (Iqbal park: ₹4.65 lakh⁶; Apna Bazar: ₹5.00 lakh⁷)

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

- Parking lot at Pratap Park Srinagar, was put (2013-14) to tenders by the SMC at a minimum reserve price of ₹4.00 lakh. Despite offer bid of ₹4.06 lakh, it was decided (September 2013) not to allot the parking lot on the plea of not having received hand some bids. Subsequently, the parking lot was run by the Corporation departmentally during the period July 2013 to April 2015 during which an amount of ₹0.69 lakh was collected. Non allotment of the parking lot to the highest bidder resulted in revenue loss of ₹6.75 lakh⁸ to the Corporation.

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

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

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

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

3.5 Assets Management

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

3.5.1 Outstanding rent of Municipal Assets of ₹534.22 lakh

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

Table-6
Outstanding rent of Municipal assets

(₹ in lakh)

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

The Chief Executive Officers (CEOs) Executive Officers (EO) of five⁹ ULBs stated (July 2015) that action will be taken to recover the outstanding amounts and four¹⁰ ULBs did not furnish reply.

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

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

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

⁹ Udampur, Batote, Khour, Reasi and Rajouri

¹⁰ Srinagar, Tangmarg, Pulwama and Budgam

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

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

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

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

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

3.6 Lorry Adda Contracts

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

3.6.1 Outstanding contract amount of ₹44.55 lakh

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

Table-7
Outstanding toll from Commercial vehicles

(₹ in lakh)

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

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

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

3.7 Financial Management

Deficiencies notices in financial management are discussed in following paragraphs:

3.7.1 Non-recovery of embezzled money of ₹19.49 lakh

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

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

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

3.7.2 Unremitted revenue receipts of ₹0.17 lakh

Revenue receipts amounting to ₹0.17 lakh collected by two¹¹ ULBs between July 2012 and March 2015 had not been deposited into the bank but were retained by the concerned tax collectors for the periods ranging between three and 36 months (June 2015).

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

3.7.3 Outstanding Temporary Advances of ₹69.01 lakh

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

Audit noticed that temporary advance amounting to ₹69.01 lakh was outstanding against 77 employees of three¹² ULBs for the periods between 30 days and 23 years ending March 2015. No mechanism was found to have been put in place by these ULBs for recovery of the outstanding amounts.

It was stated (June-October 2015) by two¹³ ULBs that the matter had been taken up with the Director ULB for recovery of the outstanding amounts. For SMC it was stated that the amounts shall be recovered from the concerned.

3.7.4 Inadmissible payment of ₹19.48 lakh paid to Standing Counsels

SMC had engaged seven Standing Counsels/ Sr. Standing Counsels for defending its cases in various Courts. Against the admissible amount of ₹0.03 lakh per month fixed by the Government, the monthly retainer-ship was paid to seven Standing Counsels at rates ranging between ₹0.10 lakh and ₹0.18 lakh resulting in excess payment of ₹18.74 lakh as detailed in *Appendix-IV*. Moreover, one Standing Counsel was paid (January 2015) ₹0.76 lakh¹⁴ as counsel fee and final disposal fee against admissible amount of ₹0.02 lakh resulting in excess payment of ₹0.74 lakh.

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

¹¹ Rajouri: ₹16045 and Reasi: ₹1100

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

¹³ Udhampur and Batote

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

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

3.7.5 Inadmissible payment of Counsel Fee to the Advocate General

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

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

3.7.6 Irregular execution of works of ₹2.33 crore

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

Audit noticed that an expenditure of ₹2.33 Crore was incurred by three¹⁵ ULBs and its subordinate agencies during the period 2012-15 on execution of original nature of works departmentally by engaging labour through mates in violation of the laid down norms.

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

3.7.7 Non-deduction of Labour Cess of ₹2.97 lakh

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

¹⁵ SMC: ₹1.13 crore; Khour: ₹0.93 crore; Reasi: ₹0.27 crore

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

Audit noticed that three ULBs had failed to comply with the provisions of the Act and cess at the rate of one *per cent* amounting to ₹2.97 lakh¹⁶ had not been deducted from the bills of the contractors during the period 2012-13 to 2014-15. It was further noticed that cess amounting to ₹0.48 lakh, although recovered from the bills of contractors during 2014-15, was not remitted by the MC Udhampur to the concerned quarters as of May 2015.

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

3.7.8 Expenditure on Maintenance and Repairs

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

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

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

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

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

¹⁶ SMC: ₹1.91 lakh; MC Khour: ₹0.81 lakh; MC Batote: ₹0.25 lakh

Audit noticed that expenditure of ₹1.88 crore in excess of prescribed limit of 15 per cent of the allotted amount was incurred by two¹⁷ executing divisions of SMC without obtaining the sanction of the Administrative Department.

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

3.7.10 Unrecovered Garbage Collection charges of ₹41.51 lakh

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

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

3.7.11 Non-utilization of funds of ₹2.46 crore

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

Table-8
Unutilised funds under various schemes/projects

(₹ in lakh)

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

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

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

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

3.8 Levy and collection of Professional Tax and User Sanitation Charges

3.8.1 Non maintenance of records

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

Eight¹⁸ out of 10 test-checked ULBs had not maintained proper records and trade tax was being collected randomly without ascertaining whether the taxes for the earlier years had been received or not. The ULBs had neither maintained establishment date-wise data nor conducted any survey to ascertain the details/ number of shops/ business establishments existing within their limits thus affecting their own resources and consequent loss. Under these circumstances, the exact amount of tax due and tax outstanding could not be ascertained in audit.

CEO/ EO of five¹⁹ ULBs stated that necessary records will be maintained in future. No reply was furnished by three CEOs/ EOs.

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

Audit noticed that MC Rajouri, despite having conducted a detailed survey for identification of shops and other business establishments carrying out their business activities within its limits, had failed to levy/ recover professional tax and user sanitation charges amounting to ₹37.14 lakh²⁰ during the period 2010-15 due to non/ improper maintenance of tax records.

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

3.8.3 Conducting of Food Inspections

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

¹⁸ Municipal Council Udhampur and Municipal Committees of Batote, Khour, Reasi, Rajouri, Budgam, Kulgam and Pulwama

¹⁹ Rajouri, Udhampur, Batote, Khour and Reasi

²⁰ Professional Tax: ₹17.01 lakh; User Charges: ₹20.13 lakh

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

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

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

It was further noticed that four²¹ ULBs had not conducted regular food inspections and two ULBs²² had not conducted any food inspection due to non-availability of staff.

It was stated by five²³ ULBs that the Director ULB shall be approached for posting of suitable staff MC Budgam MC Kulgam did not reply.

3.9 Solid Waste Management

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

Audit noticed that no mechanism was in place in nine²⁴ ULBs to handle and dispose-off the wastes in accordance with the provisions of Solid Waste (Management and Handling) Rules 2000 thus posing a great threat to human health and surrounding environment. The number of storage bins available with the ULBs was also found to be insufficient to cater to the demand of the area and the waste was being dumped in open sites near public places, along streets and main roads giving birth to unhygienic conditions as shown below in the photographs taken by the Audit.

²¹ Municipal Council Udhampur; Municipal Committees of Batote, Khour and Rajouri

²² Municipal Committee of Budgam and Kulgam

²³ Municipal Council Udhampur, and Municipal Committees of Batote, Khour, Rajouri and Reasi

²⁴ Batote, Khour, Rajouri, Reasi, Udhamur, Tangmarg, Pulwama, Budgam and Kulgam



Khanyar Srinagar



Bus stand Udhampur

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

In reply MC Reasi and MC Khour stated that the land had been identified for establishment of a Solid Waste Management plant but the same is yet to be handed over to the department. MC Rajouri stated that the matter is under active correspondence for identification of land and two²⁵ ULBs stated that action shall be taken after taking the approval of the higher authorities. No reply was furnished by four²⁶ ULBs.

3.10 Redressal of Public Grievances

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

²⁵ Udhampur and Batote

²⁶ Tangmarg, Budgam, Pulwama and Kulgam

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

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

No reply was furnished by any of the ULBs.

3.11 Accounting mechanism and other issues


- Chapter-11 of the J&K Municipal Accounting Manual 2011 envisages that each ULB shall prepare Annual Financial Statements (AFS) comprising of Receipt and Payment Account Income and Expenditure Account and a Balance Sheet in prescribed format at the end of each financial year and submit it to Examiner, LFA&P for scrutiny and compilation thereof. The Manual further envisages that AFS shall be approved by the Commissioner/ CEO/ EO of the ULB concerned, as the case may be, and placed before the Standing Committee for preparing an Action Taken Note. The manual had not been adopted fully by the ULBs.
- SMC had prepared annual accounts on accrual basis yet primary records viz. cashbook and allied records had not been maintained by the Corporations on double entry system. AFS though prepared upto 2011-12 had neither been submitted to the Examiner LFA&P for verification and compilation nor placed before the Standing Committee for approval by the Commissioner SMC. The CAO SMC (September 2015) while admitting the lapses stated that these will be got approved by the Commissioner SMC. Five ULBs²⁷ had neither switched over to double entry/ accrual based accounting system nor prepared their annual accounts but had only prepared the monthly receipt and payment accounts. As a result, true and fair view of the financial affairs of these ULBs including position of assets and liabilities at the end of each financial year was not ascertainable. All the CEO/ EOs stated that necessary records will be prepared in future. No reply was furnished by SMC.
- In pursuance to Rule 8.28 of the Jammu and Kashmir Financial Code Volume-I, physical verification of stores/ stock is required to be conducted annually to bring out the variations, if any, between book balances and the ground balances. Audit noticed (September 2015) that out of ten ULBs test-checked in audit, annual physical verification of stores stock of five²⁸ ULBs had not been conducted during last five years and in respect of SMC no physical verification was conducted since 2010-11.

²⁷ Batote, Khour, Rajouri, Reasi and Udhampur

²⁸ Batote, Khour, Udhampur, Reasi and Rajouri

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

Srinagar / Jammu
Dated :


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

APPENDICES

Appendix-I

(Paragraph: 1.2, Page: 1)

List of Municipal Committees existing in Jammu and Kashmir State during 2014-15

S. No	Jammu Division	S. No	Kashmir Division (including Leh/ Kargil)
1.	Akhnoor	1.	Achabal
2.	Ghomanasa	2.	Bijbehara
3.	Bishnah	3.	Kokernag
4.	Arnia	4.	Mattan
5.	R.S.Pura	5.	Qazigund
6.	Khour	6.	Ashimuqam
7.	Jourian	7.	Seer-Hamadan
8.	Samba	8.	Verinag
9.	Vijaypur	9.	Kulgam
10.	Bari Brahmna	10.	Devsar
11.	Ramgarh	11.	Yaripora
12.	Hiranagar	12.	Frisal
13.	Basholi	13.	Pulwama
14.	Lakhanpur	14.	Pampore
15.	Billawar	15.	Tral
16.	Parole	16.	Khrew
17.	Rajouri	17.	Awantipora
18.	Sunderbani	18.	Shopian
19.	Kalakote	19.	Ganderbal
20.	Nowshera	20.	Budgam
21.	Thanamandi	21.	Khan Sahib
22.	Kishtwar	22.	Magam
23.	Cheneni	23.	Beerwah
24.	Ramnagar	24.	Chadoora
25.	Katra	25.	Chrar-i-Sharif
26.	Reasi	26.	Kunzar
27.	Doda	27.	Pattan
28.	Thathri	28.	Uri
29.	Bhaderwah	29.	Watergam
30.	Ramban	30.	Bandipora
31.	Batote	31.	Sumbal
32.	Banihal	32.	Hajan
33.	Surankote	33.	Kupwara
		34.	Handwara
		35.	Langate
		36.	Pahalgam
		37.	Tangmarg
		38.	Leh
		39.	Kargil
Total: 72			

Appendix-II

(Paragraph: 1.3; Page: 2)

List of 18 mandatory functions and functionaries to be transferred to the ULBs

1. Regulation of land use and construction of building,
2. Planning for economic and social development,
3. Urban planning including town planning,
4. Roads and Bridges,
5. Water supply for domestic, industrial and commercial purposes,
6. Public health sanitation, conservancy and solid waste management,
7. Urban forestry, protection of environment and promotion of ecological aspects,
8. Safeguarding the interests of weaker sections of the society including the handicapped and mentally retarded,
9. Slum improvement and up-gradation,
10. Urban poverty elevation,
11. Provision of urban amenities and facilities such as parks, gardens and play grounds,
12. Promotion of cultural, educational and aesthetics aspects,
13. Burials and burial grounds, cremations and cremation grounds and electric crematoriums,
14. Cattle ponds and prevention of cruelty to animals,
15. Vital statistics including registration of births and deaths,
16. Public amenities including street lighting, parking lots, bus stops and public convenience,
17. Regulation of slaughter houses and tanneries and
18. Extinction and prevention of fire.

Appendix-III

(Paragraph: 1.7.4; Page: 6)

Statement showing position of awaited monthly accounts from ULBs

S. No	Name of the ULB	Period of accounts	No. of Accounts
1.	Ghomanasa	01/2006 to 03/2015	111
2.	Bishnah	02/2015 & 03/2015	02
3.	Arnia	03/2015	01
4.	R.S.Pura	01/2006 to 03/2009, 02/2015 & 03/2015	41
5.	Khour	03/2015	01
6.	Jourian	11/2011 to 03/2012, 11/2013 to 12/2014, & 01/2015 to 03/2015	22
7.	Samba	01/2013 to 03/2013 & 11/2013	04
8.	Vijaypur	05/2006 to 03/2011, 02/2015 & 03/2015	61
9.	Bari Brahmna	03/2015	01
10.	Ramgarh	02/2015 & 03/2015	02
11.	Hiranagar	08/2013, 02/2015 & 03/2015	03
12.	Basholi	01/2006 to 03/2006 & 02/2013 to 02/2014	16
13.	Lakhanpur	01/2014 to 03/2014 & 03/2015	04
14.	Billawar	01/2006 to 03/2011, 04/2013 to 03/2014 & 03/2015	76
15.	Rajouri	01/2006 to 01/2007, 04/2007 to 09/2007, 01/2008, 02/2008, 08/2008, 10/2008, 02/2009, 03/2009, 01/2010, 11/2010, 03/2012, 07/2012, 08/2012, 05/2013, 07/2013, 10/2013, 12/2013 & 03/2015	35
16.	Sunderbani	05/2012, 06/2012, 01/2013 to 03/2013, 01/2014 to 03/2014 & 01/2015 to 03/2015	11
17.	Kalakote	11/2010 to 03/2011, 03/2012, 04/2012 & 03/2015	08
18.	Nowshera	10/2013 to 12/2013 & 03/2015	04
19.	Thanamandi	04/2010 to 03/2011, 09/2012 to 03/2013, 02/2014, 03/2014 & 01/2015 to 03/2015	24

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S. No	Name of the ULB	Period of accounts	No. of Accounts
20.	Kishtwar	12/2011 to 03/2012 & 10/2013 to 03/2015	22
21.	Cheneni	03/2015	01
22.	Ramnagar	03/2015	01
23.	Katra	01/2006 to 03/2015	111
24.	Reasi	09/2006 to 11/2007, 01/2012 to 08/2014, 12/2014 to 03/2015	51
25.	Doda	03/2015	01
26.	Thathri	12/2014 to 03/2015	04
27.	Bhaderwah	01/2015 to 03/2015	03
28.	Batote	03/2015	01
29.	Banihal	12/2011 to 03/2013	16
30.	Surankote	11/2014 & 03/2015	02
31.	Kathua	01/2015 to 03/2015	03
32.	Poonch	03/2012, 06/2012 & 01/2015 to 03/2015	05
33.	Udhampur	01/2015 to 03/2015	03
34.	JMC	03/2015	01
35.	SMC	09/2006 to 03/2011, 01/2013, 02/2013 & 11/2014 to 03/2015	62
36.	Devsar	10/2014 to 03/2015	06
37.	Chadoora	02/2015 & 03/2015	02
38.	Pattan	02/2015 & 03/2015	02
39.	Bandipora	02/2015 & 03/2015	02
40.	Sumbal	02/2015 & 03/2015	02
41.	Pulwama	03/2015	01
42.	Tral	03/2015	01
43.	Magam	03/2015	01
44.	Hajin	03/2015	01
Total			732

Appendix-IV

(Paragraph: 3.7.4: Page: 17)

Statement showing excess payments made to Standing Counsels on account of Counsel Fee

S. No	Name of the Standing Counsel	Period/ Rate	No. of months	Amount disbursed (₹)	Amount due (₹)
1.	Bashir Ahmad Khan, Sr. Standing Counsel	April 2012 to April 2013 @ ₹18000	13	234000	39000
2.	A.R Zargar, Standing Counsel	April 2012 to March 2015 @ ₹13000	36	468000	108000
3.	M. A. Kirmani, Standing Counsel	April 2012 to March 2015 @ ₹13000	36	468000	108000
4.	Mohd. Yousaf Dar, Standing Counsel	April 2012 to July 2012, @ ₹10000 August 2012 to October 2013 @ ₹12000 August 2014 to March 2015 @ ₹13000	27	324000	81000
5.	Mohd. Ashraf Qadri, Standing Counsel	April 2012 to July 2012 @ ₹10000 August 2012 to March 2015 @ ₹12000	36	424000	108000
6.	Firdos Ahmad Mir, Sr. Standing Counsel	July 2013 to April 2014 and June 2014 to March 2015 @ ₹18000	20	360000	60000
7.	Ab. Majid Watalli Standing Counsel	June 2014 to March 2015 @ ₹13000	10	130000	30000
Total				2408000	534000
Difference				₹1874000	

