

ANNUAL AUDIT REPORT

ON THE ACCOUNTS OF

Municipal Committee

SONEPAT

FOR THE YEAR 2012-13

ISSUED BY:-

DIRECTOR, LOCAL AUDIT

HARYANA

CHANDIGARH.

ANNUAL AUDIT REPORT ON THE ACCOUNTS OF
MUNICIPAL COUNCIL SONIPAT DISTRICT
SONIPAT.
PERIOD: 2012-2013
PART-I

1. LAST AUDIT REPORT

The action taken on the last audit report was not satisfactory. Even annotated reply of last audit report was not prepared and sent to this office as required under rule XVII.17(2)(3) of the Municipal Account Code, 1930 read with Finance Department letter No. 28298(Fin. Gen.) dated 16.5.1951.

However, the position of the outstanding audit objections till the conclusion of current audit is given in appendix-"A":-

PART-II

2. PERSENT AUDIT:-

Accounts of Municipal Council Sonipat during the period under report continued to be audited on day to day basis under the Resident Audit Scheme headed by Sh. Ram Kumar The following Officer held the post of EO/ President during the period under report.

<u>Sr No.</u>	<u>Name</u>	<u>Period</u>
1.	Sh. Arvind Kumar, E.O.	1.4.2012 to 31.3.2013
2.	Smt Sadhna Taneja remained President from 1/4/12 to 31.3.2013.	

2-A. Record not put up:-

The record as detailed in Annexure "A-I" since April 1969 onwards was again not put up despite repeated audit objection/Requisitions. In the event of Non-production of record chances of misappropriations/ embezzlement of municipal fund can not be ruled out. The matter, therefore, merits attention of authorities for ensuring early production of record.

3. Finance:-

Financial position of the Municipal fund is exhibited below in a comparative form:-

	<u>2011-2012(Rs.)</u>	<u>2012-2013(Rs.)</u>
Opening Balance	24,78,78,763	22,62,12,933
Income	54,39,40,170	60,62,14,044
Total	79,18,18,933	83,24,26,977
Expenditure	56,56,06,000	64,81,75,340
Closing Balance	22,62,12,933	18,42,51,637

Increase in income & expenditure in during the year 2012-13 as compared to that of previous year 2011-12 was mainly attributed to better receipt of miscellaneous income /grant and execution of more development works respectively. Closing Balance also includes an investment of Rs. 14,00,00,000/- as detailed below in term deposit as on 31.3.2013.

<u>Date of</u> <u>Investment</u>	<u>Amount(Rs.)</u>	<u>Rate of</u> <u>Interest</u>	<u>date of</u> <u>Maturity</u>	<u>Name of</u> <u>Bank</u>
5.7.12	3,00,00,000.00	9.25%	4.7.13	United Bank
23.8.12	1,00,00,000.00	8.60%	22.8-13	SBI Bikaner
26.2.13	10,00,00,000.00	9.29%	25.2-14	OBC BANK
<u>Total</u>	<u>14,00,00,000.00</u>			

Apart from the closing balance of Rs.18,42,51,637/- as on 31.3.2013 Council held small investment to the tune of Rs. 2000/- in Haryana State Development Loan 1980 and 5000/- in the share of Sonipat Co-operative Sugar Mill, Sonipat The relevant pass book/ share were not shown to audit for physical verification nor any interest/ dividend was received by the council date of maturity might have elapsed which may be checked and if due, got encashed to avoid further loss interest.

Apparently, the financial position of the council from its own resources (House Tax, Stamp Duty, Rent, Development Charges, Mis. Income etc) was quite lean and miserable which was Rs. 18,14,77,188/-. It even failed to maintain the minimum balance

of one month's pay as required vide Rule XVII. 6 of Municipal Account code 1930 and D.L.B letter No. 2878/111/3765 dated 03.07.01 the council was not in a position even to pay the priority charges viz audit fee, repayment of LIC Loans. There is urgent need to augment income of the council by tapping all possible source of income besides plugging leakage of revenue from the existing one and effecting economy in expenditure wherever warranted. However the income from the other Resources / Grant is Rs. 42,47,36,856/- which was partly utilized as detailed in Appendix-B of the Audit Report.

Council fund kept in as many seven bank /Post Office account instead of one in any scheduled Bank or Coop. Bank or Post Office as envisaged in section 59 of Municipal Act 1973. Moreover approval of the Institutional Financial Deptt. And Deputy Commissioner, Sonipat in terms of instructions contained in Govt. Letter No. 15/1/78 dated 24.2.79 was also not obtained for keeping multiple bank account. It is advised to maintained only one bank/post office account as per provisions & rules. The other multiple account in operation may be closed by transferring the existing balance with upto date interest accrued there on in the bank account intended to be for facility of accounting and reconciliation of accounts.

Out of total expenditure of Rs. 64,81,75,340/- a sum of Rs. 22,77,27,439.00

(35.13%) was spent on the establishment the breakup of which was as under :

<u>S.No.</u>	<u>Name of the Department</u>	<u>Amount Rs.</u>	<u>Percentage</u>
1.	Sanitation Establishment	86770343/-	13.39%
2.	Work/Engineering branch Establishment	5397959/-	0.83%
3.	Revenue Collection Establishment	127791505/-	19.71%
4.	General Establishment	<u>7767632/-</u>	<u>1.20%</u>
	Total	<u>227727439/-</u>	<u>35.13%</u>

The Council had to discharge liabilities to the tune of Rs. 1363626.00 on account of repayment of loan LIC against water supply and sewerage scheme up to 31.3.13.

4.a) Audit Fee :

Actual Audit Fee for the year 2012-13 worked out to Rs. 1730852/- which is to be deposited by council under Head "0070-0 other Administrative Service -60-other services-B-Non Tax Revenue 110-0 fee for the Govt. Audit" under intimation audit.

5. Grants

- (a) The position of grants as received during the year 2012-13 is exhibited in Appendix 'B' to this report and summarised as under:-
 - (i) Grant as Sr No. 3 ,5, 8, 10, 11, 12, 14, 15, 17, 18, 19 were laying unutilized. These may be utilized within the stipulated period or refunded to Govt.
 - (ii) Grant at Sr. No.1,2,4,6,7,9,13,16 were spent partly. These may be utilized within the stipulated period or refunded to the Govt.
 - (iii) Grant at Sr. No.20 was transferred P.W.D (P.H) SNP .The utilization certificate of this grant is still wanting.
- (b) The position of Grants received upto 31.3.2011 and balance thereof as on 31.3.12 shown in Appendix "C" to this report is commented as under:-
 - (i) Grant of 1237950/- Rs 1233775/- and Rs. 1700000/- as detailed at Sr. No. 87, 91 and 92 of Appendix "C" were received for the improvement of urban slum and repair of damaged roads. Out of which 4.5 lacs Rs. 393665/- and Rs. 340784/- respectively were paid for the payment of salary of Municipal staff and the contractors for their pending bills of works executed out of Municipal Fund in the year 1992-93. The amount wrongly spent for the salary may be refunded out of municipal fund and utilized for the purpose for which grants were received.

(ii) Grant of Rs. 3,00,000/- shown at Sr. No. 93 of the appendix was received for the purchase of pesticides and other equipments for eradicating plague but Rs. 6720/- were only spent for the purchase of B.H.C. 1% and rest of the amount was spent for the payment of wages and for other purpose. This was irregular. The irregularity may be got regularised with the sanction of the funding authority or the amount refund besides taking action against the official at fault and compliance shown to audit.

(iii) Grants at Sr. No. 74,76,79,80,86 as mentioned in column No. 12 of the Appendix "C" was shown as unspent. but there was no balance amount in the bank account of grant on scrutiny. It was noticed that the amount of grants received were utilised for the purpose other than that for which these were received. This is highly objectionable. To regularize this the council was advised to spend an equal amount from its own resources on the purpose for which the sanction of the sanctioning authority failing which the amount be

refunded. The irregularity is brought to the notice of the Director Urban Local Bodies Haryana and Deputy Commissioner, Sonipat for taking suitable action against the official at fault and compliance shown to audit.

(iv) Grant Sr. No. 1 to 11, 13, 14, 16 to 21, 23, 24, 28 to 32, 35, to 47, 52, 54, 89, 90, 95, 96, 105 to 142 & 168 of Appendix "C" were deposited with the P.W.D.(P.H) Sonipat for execution of works under water supply and sewerage but the statement of expenditure duly verified by the Accountant General, Haryana Chandigarh were not obtained, these may be obtained now. Out of Grants at Sr. No. 10 of the Appendix "C" Rs. 1,00,000/- were utilised by the Municipal Council Sonipat and the balance amount of Rs. 12 Lacs were deposited with the P.W.D.(P.H).

(v) Grants as Sr. No. 12, 15, 22, 33, 34, 49, 51, 56 to 59, 61, 62, 64, 66, 67, 69, 70, 73, 100, 101 of Appendix-"C" were shown as spent by Municipal Council but entries in the grant Register together with relevant voucher were not shown to audit in the absence of which these could not be considered to have been utilized for the purpose for which these were received. The record may now be shown to the Resident Audit Officer to verify the correctness of utilisation.

(vi) The unspent balance of grants mentioned at Sr.No.48,50,53, 55,60,63,65,68,69,71,72,74,75,76,77,78,79,80,81,82 to 85, 86, 87, 92, 93, 94, 97, 98, 99, 102, 103, 104, 143 to 146,148,149,150,151,153,154,155,156,160 to 167 ,170 to 172 and 174 to 176 of Appendix "C" should be refunded or spent with the sanction of the grants sanctioning authority.

(vii) The amount of grants at Sr. No. 25 to 27,150,151,154 ,&155 of Appendix "C" as pointed out in column No. 11 were utilized after the stipulated period without obtaining extension of time from Govt. It may be obtained now or the amount refunded to Govt.

(viii) Where about of the amount Rs. 70,000/- at Sr. No. 104 of Appendix "C" as already pointed out in para 5(a) of the audit report 1995-96 was still not intimated. This need immediate action.

(ix) Grant at Sr. No. 147,152 , 157,a69,a173,177,178, were utilized for the purpose for which these were sanctioned.

x) Grant at Sr. No. 158,159 &179 amounting to Rs. 33,16,000/- , 80,26,000/- and 14,22,000 respectively were lying fully unspent. These may be utilized with the sanction of Govt. or refunded to Govt.

c) i) No Grant under revenue earning scheme was received during the year 2012-13.

ii) The position of grants received under the revenue the earning scheme prior to this report is given in "Appendix'D"' to this report, it was noticed that separate account of revenue earned from the shops constructed under this scheme was not maintained. The details of expenditure incurred, month and number of shops construced was not shown in the grants register. As such proper utilization of grants and revenue earned could not be ascertained. Separate account of grant may be maintained now and register duly completed shown to audit for verification of factual position.

6. Loans:

(i) The position of loans during the period under report and also of those received in previous year is exhibited in "Appendix E" to this report along with repayment position thereof. The loan received from Govt. and Life Insurance Corporation of India for the execution of water supply/severae scheme from time to time were deposited with Public Health Department Haryana but the utilization thereof were not admitted in audit for want

of statement of expenditure duly verified by the A.G. Haryana Chandigarh as required vide article 230(Note 2) of Account Code Vol.III. the requisite statement duly verified by the Accountant General Haryana Chandigarh may be obtained now to effect adjustment in the book of council. In respect of the work not undertaken and completed by the Public Health so far, the council may claim refund along with interest thereon.

(ii) The repayment of principal and interest of loan were not being made since 1982 except Sr. Nos. 91,93,96. The installment of loans and interest should be paid regularly as the repayment of loans is priority charge on the municipal fund under section 57(i) (b) of the Haryana Municipal Act. 1973. The non payment of instalment of loans would ultimately result in accrual of penal interest. This is brought to the notice of Govt. for timely action in the matter.

(iii) Loan of Rs. 12611000/- was received as detailed at Sr. No. 93 of Appendix 'E' to this report for shifting of Milk Dairies. Land measuring 128 Kanal 11 Marla was purchased from Gram Panchayat Harsana Kalan on 24.3.03 for Rs. 4745781/- and land measuring 76 Kanal was also purchased from Gram Panchayat Devru on 7.9.04 for Rs. 30,63,750/- The entry of this land in property register, its sale account and amount received/refunded of loan be shown to audit.

(iv) Out of Loan of Rs. 6 Lacs mentioned at Sr. No. 36, Rs. 4 Lacs and 61395/- were deposited with the P.W.D (P.H) Branch in 1982-83 and on 19.02.1986 respectively, and the balance of Rs. 138605/- was utilized on other purpose. The same may be deposited to the P.W.D.(P.H) with proper sanction & shown to audit.

(v) Loan of Rs. 2,50,000 was received from Director from Director Urban Development Haryana Chandigarh for payment of retiral benefits to Municipal Employees as detailed at Sr. No. 95 of Appendix 'E' to this Report. Out of Rs. 187850/- were paid. Unspent balance of Rs. 62,150/- should be refunded alongwith the instalments as per terms & Conditions of Loan & shown to audit.

7.(a) Arrear of House Tax

(i) Position of arrears in respect of House Tax, Fire Tax Could not depicted in the Audit Report as the records i.e Demand and Collection register of House Tax were laying in complete since the year 1988-89. The Executive Officer was requested time and again and Requisition No.5 Dated 12-09-2012 has been issued in this regard. to get the register complete and the assessment of tax. Received and posting therefore may be got checked from audit but municipal authorities paid no heed to the audit request. Even the assessment list and the demand and collection registers were not completed and got checked from audit. The record of House Tax may be completed, brought upto date and arrears worked out and put up to audit for check.

(ii) There were reported cuttings and over writings in the amount of arrears as well as in current demands of House tax demand & collection registers for the period upto 31.3.01. which were also not attested by any official nor any record and reason for change of amount was put up/given. The old record /demands and collection register from which the balance carried over and the decision of the committee/Sub-committee for fixing current demand were also not shown. Page wise totals balances were not worked out. This may be done now and record may be completed and shown to audit. Further, supplementary assessment of House Tax as required under section of Municipal Act 1973 was also not made of the last several year causing heavy loss of revenue to the council. Adequate steps may be adopted.

Further the Demand & Collection register for the year 2003-2004 onwards were not maintained as yet and contract to complete the job of postings/ proving was not given to some computer agency for its preparations. These registers may be got prepared, postings made upto date and got checked from audit at the earliest possible.

7.(b)(i) Other Register:

Similarly the position of arrear of rent could not be ascertained as the demand and collection register of rent of Municipal shops, open land and properties given on lease was not properly maintained and was lying incomplete since long. The old demand and collection register from which the balance were brought forward was not put up to verify the correctness of balance carried over. The posting of rent received were also not got checked from audit for the last 19-20 years. Requisition No.7 Dated 17-10-2012 has been issued in this regard. The relevant record duly completed may be produced in audit for necessary check.

It is also pointed out that in the absence of complete record of rent it could not be checked as to whether the rates of rent chargeable from occupants were enhanced after 3 or 5 years as per instruction of local Govt. issued in this behalf from time to time. The record may be got completed and it also be ensured that the rent is charged after enhancing 20% after the lapse of five complete year & from the date of allotment to augment in the financial interest of the council.

ii) Similarly in a large number of other cases the tenancy right of Municipal Shop/lands were being transferred for the last 15-20 years but the relevant record i.e. agreement deeds, period, terms and conditions of transfers/lease, recovery of rent, transfer fees, orders of the authority for transfer and other connected records was not made available in audit. This was not in order and the matter, is again brought to the notice of the Deputy Commissioner Sonapat/Director Urban Local Bodies Haryana for issuing directions for completion and production of record to avoid any chances of misappropriation/defrauding of Municipal fund and properties.

8. Temporary Advanced:-

Temporary advanced amounting to Rs. 12,89,65,385/- as detailed below were awaiting adjustment as on 31-3-13 the huge chunk of temporary advances outstanding since long in the books especially against the Municipal official/officers reflected ineffective control of the Municipal administration. The temporary advanced were often

drawn in indiscriminate even when not required for immediate use this depicts sorrow state of affairs the light of instruction may be taken notice by the higher authorities and prompt action, in the light of instructions contained in Local Govt. Deptt. Memo No. - 20/317-78-5C- III Dated 3.11.79, and requisition no. 3 dated 8.05.12 has also been issued by audit. Action be taken forthwith to ensue adjustment of long outstanding advances without any further delay. The statement of expenditure in respect of advanced deposited with the Govt. Department for execution of various Development works duly verified by the Accountant General Haryana Chandigarh may be obtained forthwith. In case the expenditure has not been incurred and concerned work not yet completed, the advance may be got refunded.

Sr. No	Name of Deptt.	Period Exceeding 3 Years. (upto 3/09)	period exceeding 6 months but not Exceeding 3 years (4/9 to 9/12)	Period not exceeding 6 month (10/12 to 3/13)	Total
1	2	3 Rs	4 Rs.	5 Rs.	6 Rs.
1.	XEN (P.H)	106280000.00	----	---	106280000.00
2.	M.C Snp	4406318.00	3328162.00	3,66,903.00	8101383.00
3.	Other Govt Deptt.	3905454.00	Nil	10678558.00	14584012.00
Total		114591772.00	3328162.00	11045461.00	128965395.00

9. SHORT RECOVERY/NON RECOVERIES AND LOSS OF REVENUE

(a) It has been observed that the revised registration fee Rs. 10,000.00 and renewal fee Rs. 2000.00 vide notification no. 95/h.24/1973 SS -200 and 214/2007 dated 11.11.07 under bye-laws 62 A of Haryana Municipal Building bye -laws 1982, is not being realised from the architect who are dealing with the Municipal Council regarding approval of building plan etc. This is not satisfactory. The same may be realised alongwith composition fee at the earliest under intimation to audit.

(b) Income from show tax from various Cinemas in the area of M.C. Sonapat for the period under audit was not shown to audit . Niether D& C Register of show tax showing the Shows displayed was maintained. The loss of revenue to M.C. fund is brought to the notice of higher authorities for appropriate action .

(c) Tax on electricity consumed by inhabitants within the limits of council @ .01 paisa per unit imposed vide Government letter No. 23/3/87-5 C1 dated 13.05.92 read with Director, Urban Development memo No. 5-A/93/6169 dated 08.02.93 w.e.f. 01.07.92 which was further revised to 5 paisa per unit w.e.f. 16.5.2000 vide notification No. 9/26/ 2K-5 C1 dated 16.5.2000 was to be recovered by concerned HSEB/ HVPN Sub Division

from the consumers for onward deposit in the council but neither any details of tax due, recovered and arrears were obtained from the H.S.E.B./H.V.P.N. and record of income under this head was completed nor the HSEB/HVPN ever supplied any such details to the council though a period of more than 18 years have lapsed since the levy of this tax on electricity consumption . The necessary monthly / year wise details of units consumed tax due thereon, recovery effected and amount in arrears may be obtained forthwith by seeking intervention of the Distt. Higher authorities as the matter has already been delayed much. The responsibility may be fixed of the delinquent of officers/ officials in this regard.

10. Retrenchments and Recoveries :-

Rs. 1430038 were retrenched in audit during the period under report. The retrenchments were mainly attributed to arithmetical errors, wrong totaling and excessive rates etc. due to lack of internal checks which needs to be strengthened to avoid such recurrences in future.

11. Provisional Payments :-

Provisional payments to the tune Rs. 1190826/- as per details given in the Register of Provisional Payment were awaiting for settlement on 31.03.2013. No efforts of any sort were even made to obtain the requisite sanction from the Govt. All such payments should be got settled now failing which responsibilities be fixed.

12. **Provident Fund:**

i) Provident fund reconciliation statement was not prepared since very long. Nomination form were also not obtained from the subscribers and P.F 1-A register is not maintained. Requisition No.5 Dated 12-09-2012 has been issued in this regard. The needful should be done now and shown to audit.

i) On retirement/death or transfer of the employees, the final payment of provident fund at the credit of the employees was made out of combined account of P.F.-3 But the their individual accounts were not closed and balance amounts were not transferred to (P.F.-3) combined accounts. This was not in order. Individual account of all the employees who were paid the final payment out of P.F. -3 combined accounts may be dealt under the laid down procedure of accounting to avoid any chance of misappropriation by with drawl of the amount from their individual lateron. Requisition No.5 Dated 12-09-2012 has been issued in this regard.

13. Miscellaneous

i) Physicals verification of council property head was not been since long whereas it should have been verified at least once in three years as required under rule XII.12 of the Municipal Account Code 1930. This may be given due consideration to watch the interests of Municipal Prosperities /Assets.

- ii) The council owned five tractors but none of these was provided with Kilometer/hour meter. Log Book of each tractor was also not prepared in the prescribed form, certificate of mileage per hour and scale of consumption of diesel etc. per km/per hour was also not recorded in the Log book. The consumption of diesel of each tractor was not got checked from competent Technical Authority, which may be got done now and compliance shown to audit.
- iii) The return of used up receipt books of potential value was not watched. It was not in order and may result in misuse of any book(s) causing loss to Municipal revenue. The receipt books should be issued under the order of proper authority and return thereof be recorded in the stock register of each issue entries. Further on last receipt a certificate of deposit of amount realized may also be recorded.
- iv) The monthly and progressive totals of income and expenditure entries booked in the classified abstract register for the period 02/10 to 11/10 and thereafter was not put-up in audit as pointed out in Audit Requisition 22 dated 23-12-2010. As such the excesses of expenditure over the budget provision and abnormal fall of income from the budget targets could not be verified in audit. The registers should be completed forth with and all the excess as over the expenditure be got regularised as required under Rule 11-9(3) of the Municipal Account code 1930 and the abnormal fall of income under various heads also be investigated to ensure that there was no leakage of revenue.
- v) Annual accounts were not prepared since 4/2000. These may be prepared immediately and always in future.
- vi) The consumption & balance of each item of stock register of engineering branch since 4/91 were not worked out. This may be got expedited.
- vii) Inventory register showing total numbers of registers being maintained in each branch/ department of the council since 4/1998 was not maintained, this may lead to

misappropriation of the cost of stores/property of the council. This register may be started forthwith & all the registers be got maintained properly in the council.

viii) Tree register was not maintained since 4/2000. The requisite register may be started now and all the trees growing /standing on the Municipal Land mentioning their age, girth and kinds etc. be entered and showing to audit.

ix) Immovable property register in form R-1 required to be kept and maintained under Rule 11.1 of the Municipal Account code, 1930 was again not put up to audit despite Audit Requisition No. 27(A) dated 30.3.2012. In the absence of which actual land/property vested with the council could not be known and possibility of its adverse possession/unauthorised construction and encroachment there on could not be ruled out. No-maintenance/Non-completion of this register was a serious lapse on the part of the Municipal Administration. The registers may be now be completed and Municipal Properties be identify and physically verified to ensure that there was no case of adverse possession/ encroachment and compliance shown to audit.

14. Conclusion:

Disposal of old objection utterly neglected (Part-1). The record as detailed in "Annexure-A" was still not produced (Part 2-A). The record related to Rent, Rate and Taxes was lying incomplete /inverified(Para-7). Temporary advances were awaiting for adjustment (Para-8). Cases of Non-recoveries /short received were noticed (Para-9). Provident fund record was incomplete and un-reconciled (Para-12)

In a nut -shell, the maintenance of council record was far from satisfaction and required considerable improvement, closer supervision and strict control at all levels of the administration.

Confidential -
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Sei - Csh. Ragan Mittal
(Deputy. Director
Local Audit Haryana,
Chandigarh.

Endsrt. V(-----)

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dated:

18-3-2015

Copy of above is forwarded to the following for information and necessary action please:-

- ✓ 1. President/Executive Officer, Municipal Council, Sonipat with the request that an annotated copy showing the action taken on this audit report may please be sent to this office at an early date.
2. *Principal*, Secretary to Govt. Haryana Finance Deptt. Chandigarh.
3. The Principal Secretary to Govt, Haryana Urban Local Bodies Deptt, Chandigarh.
4. Principal Accountant General Haryana (Audit). Chandigarh.
5. Deputy Commissioner, Sonipat.
6. Commissioner, Rohtak Division Rohtak .
7. Director, Urban Local Bodies, Haryana, Chandigarh.
8. Resident Audit Officer, Municipal Council, Sonipat.

18/3/15
Deputy DirectorFor Director Local Audit Haryana,
Chandigarh.*18/3/15*
Pandey