

**Local Audit and Inspection Report on the accounts maintained in the office of Executive Officer, Municipal Council, Tarn Taran for the period April 2013 to March 2016 under Section 20 (1) of the CAG (DPC) Act, 1971**

**Part-I-A (i) Introductory**

Audit and Inspection on the accounts maintained in the office of Executive Officer, Municipal Council, Tarn Taran for the period April 2013 to March 2016 under Section 20 (1) of the CAG (DPC) Act, 1971 was conducted from 23.05.2016 to 27.05.2016 by an audit party headed by Sh Vir Bhan, Asstt. Audit Officer, assisted by Sh Ram Naresh, Sr. Auditor and supervised by Sh Sanjay Sapru, Audit Officer. The results of audit are embodied in the succeeding paragraphs.

*“The inspection report has been prepared on the basis of information furnished and made available by audited entity. The office of the Principal Accountant General (Audit) Punjab, Chandigarh disclaims any responsibility for any mis-information and or non information on the part of the audited entity.”*

The charge of the post of Executive Officer was held by Shri. Manmohan Singh during the period covered under audit.

The office is located near Tehsil Chowk having telephone no. 01852-500610 and E-Mail ID mctarntaran@gmail.com

No system of internal audit existed in the office during the period covered under audit.

The position of income and expenditure of the Council for the year 2013-14 to 2015-16 was as under:-

(Rs in lakh)

<b>Year</b>	<b>O.B.</b>	<b>Income</b>	<b>Total</b>	<b>Expenditure</b>	<b>C.B.</b>
2013-14	26.00	1021.97	1047.97	900.64	147.33
2014-15	147.33	1016.24	1163.57	1162.09	1.48
2015-16	1.48	998.33	999.81	997.84	1.97

**Part-I-A (ii) Non-production of records.**

-Nil-

**Part-I-B Review of old objections.**

**Replies only following two paras was supplied**

LAR 04/2011 to 03/2013

Para 1 Settled

Para 4 B Non start of Municipal Development works Rs 61.92 lakh.

Para stand

## Schedule of persistent irregularities

-Nil-

### Part-II Section-A

-NIL-

### Part-II Section-B

#### Para 1 Non collection of water supply and sewerage user charges- Rs 222.40 lakh

The Government of Punjab Department of Local Government vide notification dated 11.07.2006 notified that with effect from 26.06.06 exempted all residential units having plot area upto five marlas (125 sq. yards) situated within the limit of municipalities from the payment of water supply and sewerage charges. Further, the Government vide notification no. 9/9/05/-3LG-4/2322 date 18.09.2009 has revised water supply and sewerage tariff with immediate effect and Rs100 is fixed as user charges for un-metered water connection (domestic) and Rs 70 is fixed for sewer connections for upto five marlas connection.

During test check of records for the year 2011-12 to 2015-16 in the office of Executive Officer, Municipal Council, Tarn Taran it was noticed that meters were not installed upto five marla plots and, neither the user charges for water connection nor the user charges for sewer connections as required under the notification dated 18.09.2009 was imposed during the above period. Due to non collection/levy of user charges, the Council suffered a huge loss of Rs 222.40 lakh as per details given below:

Year	No. of water connection upto 5 marla houses	User charges recovered	User charges due for water connection @ Rs 100 per month	No. of sewerage connection upto 5 marla houses.	User charges recovered	User charges due for sewerage connection @ Rs 70 per month
2011-12	2,554	Nil	30,64,800	1,437	Nil	12,07,080
2012-13	2,576	Nil	30,91,200	1,485	Nil	12,47,400
2013-14	2,593	Nil	31,11,600	1,587	Nil	13,33,080
2014-15	2,620	Nil	31,44,000	1,672	Nil	14,04,480
2015-16	2658	Nil	31,89,600	1,722	Nil	14,46,480
Total			<b>1,56,01,200</b>			<b>66,38,520</b>

<b>G Total</b>	<b>1,56,01,200+66,38,520=2,22,39,720</b>
----------------	--

When pointed out in audit it was stated by the Council that efforts would be made to recover/impose the pending amount at the earliest. Final compliance is awaited.

**Para 2 Non-remittance of Labour Cess to the Punjab Building and Other Construction Workers' Welfare Board- Rs 6.56 lakh**

Section 39(1) of the Building and Other Construction Workers' Welfare Cess Act, 1996 provides that cess would be collected at the rate of one percent of the construction cost. Further, Rule 5 (3) of the Building and Other Construction Worker' Welfare Cess Rules,1998 provides that the cess collected should be remitted to the board within 30 days.

Test check of records and information obtained from accounts branch it was noticed that labour cess was collected during the year 2013-14 to 2015-16 as per details given below by the office of the Municipal Council, Tarn Taran from the applicants for sanctioning layout plans for the construction of buildings and other construction works, but the Council instead of remitting the collected cess to the board treated it as its income and utilized it towards the expenditure of Council which was in contravention of the instructions issued by the Government.

<b>Year</b>	<b>Amount</b>
2013-14	1,16,177
2014-15	4,88,039
2015-16	52,160
<b>Total</b>	<b>6,56,376</b>

As evident from the above table Municipal Council had utilized an amount of Rs 6.56 lakh, instead of remitting the same to the board. The action of the Municipal Council to utilize / retain the labour cess beyond 30 days of its collection and treating the same as its income and utilizing it towards its own departmental expenditure was irregular.

On being pointed out during the audit it was replied that labour cess would be remitted to the concerned department as per availability of funds. However, in future it would not be taken as council income. Final compliance is awaited.

**Para 3 Outstanding recovery of rent/lease- Rs 2.47 lakh**

Section 104 and 105 of the Punjab Municipal Corporation Act, 1976 provides that for whole of any part of the city a new assessment list every year or adopt the rateable values contained in the list for any year with such alterations as may in particular cases be deemed necessary. In this connection Government of Punjab Department of Local Government prescribed the policy regarding periodical increase in the rent of Municipal properties in the State vide Memo No. 10.80/95-5LGIII/11947 dated 16.10.1998. Municipal Council Tarn Taran has its shops under its jurisdiction in different markets which have been provided to the tenants on monthly rent/lease basis at the prescribed rates, as per agreement entered into between the M.C. and concerned tenants. The tenants are required to pay the prescribed amount of rent of respective shops to the Council.

Test check of records for the year 2011-12 to 2015-16 of Rent Branch and information supplied by the concerned branch it was noticed that an amount of Rs 2.47 lakh was outstanding as on 31.03.2016. The yearwise position of receipt and outstanding rent is given in annexure attached. Due to non taking of timely and effective action against the defaulters, an outstanding amount of Rs 2.47 lakh rent remains to be recovered.

On being pointed out it was replied that efforts would be made to recover the pending rent of shops. Final action taken is awaited.

**Para 4: Outstanding recoverable amount of water supply and sewerage charges- Rs 54.34 lakh**

Municipal Council Tarn Taran levies water supply and sewerage charges on residential/commercial households at the specified rates fixed by the Government from time to time and makes collections against demands issued to the users.

Test check of records and information obtained pertaining to water supply and sewerage charges for the year 2011-12 to 2015-16 it was noticed that an amounting to Rs 54.34 lakh including arrears of previous years was to be recovered from the users as on 31.03.2016.

On being pointed out in audit it was replied that efforts would be made to recover the amount. Final action taken is awaited.

**Para 5: Non-recovery of composition fee**

As per notification No. 12/2/13-5HG2/3052 dated 21/08/13 and extension there to for a period of one month till 31/01/2014, about 15 applications were forwarded by MC Tarn Taran for regularization of irregular colonies as per detail given in the annexure. As per clause A.2 iii) The charges received from the de elopers/plot holders shall be deposited in the following manner:

- a) 10% of the total composition fee realized from regularization of colonies both within Municipal limits and outside municipal limits shall be deposited in government treasury along with the application, 15% within one month of submission of application and the remaining 75% shall be deposited in the government treasury in three equal six monthly installments along with an interest @12% per annum.
- b) Out of total proceeds of Composition fee, 1% will be deposited as Cancer Cess and 1% will be deposited for Culture Cess.

During test check of records / files relating to regularization it was noticed that only 25% of the amount has been deposited by the applicants and the remaining 75% has not been deposited along with 12% interest thereon. This amount was to be deposited by the applicant either directly into treasury or through MC.

On being pointed out in audit, no record was provided to audit through which the arrears can be calculated, and it was stated that efforts will be made to recover the arrears. Final action taken is awaited.

**Para 6: Outstanding recoverable amount of House Tax/Property Tax-  
Rs 13.01 lakh**

Municipal Council Tarn Taran levies house tax on building under the jurisdiction of Municipal Council at the specified rates fixed by Government from time to time and makes collections against demands issued to the assesses. Section 104 of the Punjab Municipal Corporation Act, 1976 provides that Corporation/council shall prepare for whole of any part of the city a new assessment list every year or adopt the rateable values contained in the list for any year with such alterations as may in particular cases be deemed necessary.

Test check of records and information obtained pertaining to house tax assessment and collection for the year 2011-12 to 2015-16 it was noticed that against total demand for the year 2011-12 of house tax amounting to Rs 144.59 lakh including arrears of previous years 2011-12 of Rs 98.59 lakh, an amount of Rs 54.17 lakh was collected from the assesses of their properties and an amount of Rs 59.21 lakh still remains to be recovered as on 31.03.2013. Further, against the outstanding House Tax of Rs 59.21 as on 31.03.2013, an amount of Rs 11.00 lakh was still to be recovered from the various house holders. Similarly, property tax of Rs 2.01 lakh as on 31.03.2016 was also outstanding.

On being pointed out in audit it was replied that more efforts would be made to recover the amount. Final action taken is awaited.

**Para 7 Non-recovery of annual renewal charges for Mobile Towers-Rs 9.05 lakh**

The Government of Punjab, Department of Information and Technology vide its letter dated 11.02.2005 had fixed one time installation charges @ Rs 10000 and annual renewal charges @ Rs 5000 of BTS/CDMA Mobile Towers. Further, vide No. INFRA/GUIDELINES/TELECOM INFRASTRUCTURE/13546A dated December 5<sup>th</sup>, 2013, Government of Punjab Department of Industries and Commerce issued guidelines regarding revision of one time installation charges of mobile towers in corporations/MCs. Accordingly Rs.25000/- for one time installation charges has been prescribed in C class MCs.

Test check of records and information obtained in respect of Mobile Towers installed within the jurisdiction of Municipal Council Tarn Taran it was noticed that Municipal Council has not recovered annual renewal charges of Rs 9,04,800 from 07 Companies of Mobile Communication Towers upto the year 2015-16 as per annexure attached.

On being pointed out in audit it was stated that the renewal charges of mobile charges would be recovered and would be shown to next audit. Final compliance is awaited.

**Para 8: Pending liabilities-Rs 651.20 lakh.**

The Punjab Financial Rule Vol.I provides that the authorities incurring the expenditure must see that expenditure should be incurred within the budget allotment and

in any circumstances charges are to be allowed to stand over to be paid from the budget grant of another year. In this connection Government of Punjab, Department of Finance (Finance Budget-I Branch) issued instructions to all Heads of Departments Vide letter No. 1/1/2002-IFB/4216 dated 22.03.2002 regarding non-creating of liabilities. Further, Chapter XVI of Municipal Account Code 1930 provides that Corporation or Committee as the case may be shall maintain a Provident Fund Ledger in Form PF I and contribute to the provident fund of each subscriber each month and at the time of retirement of a subscriber the amount shown to the credit of his account plus interest accrued to date shall be withdrawn and shall be paid to him.

Test check of records in Municipal Council, Tarn Taran it was noticed that there was a liability of Rs 343.30 lakh as on 31.03.2015 which has increased to Rs 651.20 lakh as on 31.03.2016 as per details given below:-

(Fig. in Lakh)

Sr. No.	Particulars	Liabilities as on 31.03.2015	Liabilities as on 31.03.2016
1.	DDLG Amritsar	5.00	--
2.	HUDCO/Lic loan	60.00	60.00
3.	Contractor	60.00	80.00
4.	Other dues	62.00	--
5.	Directorate Charges	20.00	48.00
6.	Retiral dues	87.00	113.20
7.	GPF	87.00	109.15
8.	EPF	--	75.00
<b>Total</b>		<b>343.30</b>	<b>651.20</b>

On being pointed out it was replied that pending liability would be cleared at the earliest. Final action taken is awaited.

**Para 9 Delay in execution/non-completion of works and pending liabilities.**

As per Clause 2 of contract, time allowed for carrying out the work entered in the tender shall be strictly observed by the contractors and the works should be completed in the stipulated time period. In case of non-completion of work in stipulated period, the contractor is liable to penalty as per conditions of contract. Further, as per Clause 5, if the contractor shall desire an extension of the time for completion of the work on the ground of unavoidable hindrance in its execution, he may request in writing for extension of time to the competent authority to authorize the same.

Test check of records and information obtained in respect of various development works executed by the Municipal Council pertaining to the period 2013-14 to 2015-16 it has been noticed that:

(a) There was delay in six works ranging between 100 days to 136 days, but no action has been taken by the Council against the Contractor, which resulted into non adherence of the codal provisions.

(b) The Council has purchased street light material vide work order no. 6, 7, and 8 dated 10.07.2015 for Rs 2,19,300/-, Rs 2,20,000/-, Rs 2,20,000/- respectively (total Rs 6,59,300/-). The firm supplied the material on 14.07.2015, but no payment was made to the firm so far, this was against financial rules which resulted into creation of pending liability.

(c) The Council had prepared estimate of Rs 9.89 lakh and Rs 52.83 lakh for construction of Slaughter house and construction of night shelter respectively, but the said works has not been started so far. Due to non start of works, the allocated funds could not be utilized, which was irregular and in contravention of the Government instructions.

On being pointed out it was replied by the Council that the pending works would be completed at the earliest and the pending liability would be cleared soon and would be shown to next audit.

#### **Para 10: Miscellaneous irregularities**

During test check of records maintained by the Municipal Council Tarn Taran pertaining to the year from 2011-12 to 2015-16, following irregularities were noticed:

##### **(I) Improper maintenance of Grant Register**

Rule III.8 of the Punjab Municipal Account Code, 1930 provides that Corporation/Council shall maintain a Register of Govt. grants in form G-6 in which detail of each grant received and payment made against each grant shall be recorded as soon as possible, and at the end of year a statement to this effect in form G-6A shall be forwarded to the government. Various grants were being received by the Municipal Council, but grant register maintained by the council was not in accordance with the provisions contained in the Municipal Account Code 1930. In the absence of which actual number of grants received their amount and payment made there against could not be verified.



Further, annual statement to this effect sent to the government was also not made available to audit.

**(II) Non-conducting of physical verification of stores/stock**

Rule 17.12 of Punjab Municipal Account Code 1930 provides that the whole of the property of the Committee, movable and immovable including investments shall be verified at least once in three years by a member or members of the Committee specially appointed.

Test check of records of stores and stocks showed that physical verification of the stores and stocks was not conducted during the years 2011-12 to 2015-16 which was in contravention to the rule *ibid*.

**(III) Multiple bank accounts**

As per instructions issued by the Department of Finance, Government of Punjab from time to time regarding mis-utilization of Government funds/opening of savings bank accounts, only one savings bank account must be opened/operated under each scheme. However, multiple bank accounts for a scheme by the Municipal Council were being operated as details given below:

Sr. No.	Name of scheme	Account No.	Name of Bank
1.	Municipal Fund	8363	OBC
		67584	HDFC
		67221	HDFC
		6937	BOB
2.	Grants (PMIDC)	60128	Axis
		3490	IDBI
		--	ICICI

As evident from the above table there are four account numbers for Municipal fund, and three bank account numbers for grants were opened and are being operated by the Council which was in contravention to the instructions issued by the Government from time to time.

**(VIII) Non-maintenance of contractor's ledger, Works Register.**

As per provisions contained in Municipal Account Code 1930, Chapter XIII.15, a contractor's ledger shall be maintained in the Accounts Office in the Corporation in Form M.W.15, in which shall be entered details of all transactions with contractors' in connection with works"

Test check of records maintained in the office of the Municipal Council, Tarn Taran it was showed that Works Register and contractor's ledger has not been maintained as required in provisions. In the absence of which the actual number of works undertaken, physical and financial progress of work and payments made to the contractors from time to time could not be ascertained in audit.

On being pointed out it was replied that compliance would be made. Final compliance is awaited.

**Part-III      Test Audit Note**

No Separate test audit note was issued as all the minor issues/points were discussed and settled on the spot.

**Sr. Audit Officer (V)**

**Local Audit and Inspection Report on the accounts maintained in the office of Executive Officer, Municipal Council, Tarn Taran for the period April 2013 to March 2016 under Section 20 (1) of the CAG (DPC) Act, 1971**

**Part-II Section-B**

- Para 1** Non collection of water supply and sewerage user charges- Rs 222.40 lakh
- Para 2** Non-remittance of Labour Cess to the Punjab Building and Other Construction Workers' Welfare Board- Rs 6.56 lakh
- Para 3** Outstanding recovery of rent/lease- Rs 2.47 lakh
- Para 4:** Outstanding recoverable amount of water supply and sewerage charges- Rs 54.34 lakh
- Para 5:** Non-recovery of composition fee
- Para 6:** Outstanding recoverable amount of House Tax/Property Tax- Rs 13.01 lakh
- Para 7** Non-recovery of annual renewal charges for Mobile Towers-Rs 9.05 lakh
- Para 8:** Pending liabilities-Rs 651.20 lakh.
- Para 9** Delay in execution/non-completion of works and pending liabilities.
- Para 10:** Miscellaneous irregularities
- (II)** Improper maintenance of Grant Register
- (II)** Non-conducting of physical verification of stores/stock
- (III)** Multiple bank accounts
- (VIII)** Non-maintenance of contractor's ledger, Works Register.