

Government of Andhra Pradesh
State Audit Department

From:
Sri.Y.Satyanarayana, M.sc.,
District Audit Officer,
State Audit, Krishna,
Machilipatnam

To:
The Commissioner,
Municipal Council,
Machilipatnam

Lr.SA.No.62/2017-18 Dt: 12.04.2017

Sir,

Sub:- Audit – Audit Report on the accounts of Machilipatnam Municipality for the year 2013-2014 – Sent – Regarding.

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The Audit Report on the accounts of Machilipatnam Municipality for the year 2013-14 is forwarded herewith with a request to furnish replies with in 2 months from the date receipt of this report as requested under A.P.State Audit Act,1989 read with A.P.State Audit Rules,2000.

Yours faithfully,

APPROVED 1
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District Audit Officer,
State Audit, Krishna, Machilipatnam

Copy submitted to the Director of State Audit, A.P,Ibrahimpattam.

Copy submitted to the Regional Deputy Director, State Audit, Zone-II, Eluru.

**AUDIT REPORT ON THE ACCOUNTS OF GENERAL FUNDS OF
MUNICIPAL COUNCIL, MACHILIPATNAM FOR THE YEAR
2013-2014**

Name of the Auditor :- Sri K.N.VENKATESWAR RAO Asst. Audit Officer
Smt.B.Lalitha, Asst. Audit Officer
Sri.M.Lakshmi Kumar, Asst. Audit Officer

Time taken for audit :-11.05.2015-16.05.2015,20.05.2015-
23.05.2015,26.05.2015-29.05.2015
24.03.2016-30.03.2016&08.04.2016-29.04.2016

The office of the Chairman was held by the following persons during the period under audit.

| Sl.No | Name of the Chairman / Special Officer | Period |
|-------|--|-------------|
| 1 | Sri.N.Ramesh Kumar | 01.04.2013- |
| 2 | Sri.B.L.Chennakesava Rao | 31.03.2014 |

The office of the Commissioner was held by the following persons during the year under audit.

| Sl.No | Name | Period |
|-------|----------------------------|-----------------------|
| 1 | Sri.S.SivaramKrishna | 01.04.2013-6.01.2014 |
| 2 | Sri.A.S.N.V.Maruthidiwakar | 07.01.2014-31.03.2014 |

1. Introductory:

The Municipality was upgraded as Special Grade Municipality with an area of 26.67 SQ.KMs and Population of 1,83,870 as per 2001 Census. There are 32 Revenue Wards & 42 Election wards. There are @ 39000 PT assessmensts in Machilipatnam Municipality as on 01.04.2014. The main source of Income are Property tax, Water tax, Fees, Rents & Leases from shopping complexes, assigned revenues like stamp duty, Grants etc.,

2. Scope of Audit:

The accounts of Machilipatnam Municipality for the year 2013-14 were generally examined excepting the standard audit risks. A test check on expenditure was conducted taking the months of May, July, September, November 2013 & January and March 2014 as samples and also certain major items of expenditure taken at random for indepth scrutiny.

The responsibility for production of all fund pass books, FDRs etc., furnishing of correct accounts lies with Municipal Commissioner. If any of the pass books or other funds were concealed & not at all taken in to account and the original records not produced to audit, it is not possible for the audit to trace whether any amount is omitted or not or whether any funds exist other than those shown to audit. To that extent audit risk is involved. Therefore, the audit is conducted to the extent records produced by the Municipal Commissioner.

In spite of several HM letters issued, the record production is very limited and those records which were produced were also incomplete. Except a few records, all other original records were either not produced or produced in incomplete shape. Audit could not be completed without full fledged record production. But because of exigencies, the audit was closed unsatisfactorily and on conditional basis i.e, as and when all the records, rectified FOBs are produced by the Commissioner, Machilipatnam Municipality the correctness of Annual Accounts will be verified and certified.

3.GENERAL FINANCIAL REVIEW: The receipts and payments during the year were shown in the Receipts & Payments statement together with the opening and closing balance. The opening balance in the cash book was in agreement with the closing balance of the previous year. The consolidated annual account was showing the closing balance of Rs.108108278/- as on 31-3-2014. As verified from the cash book, the cash book was closed every month. The monthly abstract and yearly abstract was arrived at and noted in the cash books. The reconciliation statements were not produced As such the correctness of the closing balance of the cash book could not be certified in audit. Immediately the reconciliation statements would need to be obtained and produced to audit.

DETAILS OF THE CLOSING BALANCES AS PER RECEIPTS AND PAYMENTS STATEMENT AS ON 31-3-2014:

| SL.NO | DETAILS | MGF | CPF |
|-------|-------------------|--------------|--------------|
| 1 | Cash in Hand | 5669219.00 | 400.00 |
| 2 | Cash at Bank | 139842507.75 | 29683499.56 |
| 3 | Cheque in Hand | 10523295.00 | 41000.00 |
| 4 | Cheque in transit | - | - |
| | TOTALS | 332727053.75 | 102193796.56 |

| | Cash | Treasury |
|--|--------------------|-------------|
| C.B as per the General Funds cash book (001) | - | 67619393.84 |
| C.B as per the General Funds cash book (002) | - | 40488885.00 |
| Closing balance of other funds | Statement enclosed | |

FINANCIAL POSITION

The resources of ULBs consist of grants and assistance from the Government of India (GOI) and the State Government under various schemes, loans from Financial Institutions (HUDCO etc.) and own revenue generated through various tax and non-tax collections. The tax revenue mainly accrues from property tax and taxes on advertisement, while non-tax revenue comes from water charges, encroachment fee, developmental charges, building fee, etc. The financial position of the ULB has been analysed with reference to the figures provided in the budget as follows. Further during the year under audit, as the subsidiary registers were not produced, the actual receipts in respect of revenue were taken based on the annual account figures.

Amount in Rs.

| Sl. No. | Head of Account | 2013-14 |
|---------|---|-------------|
| 1 | Property Tax from Public-General Tax | 49822578.00 |
| 2 | Vacant land tax | 8602.00 |
| 3 | Entertainment Tax | 0.00 |
| 4 | Advertisement Tax | 403980.00 |
| 5 | Water tax/ fees | 16889783.00 |
| 6 | Rent from Markets, Shopping/Office Complexes/Buildings / Canteens | 193426.00 |
| 7 | D & O Trades licence fee | 1779473.00 |
| 8 | Birth and Death Register Extract Fee | 100 |

a) TAX REVENUE RAISED BY THE MUNICIPAL COUNCIL:-

The tax revenue consists of property tax, water tax and advertisement tax etc. Tax on property is the main source which constituted the bulk of revenue receipts of Municipal council during the year. An analysis of tax revenue for the current year and the preceding two years is given below.

| Sl. No. | Nature of Tax | 2013-14 Rs |
|----------------|----------------------|-----------------------|
| 1 | Property tax | 49822578. 00 |
| 2 | Advertisement tax | 403980.00 |
| 3 | Vacant land tax | 8602.00 |
| 4 | License fee | 1779473.0 0 |
| 5 | Leases | 193426.00 |
| 6 | Entertainment tax | 0.00 |
| 7 | Encroachment fee | 19410.00 |

b) REVENUE RECEIPTS AND ITS ANALYSIS:-

The source of revenue receipts during the year was through (1) revenue raised by the Municipal council (2) receipts from the state government towards share of entertainment tax, M.V. tax, land cess and surcharge on stamp duty etc (3) Grant-in-aid received from the Government. An analysis of receipts under the above heads during the year along with corresponding figures for the preceding 2 years is given below.

| Sl. No. | Item of revenue | 2013-14 |
|---------|---|---------------------|
| | | Rs |
| 1 | Revenue raised by Municipal council | |
| | a) Tax Revenue | 80731217.00 |
| | b) Non-tax revenue leases, fees and rents etc | 30640413.00 |
| | Total: | 111371630.00 |
| 2. | Receipts from Govt. | |
| | a) Entertainment tax | 0.00 |
| | b) Surcharge on stamp duty | 18740035.00 |
| | c) P.T. | 0.00 |
| | d) Population grant | 0.00 |
| | Total | 18740035.00 |

C) NON-TAX REVENUE OF THE MUNICIPAL COUNCIL:-

Building rents, leases of markets, slaughter houses, betterment charges etc., form the non-tax revenue and constituted percentage of revenue of the municipal council. An analysis of the non-tax revenue under some principal heads for the year and during the preceding 2 years is given here under.

| Sl. No. | Item of revenue | Year |
|---------|---------------------------|------------|
| | | 2013-14 |
| 1 | Water charges | 0.00 |
| 2 | Leases of markets | 193426.00 |
| 3 | Slaughter house | 0.00 |
| 4 | License fees (D&O Trades) | 1779473.00 |
| 5 | Building license fee | 273891.00 |
| 6. | Shop Room rents | 0.00 |
| 7. | Others | 0.00 |

BUDGET:-

According to rule 8 of the rules relating to the preparation of the budget, allotment and transfer of funds issued with G.O.Ms.No.619, MA., dt.7-10-67, the budget should be submitted to Government through the District Collector and the Director of Municipal Administration, for approval by 31st December of each year. The date of submission of the Budget is not available to check whether the Budget was submitted in time or not. Further, the Budget was also not furnished in form-A, appended to the orders in which the above rules were issued.

COMPLIANCE OF AUDIT OBJECTIONS BY THE COMMISSIONER.

a) The number of Audit Objections pending at the beginning of the year, the No. of Audit Objections added during the year, the No. of Audit Objections Settled during the year and the balance left at the close of the year along with the amount involved is given below :

| Sl. No. | Details | No. of objections | Amount involved. |
|---------|--|-------------------|------------------|
| 1 | Total No. of objections pending as on 01.04.2013 | 976 | 37,27,32,943 |
| 2 | No.of objections during 2013-14 | 97 | 3,04,54,731 |
| 3 | Total | | |
| 3 | No.of objections settled in 2012-13 | Nil | Nil |
| | No. of Objections outstanding as on 31.03.2014 | 1073 | 40,31,87,674 |

According to the orders issued in G.O.Ms.No.874, M.A., dt.13-11-87 the audit reports and the replies shall be placed before the Municipal Council and the

replies submitted to the Govt. through the Director of State Audit with a copy of resolution approving the replies for consideration of the waiver of the objections. The records of the Municipal Council do not reveal the observance of the orders. The Commissioner did not evince much interest in rectifying the defects pointed out in the Audit Reports for settling down the objections. He is instructed to take necessary steps to reduce the pendency.

PARA NO.1

Variations - Double entry account, Daily collection list, Chitta collection and Property tax department between the DCB,- Needs reconciliation:Rs.2,32,90,482/-

(Code No. 1)

During the course of audit it was noticed that the following variations were noticed among the figures in the chitta, DCB register, daily collections list and consolidated statement figures shown as collection in the concerned demand register and annual amount as detailed below. The differences would need to be rectified by posting necessary transfer entries and producing the connected registers to audit early. As seen from the office consolidated demand register (E-seva demand) and DCB statement several differences have cropped in the figures in the daily collection reports as detailed below. This was not reconciled at the time of closing of audit. The differences detailed below to be reconciled immediately.

| Tax/Non Tax particulars | Collection as per DCB | Collection as per Double Entry Account` | Difference |
|-------------------------|-----------------------|---|-----------------|
| Property Tax | 35558200.00 | 49822578.00 | 14264378.00 |
| Water Tax | 11499000.00 | 16889783.00 | (-)2390783.00 |
| Vacant Land Tax | 0.00 | 8602.00 | (-)8602.00 |
| Shop Room Rents | 6300000.00 | 0.00 | 6300000.00 |
| Building License fee | 3000000.00 | 273891.00 | 2726109.00 |
| Development charges | 1070000.00 | 1617844.00 | (-)547844.00 |
| Encroachment fee | 0.00 | 19410.00 | (-)19410.00 |
| D&O trade license fee | 1660000.00 | 1779473.00 | (-)119473.00 |
| Road Cutting charges | 0.00 | 15361944.00 | (-)15361944.00 |
| | | Total | Rs. 23290482.00 |

As it is verified from the above analysis it is clear that figures reflected in the DCB and Annual Account were not reconciled. Even in some cases no collection shown in DCB but for the same head huge collection was recorded in Annual Account R&P statements and vice versa, which indicates no care was taken during the preparation of Annual Account.

If any loss is sustained to the funds of municipality due to non reconciliation of amounts the same may be recovered from the person or persons responsible and made good to municipal funds.

PARA NO.2

CODE NO.1

RECONCILIATION NOT DONE BETWEEN CASH BOOK AND TREASURY PASS BOOK/BANK PASS BOOKS WITHOUT CLOSING CASH BOOK- OTHER DEFECTS - NEEDS ACTION:-

According to para 196 of A.P.Budget Manual read with G.O.Ms.No.318, Finance&Planning Department , dated 10.11.1980 and orders of Government issued from time to time, the Departmental expenditure and receipt figures should be got reconciled (Major Head of accounts wise) with those booked by the Treasury every month in order to ensure that no misclassification or wrong accountal of expenditure and receipts took place and also to detect fraudulent draws if any.

The reconciliation statements were not produced along with annual account during the year, as a result of which the reconciliation statement could not be verified and the correctness of the annual account could not be verified with reference to cash book and pass books in audit. The executive authority would need to take good steps for rectification of the defects pointed out at an early date.

- A) The cash books (manual) which were maintained in the municipality (all schemes and funds) were closed monthly and annually under the hand and seal of the Commissioner. The closing balance was arrived at monthly and annually.
- B) The relevant register of DD/MO received was also not maintained properly. As such the classification of the receipt could not be known in audit. The receipt side of the cash book was not maintained at all as such the treasury adjustments, voucher adjustments etc., could not be verified. The figures in the annual account were not supported by any subsidiary registers which were ought to be maintained. In the absence of the same the executive authority would need to explain as to how the figures exhibited in the annual account were correct and reflect true and fair view of the transactions contained therein.

PARANO. 3

CODE NO. 3

RECOVERY ACCOUNT (SALARY & PENSIONS) - MONTHLY INSTALMENTS TOWARDS ADVANCES ADJUSTED - BUT NOT REMITTED TO GENERAL FUND - IRREGULAR:-

As per G.O.Ms.No.179/MA&UD(G-1)Dept., Dt. 25-2-2009, the salaries are being paid under the Head of 010 from Treasuries w.e.f 1-4-2009. The Non-Government recoveries like Festival Advances, Marriage Advance, Bank Loans,

Court recoveries etc. were adjusted to this account by the Treasury Department while passing the salary bills.

The monthly installments of advances which were taken from Municipal General Funds were credited to this account as Non-Government recoveries. The credit installments were not remitted to Municipal General funds so far. As such huge amount relating general fund amount was available and kept idle. The executive authority did not take much interest for transfer of recovery amount to Municipal General Fund. However as there are no Government instructions for discontinuation of pay bill register, the office is not maintaining the pay bill registers, instead preparing pay bills on computer. As such it could not be ascertained in audit how much amount was adjusted in this account towards recovery of advance amount. Immediate action would need to be taken to remit to the Municipal General Funds

In this connection it was observed that an amount of Rs. 1023000.00 was drawn and paid to the employees towards Festival advance, Marriage advance and Vehicle Advances from the fund which was created from non-government recoveries like Advances, Bank Loans, Court recoveries etc. This was not admissible in audit. The Executive Authority would need to take good steps to remit to the account concerned as and when adjusted to this fund in future.

PARA NO:4

CODE NO.7

TIME BARRED TAXES AND FEES:

The arrears of taxes and fees relating to the year 2007-08 which were allowed to be time barred by limitation of time prescribed under section 365(1) of the A.P. Municipalities Act, 1965 during the current financial year. According to section 365 (2) of the A.P. Municipal Act 1965 it is the duty of the Commissioner to place before the council a list of arrears due to the Municipal council which are likely to become time barred, at least one year before the limitation stating the reasons for the non-collection of such taxes and seek instructions of the council in regard to recovery of such taxes. According to section 365(3), if the Commissioner fails to submit such list or omits or show in such list any arrears due to failure on the part of bill collector to any other employee as the case may be, is deemed to be negligent and action under the section 374(1) of the Act for the recovery of all such recoveries should be taken against him. Record showing the placement of the matter before the council in respect of the taxes and fees which are allowed to become time barred was not pointed out. Under section 374(1) the loss caused to the Municipality due to the above defect has to be assessed and made good from the persons responsible. Further it was noticed in audit that though elaborate procedure was prescribed in rules to take action on the taxes likely to become barred by time in practice the Arrear demand registers were not being maintained to quantify the taxes that are likely to be barred by time. This deficiency of not maintaining the ADRs relating various taxes and non

taxes is resulting in the inability of the MC even to quantify the loss on account of barring by limitation of time.

1. Property Tax
2. Vacant land tax

PARA NO 5

CODE NO.7

SHOPPING COMPLEX RENTS – HUGE AMOUNTS PENDING REALISATION- EARLY ACTION NEED TO BE TAKEN Rs. 1778335.00

As Verified from the Miscellaneous Demand Register huge amounts were pending realization pertaining to the shop rents of Machilipatnam municipal council for the year 2013-14 as follows

| S.NO | Name of the Shopping Complex | Demand | Collection | Balance |
|------|------------------------------|-------------------|-------------------|-------------------|
| 1 | Pattabhi Market | 2470425.00 | 2179740.00 | 290685.00 |
| 2. | Varandah Stalls | 104800.00 | 69300.00 | 35500.00 |
| 3. | Oil Shops | 263480.00 | 258430.00 | 5050.00 |
| 4. | K.V.R. Block | 177200.00 | 173050.00 | 4150.00 |
| 5. | K.K.R. Block | 116040.00 | 68315.00 | 47725.00 |
| 6. | S.V.R. Block | 38400.00 | 37200.00 | 1200.00 |
| 7. | Bus stand Shops | 36792.00 | 31318.00 | 5474.00 |
| 8. | Park Margin shops | 158016.00 | 13984.00 | 144032.00 |
| 9. | T.N.P.R. Block | 482483.00 | 241360.00 | 241123.00 |
| 10. | Mahatma Gandhi Complex | 430500.00 | 229822.00 | 200678.00 |
| 11. | Nehru Complex | 416010.00 | 156521.00 | 259489.00 |
| 12. | M.K.R. Market | 270074.00 | 128924.00 | 141150.00 |
| 13. | Baby Centre | 391750.00 | 228083.00 | 163667.00 |
| 14. | K.H.R. Market | 452072.00 | 329674.00 | 122398.00 |
| 15. | Ahobala Rao Block | 210648.00 | 94634.00 | 116014.00 |
| | TOTAL | 6018690.00 | 4240355.00 | 1778335.00 |

In this connection an early action would need to be taken to realize the balance amount at an early date and report the same to audit.

PARA NO.6

CODE NO.7

NON-COLLECTION OF GARBAGE CHARGES – NEEDS COLLECTED

The Municipal bodies as per the guidelines of “total sanitation programme” are required to collect garbage charges from the eating establishments, hospitals, diagnostic centres, clinics, theatres, function halls, lodges, shopping complexes etc., since these establishments generate garbage in bulk. The bulk garbage charges are to be collected as per the bed strength in respect of the hospitals and

nursing homes and at flat rate as assessed by the Municipal body in respect of cinema halls and other places of entertainment.

However it was noticed that no bulk garbage charges were collected by the municipality during the year of audit and no reasons were forthcoming in audit for non collection of the same.

PARA NO 7

CODE NO.7

CELL TOWERS – TAX ON CELL TOWERS - NOT COLLECTED NEEDS AN EARLY ACTION :

As per GO. Ms No.183 Municipal Administration & Urban Development (M Department Dt. 27.02.2008 All the Commissioners of Municipal councils, Municipalities, and Vice Chairmen of Urban Development Authorities in the State shall accord permission to all the existing and proposed cell tower installations, both land based and rooftop installations, as per rules, subject to fulfilling the following conditions by the applicants namely:

- i). The applicant shall obtain necessary approval of the Air Traffic Controller, Airport Authority of India(where applicable).
- ii). The applicant shall take special precaution for fire safety and lightening etc.
- iii). The applicant shall furnish a legally valid undertaking that they are solely responsible for any damage to the building and for public safety.

In this connection the Commissioner has to give notices to the property owners in whose premises the towers were installed duly fixing Rs. 1000/- per each year.The details of location of cell towers and collection particulars are not forthcoming to the audit. The amounts would need to be collected at an early date and credited to municipal funds.

PARA NO 8

CODE NO.7

NON COLLECTION OF ADVERTISEMENT TAX ON CABLE TVs.

Vide G.O. Ms No.266, M.A. Dt.05.05.2000 clause 7B of Advertisement Tax rules was incorporated and as per G.O. Ms.No.487, M.A. Dt.20.04.2000 Advertisement Tax on Cable T.V. Advertisements @ 10% of the Cost of the Advertisement has to be collected by the Municipality

During the scrutiny of Town Planning Section records of the Municipality it was noticed that advertisement tax was not being collected form the cable T.V. operators.

Action may be taken to obtain the monthly statements of advertisements and the tax collected accordingly.

When non collection of advertisement tax was brought to notice it was replied that necessary arrangements would be made to obtain the particulars of Cable TV Advertisements from the Cable operators and tax would be collected.

Para No. 09

Code No.9

ADVERTISEMENTS – EXHIBITED WITHOUT WRITTEN PERMISSION OF THE COMMISSIONER - FINE NOT IMPOSED – LOSS TO THE CORPORATION-LOSS TO THE MUNICIPALITY- NEEDS ACTION.

No person shall without the written permission of the Commissioner, erect, exhibit, fill or retain any advertisement whether now existing or not upon any land, building, wall, hoarding or structure'. The word 'structure' in this section shall include, a tram car, omni bus and any other vehicle and any movable board used primarily as an advertisement or an advertising medium.

Further, according to Municipal Act, for exhibiting an advertisement without permission, a fine up to Rs.1,000 can be imposed and in no case, it shall be not less than Rs.500.

On verification of the records relating to tax on advertisement, it was noticed that applications received and permissions issued to erect, exhibit, fix or retain the advertisements for which tax was levied during the year 2013-14 were not furnished to audit. Therefore, it was construed that, those advertisements were noticed during the inspections of the town planning personnel. As the advertisements were exhibited without the written permission of the Commissioner, fine has to be imposed from Rs.500 to 1,000 on the owners of those advertisements. But, the same was not imposed and the Municipal body suffered loss of revenue to that extent. Therefore, action would need to be taken to impose fine and report compliance to audit.

Para No.10

Code No. 9

DEPOSITS – PENDING FROM YEARS TOGETHER SHOULD BE LAPSED - NEEDS ACTION:

Deposits remaining unclaimed for three completed years after their refunds fall due and surplus proceeds of distraint property not claimed within six months from the date of sale should be lapsed and credited to the revenue Head of account. The deposits thus lapsed shall be entered in a register called "Register of Lapsed Deposits" which should be maintained in the form set out in Annexure VII to the rules relating to Deposits issued in G.O.Ms No. 519 MA dated 04-07-1970 as amended in G.O.Ms No. 385 M.A. Dt. 12-07-1974. For the claims subsequently made and admitted, the amounts concerned may be refunded from the general balance of the Municipal council with the sanction of the Corporation.

Therefore action would need to be taken accordingly under a report to audit.

Para No. 11

Code No.9

INFORMATION NOT FURNISHED REGARDING PROPERTY TAX- NEEDS MAINTAINED

The Revenue Officer/Revenue Inspectors and the Bill Collectors shall in their capacities undertake field visits within their jurisdiction for detection of any un-authorized constructions and other properties which were yet to be identified and brought under the Property Tax net. The property tax shall be levied for every half year and it is the duty of the assesseees to pay it within 30 days after the commencement of each half year i.e 30th April/31st of October. In this regard the records of such visits or any details of properties identified were not maintained in this municipality. Loss, if any sustained by the institution due to non-collection of tax within time specified as per Municipal Act, the Executive Authority will have to be held responsible.

PARA NO: 12

CODE.No:9

EARMARKED FUNDS FOR SC/ST/WOMEN NOT SHOWN SEPERATELY – NEEDS ACTION

It is observed that the earmarked funds for SC/ST/Women were not shown seperately. In the absence of which it could not be ascertained as to how much of funds were spent towards the said sections. Action may be taken to produce the same to audit for verification.

Para No. 13

Code No.9

OBSERVATIONS ON VACANT LAND TAX:

A)Non identification of vacant plots for levy:

Section 85(3) of the Municipalities Act, 1965 read with instructions issued by Govt of AP provides for levy of a tax on vacant lands in Municipal limits@ 0.20% per annum of the capital value of the site/land. The levy of VLT has been long neglected by the Municipalities even though this is a potential source of income. But the collection of Tax is indeed difficult in view of the difficulty in finding the actual owners of the site. This information can possibly be obtained from the Registration Department:

(A) Audit Observed that:

- The Municipality had not made any effort for identification and collection of Vacant Land Tax. In view of the fact that the Municipality has been receiving requests for approval for construction of buildings this information can be utilized for collection of Vacant Land Tax.

- Even though the VLT was being collected by the Town Planning Wing at the time of giving approvals for Building constructions for the previous 3 years, the fee thus collected was not being accounted for under the VLT.

The Municipality needs to urgently identify all the vacant sites Within Municipal limits.

B) Improper maintenance of VLT records:

During the review of VLT records, it was seen that as per DCB register of VLTd and amount need to be collected (including arrears and current balances) was not submitted to the audit .

(i)Even though the land owners applied for building permissions and constructed the houses in the vacant lands, the same were not updated in the VLT demand register

(ii)At the time of granting permission for building construction, the municipality had been charging the VL Tax (by town planning section) at the rate of ...times to the normal demand. However, the same was not updated in VLT demand register. .

As such the municipality need to review all the outstanding VLT cases along with town planning records and the actual position ascertained. A fresh DCB for VLT may be prepared and furnished to audit.

Para No. 14

Code No.9

NON MAINTENANCE OF DEMAND AND ARREAR DEMAND REGISTERS OF PROPERTY TAX (MANUAL):

It was noticed during the audit that both the Demand and Arrear Demand Registers of property tax for the year 2013-14 were prepared based on the computer generated data and the correctness of the data shown there in was not certified to by the executive authority.

Manual registers for either current demand or arrear demand were not maintained and produced to audit. Similarly register of transfer of titles, mutation register, register of remission, write off register and register of appeals were not made available for verification.

Further, the page wise totals along with the final abstract were not enclosed to the ward wise computer generated demand and arrear demand registers Up to 2013-14

Consequently, cross checking of computer generated data with that of manual registers, as required to be maintained in accordance with the instructions contained in para 3 of the fax message in Roc.No.4994/04/03/(B5), dated 18-3-2004 of the Commissioner and Director of Municipal Administration, A.P., Hyderabad could not be done and the correctness of the number of assessments coming under tax fold could not be ensured in audit.

Para No.15

Code No.9

ENCROACHMENT – CLASSIFICATION NOT DONE:-

The list of encroachments in the Municipal area was not got prepared by the Municipal surveyor / Building inspector and verified by the Commissioner. The encroachments were not got classified as objectionable and non-objectionable by the Municipal Commissioner and got approved by the Municipal council and the District Collector. All the objectionable encroachments have to be licensed under section 193 of the Act duly collecting the requisite fee. An amount of encroachment fee Rs. 28400/- collected was treated as demand under this item as no separate demand was fixed which was not correct. In the absence of proper demand having been fixed with reference to the encroachment list, the correctness of the collections made and balance left could not be ascertained in audit. Immediate action may be taken to rectify the defect.

PARA NO : 16

CODE NO 9

MUNICIPAL FUNDS – UTILISATION OF MUNICIPAL FUNDS IN SLUM AREAS FOR WATER SUPPLY AND SANITATION – GOVERNMENT INSTRUCTIONS NOT FOLLOWED:

G.O.Ms.No. 265 MA&UD(K2) Dept. dt: 19.7.04 has instructed all the Municipalities to spend at least 40% of the net funds available in slum areas giving priority for provision of water supply and sanitation besides earmarking compulsory expenditure of 15% of all the budget expenditure for the welfare of SC's and 7.5% expenditure for the welfare of S.Ts in addition to 5% of reservation of funds for the welfare of Women & Children. However, as verified from the connected record and the Annual account for the year 2013-14 no such expenditure has been earmarked and expenditure incurred thus violating the Govt. instructions which was highly irregular.

As per the instructions issued in the said G.O., 40% of the Net funds available has to be spent for water supply and sanitation in slum areas. But this has not been done, thus defeating the purpose of instructions of the Govt. Further, the records do not reveal the observance of Govt. instructions regarding earmarking of funds for the welfare of SC's(15%), ST's(7.5%) and W&CW(5%). This is highly objectionable and would have a negative effect on the welfare measures of the Govt. immediate action would need to be taken in this regard.

Para No.17

Code No.9

TOWN PLANNING: ENCROACHMENT – REGISTERS OF ENCROACHMENT NOT MAINTAINED PROPERLY:

As per annual account an amount of Rs. 19410/- was adjusted to municipal funds towards encroachment fee. Further as verified from the register of encroachments maintained for the year 2013-14 the following defects were

noticed. The demand, collection and balance was not noted in the register at the end of the financial year.

1. A list of encroachments were not prepared by the town planning officers or building inspectors and not certified by the Commissioner and produced for audit.
2. The encroachments were not got classified as objectionable or non-objectionable.
3. The notification for the levy of fees on non objectionable encroachments was not made available for verification in audit.
4. The action taken for the removal objectionable encroachments was not stated in audit.
5. The sanction of higher authorities was not obtained in respect of encroachments allowed for more than one year.
6. The monthly lists of addition and omission were not at all obtained, from the out door staff and produced for audit.

If any loss caused due to the above lapse it would need to be made good by the persons responsible.

PARA NO: 18

SITE APPROVAL CHARGES-SHORT COLLECTION-NEEDS EARLY

ACCTION:11785/-

Code.No.9

During the course of audit on the accounts of Machilipatnam Municipality for the year 2013-14 it was observed that Site Approval charges collected arbitrarily and without ascertaining correct value on the bases of Gazzettet of Rates.

| Sl.No. | B.A.No | Site Area X Rs.15/- | Actual Collection | Difference Rs. |
|--------|--------|------------------------|----------------------|----------------|
| 1 | 1 | 170X15=2550 | 1000 | 1550 |
| 2 | 2 | 159X15=2385 | 1000 | 1385 |
| 3 | 3 | 166.94X15=2505 | 1000 | 1505 |
| 4 | 4 | 204.12X15=3075 | 1500 | 1575 |
| 5 | 5 | 242X15=3630 | 1500 | 2130 |
| 6 | 12 | 107.84X15=1620 | 500 | 1120 |
| 7 | 19 | 85.58X15=1290 | 1000 | 290 |
| 8 | 21 | 60X15=900 | 500 | 400 |
| 9 | 22 | 144.84X15=2172 | 1000 | 1172 |
| 10 | 25 | 77.2X15=1158 | 500 | 658 |
| | | | | 11785.00 |

Due to scanty production of record majority of the building applications could not be not verified. Hence an early action would need to be taken in this

regard, if any loss occurred to M.C funds may be made be made good from the person/ persons responsible.

PARA NO:19

CODE NO.9

REGISTER OF BUILDING APPLICATION – MAINTENANCE DEFECTS:-

As seen from the register of building applications maintained for the year 2013-14 the following defects were noticed in audit.

1. In column No.15 the dates of completion of building were not noted duly obtaining the completion reports.

2. All the columns in the register were not filled in with appropriate information or particulars.

3. Challan No & date in respect of building fees paid in respect of each case were not noted.

4. Compounding fees levied and collected were not noted.

5. Further action taken for the renewal of license fee the building not completed within one year from the date of granting the same was not noted.

6. Renewal of license of any granted and fee collected was not noted.

7. Objectionable constructions were not taken to unauthorized construction register and further action not watched through it.

8. Monthly reports from building inspectors were not obtained and produced for audit.

9. Register of unauthorized constructions was not produced for audit.

10. As seen from the building applications the challans where fin the fees paid were not enclosed.

In the absence of the above details whether the building newly constructed were property assessed to property any in time or not could not be verified in audit.

PARANO.20

CODE NO 9

SANITATION – DEPLOYMENT OF CONTRACT LABOUR.

According to Section 480 to 572 of Hyderabad Municipal council Act, 1955 Urban Local Bodies have the obligation to clean the roads and drains and collect, lift and carry the garbage to the dumping yards and dispose such garbage through scientific methods. Sanitation includes mainly cleaning of roads and drains. The CDMA, A.P., Hyderabad vide Roc No. 155/2012/H1 dt.29.12.2009, and Memo No. 155/2010/H1 dt.12.8.2010 issued comprehensive guidelines to be followed in engaging public health staff on outsourcing basis.

It was observed that those guidelines are not being followed by the municipality in calculation of the total man power required. Reasons for violation of CDMA instructions may be furnished to audit.

PARANO.21

CODE NO 9

NON ISSUANCE OF OCCUPANCY CERTIFICATE AND CONSEQUENT LOSS

Occupancy Certificate shall be mandatory for all buildings and unless such certificate has been granted by the sanctioning authority no person shall occupy or allow any other person to occupy any building or part of the building. The Property owners consequent upon completion of the construction have to intimate the Municipality of the same in the prescribed proforma to facilitate the ULB to issue occupancy certificate and levy of PT. It was observed that there was no such arrangement indicating failure of the Municipality in enforcing the provisions laid down. Government have issued G.O.Ms.No.168 MA&UD(M) Department Dated 07.04.2012 and as per Rule 26(d) the rate of compounding fee shall be equivalent to 100% of the value of the land as fixed by the Registration Department at the time of compounding for the violated portion. As the files concerned were not produced to audit the observance of the rules issued in the said G.O by the ULB could not be checked in audit.

Further clause 'g' under Rule 26 of GO.Ms.No.168 MA & UD (M) Dept. dated 07-04-2012 the functional/line agencies shall not give regular connections of power, water, sewerage etc., unless such occupancy certificate is produced or alternatively may charge three times the tariff till such time occupancy certificate is produced. It was noticed in audit that in most of the cases the said connections were given even without issuing the occupancy certificate and normal tariffs are charged.

Thus non production of building application files to audit would give scope for non detection of such irregularities which cause huge loss to the income of the ULBs.

PARANO.22

CODE NO 9

NON-REMITTANCE OF EDUCATION CESS BY MUNICIPALITY - NEEDS ACTION

As per section 37 (1) of the Andhra Pradesh Education Act, 1982 any Municipal council may, with the previous sanction of the Government, and shall if so directed by them, levy within its jurisdiction, taxes for the purposes of this Act, at such rates as may be considered necessary, as an addition to the taxation levied in the Municipality under the A.P. Municipalities Act, 1965 under the head of property tax or profession tax or under both these heads. Govt. of A.P. GAD

(V&E) dept., vide alert note no.38, dated 14.3.05, directed the ULBs to remit the Education cess arrears to the Officers concerned.

It was observed that no amount was remitted to Education cess to the competent authority so far. Reasons if any were not explained to audit as to why the Education cess was not remitted to so far. Immediately the executive authority would need to take good steps to remit education cess at an early time.

PARA NO.23

CODE NO.9

NON CONSTITUTION OF WARD AND REVIEW COMMITTEES

Under Section 5(B) of A.P. Municipalities Act, 1965 provides for that Commission may constitute Ward Committees in respect of Municipality having population of less than 3 lakh.

Under Section 31-A (1), the Council may constitute or may appoint individual members to enquire into and report or advise on any matters when it may report to them. In particular, the Council may constitute Committees consisting of the chair person, the Commissioner and not less than three but not more than 7 members chosen in this behalf by the Council from among its elected members in respect of matters pertaining to formulation, review and general superintendance of development programmes relating to education, health, sanitation, water supply, drainage and welfare of SCs, STs, BCs, Women and Child welfare

The commissioner explained that no ward committees were constituted in the municipality as per manual. Immediately the ward committees would need to be constituted for discussing the developmental matters in municipality.

PARANO.24

CODE NO 9

ADMINISTRATIVE REPORTS OF THE MUNICIPALITY NOT PREPARED - NEEDS ACTION

Under the provision of Section 34 of A.P.Municipalities Act,1965, Council should submit as soon as may be after the first day of April in every year and not later than such date as may be fixed by the Govt. through the District Collector, a report on the administration of the Municipality during the preceding year in such form and with such details as the Govt., may direct, if the Collector makes any remarks on the report such remarks shall be forwarded to the council, and council shall be entitled within such time as the Govt., may fix, to offer or make such explanations or observations as the council thinks fit.

The Commissioner shall prepare the report and submit to the council. The Council shall consider the report and forward it to Govt. with its resolution, if any.

The report and resolution, if any shall be published in the manner as the council may direct, subject to approval of the Government.

Action would need to be taken to prepare administrative reports here after and produce to audit.

PARANO.25**CODE NO 9****NON PREPARATION OF ACTION PLAN/DEVELOPMENT PLAN BY THE MUNICIPALITY RECENTLY.**

The Urban Local Body should prepare Annual Action Plan/Development Plan/Budget at the beginning of the Financial Year to achieve the Targets/bench marks prescribed and to review the shortfalls for the service sectors like water supply, sewerage and sanitation, solid waste management and storm water drainage, etc.

Similarly plan is required for increasing the revenue by introducing GIS system for mapping of the property which will reduce the Tax evasion, funds received through other sources like ET, VLT, PT, Surcharge on Registration, Rental Income, income of lease hold property, Grants (plan and non plan) and repayments of loan amounts, payment of power charges methods to be adopted to increase of the taxes.

The executive authority would need to be take steps to prepare annual action plan/Development Plan for taking up developmental activities in municipality.

PARA NO.26**CODE NO 9****WORKS ENTRUSTED ON NOMINATION BASIS WITHOUT FOLLOWING THE PROCEDURE – NOT ADMISSIBLE**

In G.O.Ms.No.94 of Irrigation and CAD (PW-COD) department dated 01.07.2003, item 14 (iii), the Government have issued certain guidelines for entrustment of works on Nomination Basis.

(i) For giving works on selection, list of contractors with good track record will be prepared.

(ii) In preparing these lists the volume of work done by them, the quality of works done by them, the infrastructure possessed by them, and also works on hand and their capability will be considered.

(iii) The list of contractors should be prepared and published in advance regularly i.e. once in six months. From these lists contractors will be called for negotiations in group of five in rotation. The contractor offering to do the work at the lowest rate will be given the work. Time allowed for selection by the committee will be 5 days.

(iv) in any case in a year the value of works grounded shall not exceed each of the division of tender works or nomination works. As no such allocation was made available in the budget whether the value of work given on nomination basis was within the allocation provided in the budget or not could not be verified in audit.

During the course of audit it was observed that the works were entrusted to the contractors on nomination basis without following the above procedure which was repugnant to the instructions of the Govt., issued in the said G.O. The

executive authority would need to be take steps to follow the above said procedure strictly in future.

PARA NO: 27

CODE.No:9

NON-REMITTANCE OF EPF DEDUCTIONS TO THE EPFO – NEEDS EARLY ACTION:

In Exercise of the powers conferred by clause (b) of sub-section(3) of Section 1 of the Employees Provident Fund (EPF) & miscellaneous Provisions (MP) Act 1952, the Municipal Corporations and Municipal Councils were brought under the purview of the EPF & MP Act, 1952 w.e.f. 8.1.2011 (GoI notification No.SO.30 (E) dt.8.1.2011). Accordingly, the Machilipatnam Municipality was covered under the said Act w.e.f.8.1.2011.

As per the provisions of the Section 6 , 6A and 6C of the Act read with para 38 of EPF Scheme 1952, Para 3(1) of Employees Pension Scheme 1995 and Para 8(1) Employees Deposit Linked Insurance Scheme 1976, the Employer of the Establishment is required to remit the contribution along with the administrative charges within 15 days of the close of every month.

The Municipality has remitted the said contributions in respect of outsourcing employees ie., Water, Electrical and Public Health Workers upto for the 2013-14, to the EPFO. Thereafter, the Municipality has not remitted the EPF amount so deducted to the EPFO for the year 2013-2014.

When reasons for non remittance of EPF recoveries to the EPFO were called for, it was replied that the amounts would be paid in a couple of days.

PARA NO:28

CODE.No:9

NON-REMITTANCE OF ESI DEDUCTIONS TO ESI CORPORATION – NEEDS EARLY ACTION:-

As PER the provisions of Section 39 and 40 of the ESI Act 1948 read with regulation 31 of the ESI(gen)Regulation 1950, the employer is liable to pay the ESI contributions to the Employees State Insurance Corporation within 21 days after expiry of each wage period. In case of failure to pay contribution in accordance with regulation 29 read with Regulation 31 of ESI(gen) Regulations 1950, interest @12% (from 1.10.2005) has to be paid by the principal employer on the arrears of contribution for each day of default/delay.

Audit scrutiny revealed that the Municipality had not remitted towards ESI contribution for the year 2013-2014 to the ESI corporation.

When reasons for non-remittance of recoveries to ESI corporation were called for, it was replied that the amounts would be paid in a couple of days.

PARA NO:29

CODE.No:9

SHORT/NON-DEDUCTION OF P.F. SUBSCRIPTION FROM SALARIES OF THE EMPLOYEES:-

As per the G.O.Ms.No.17 F&P dt.25.1.1974, read with G.O.Ms.No.26 dt.24.9.1978, GPF/PF subscription shall be deducted from the salaries of all the Government employees including those working in local bodies who have completed one year of continuous service @4% of the basic pay in respect of Class-IV employees and @6% of the basic pay in case of class-III employees.

During the scrutiny of the pay bill register, it is noticed that the P.F. deductions were not made from the salaries of the municipal officials and these was also short deduction of P.F.

A review of the pay bills of all employees need to be conducted from time to time for effective deduction of P.F. at correct rate.

When this was brought to notice, it was replied that the amount would be recovered and intimated to audit.

PARA NO. 30

CODE NO.09

EXPENDITURE-EXPENDITURE INCURRED ELECTIONS MEET FROM GENERAL FUNDS NEEDS- REIMBURSEMENT:- Rs.36,00,000/-

During the course of audit on the accounts of Machilipatnam Municipality, it is observed that an aggregate amount of Rs.36,00,000/- was drawn and spent towards Elections.Connected Files not furnished to the audit. The Details of election grant released are not furnished in audit.Total expenditure incurred from GF which shall be reimbursed immediately.Immediate action may be initiated to get the amount adjusted or recovered from the persons responsible.Hence an early action would need to be taken in this regard, if any loss occurred to M.C funds may be made good from the person/ persons responsible.

PARA NO. 31

CODE NO.09

P.H. ESTABLISHMENT - SALARY NOT CLAIMED FOR THE ABSENT PERIOD - PERIOD NOT REGULARISED - NECESSARY ENTRIES NOT POSTED IN THE SERVICE REGISTER - SUBSEQUENT INCREMENT - SANTIONED - IRREGULAR :-

During the year under audit, it was noticed that for some of the PH workers working in this municipality, full salary was not claimed as they were absent to duty. But, on which days, they were absent was not known as the master rolls were not made available for verification in audit. Further the absent period was not regularized and relevant entries either for their period of absence on leave sanctioned period were not posted in the Service Registers of the individuals. But subsequent increment was sanctioned. Sanction of increments without regularizing the period of absence is irregular. Therefore action would need to be

taken to regularize the period of absence either with the leave eligible or loss of pay leave and make necessary entries in the Service Register. If the period of absence treated as loss of pay the increments sanctioned should be revised and postponed. Any excess payment made due to postponement of increment would need to be worked out and made good from the person or persons responsible and credited to Municipality funds under intimation to audit.

PARA NO.32

CODE NO 9

NON PAYMENT OF ROYALTY CHARGES

As per G.O.Ms.No.1276 Revenue (M) Dept, dated 30-11-76 every municipality is liable to pay the royalty charges to the government, for the water used by it. Accordingly the engineering authorities of irrigation department were raising demands for the same against the Municipality. However, the Municipality had not allocated any budget for the payment of royalty charges. The demands raised by the engineering authorities were not consolidated and the actual demand, payment and outstanding amounts were not made available in audit.

PARANO.33

CODE NO 9

WATER CESS NOT PAID TO AP POLLUTION CONTROL BOARD - NEEDS PAID.

As per Section 3 of Water (Prevention and Control of Pollution) Cess Act-1977, water cess is to be paid on the quantity of Water supplied for domestic purpose. Further as per the provisions contained in the said Act all the ULB's have to file the water cess returns duty mentioning the water supplied by ULB's for domestic purpose.

The AP Pollution Control Board (APPCB) has to issue Amendments orders based on the water supply figures to be furnished by ULB's as required under Sub-Section (i) of section 5 of the Act and the Sub-rule(i) of Rule 4 of the water (P&C of Pollution) Cess Rules 1978.

As per Section 12 of the said Act any amount due under this Act including any interest or penalty payable u/s 10 or 11 as the case may be from any local authority may be recovered by the Assisting Authority (APPCB) in the same manner as if it were an arrear of land revenue.

The CDMA of Hyderabad under Lr.RC.No.2189/2009/E1, dt.09.03.2005 and Lr.Rc.No.962-1/2010/H, dt.29.03.2010 requested all the Regional Directors - cum Appellate Commissioners of Municipal Administration and all Municipal Commissioners to pay water cess to APPCB as per the provisions of Act.

During the course of audit it was observed that no amount was paid to the AP Pollution Control Board towards water cess so far. As verified from the file no correspondence was made with the Irrigation Department for furnishing

information. In this regard if any penalty is imposed by APPCB, the said penalty will have to be recovered from the person or person responsible.

PARA NO: 34

CODE NO: 09

M.BOOKS – CERTAIN DEFECTS:-

WORKS – EXECUTION OF WORKS – CONNECTED GUIDELINES FOR ANY SCHEME AGREEMENTS AND FILE, COMPLETION REPORTS, INSPECTION REPORTS OF QUALITY CONTROL DEPARTMENT ON WORKS ETC (ALL SCHEME FUNDS AND GENERAL FUND WORKS) ALONG WITH GRANT PROCEEDINGS (ALL SCHEMES) NOT PRODUCED – IRREGULARITIES IF ANY NOTICED AND LOSS SUSTAINED WOULD NEED TO BE MADE GOOD FROM THE CONCERNED AND REMITTED TO MUNICIPAL RELEVANT FUNDS.

During the course of audit regarding execution of works both in General funds and scheme funds the connected agreements along with files, guide lines of many of the schemes, completion reports, inspection reports of quality control department on works along with grant proceedings (All Schemes) were not produced for verification executed under both departmental and tender system.

Regarding departmental execution in absence of the aforesaid records, the following observations could not be made whether these instructions were scrupulously followed or not

- 1) Number of departmental works executed under General funds and scheme works during 2013-2014 .
- 2) Number of departmental works pending completion as on 31/3/2014 regarding General and all scheme works (Scheme wise)
- 3) Outstanding advances – Advances pending as on 1/4/2013 both General and all the scheme funds.
- 4) Advances pending as on 31/3/2014 general and all scheme funds.
- 5) Whether proper indenting system for issue of material to the works not exceeding the theoretical requirement as worked out in the estimates were followed (both general and schemes).
- 6) Measurement, Detailed designs, Estimates, completion reports (As per para No.173 of A.P. P.W.D. code, Article 181 of A.P. Financial code Vol –I and paras 216 to 218 of A.P.P.W.D. code and M.Books, paras 290 to 292 of A.P.P.W.D. code and Article 171 to 174 of the A.P.F.C. Vol –I General and all schemes)
- 7) Whether material were issued after approval of the competent authority and duly acknowledged (General and all scheme funds)
- 8) Whether material at the site account is maintained (General and all scheme funds)
- 9) Whether the utilization of the material in the works is based on the measurements recorded and check measured properly (General and all schemes)

- 10) Whether the utilization of the material returned to the stores duly acknowledged (General and all scheme funds) (Cement, steel, sand, Gravel, HBT metal etc. complete information of material stock, issued and balance)
- 11) Whether the labour required were engaged on tender system or through department personnel only (General and all schemes).
- 12) Whether the nominal muster rolls maintained for the labour (General and Scheme funds)
- 13) Correctness of the payments made to the labour particularly when the labor is to be paid partly cash and partly food grains (General and all scheme)
- 14) In case of purchase of material / Machinery required for execution of the works whether the procedure prescribed was followed.
- 15) Whether reasons for execution of the works departmentally were recorded by the competent authority.
- 16) Whether works executed at rates not more than estimated rates.
- 17) Whether material and labour components are worked out with reference to the standard data.
- 18) Whether deviations if any – Deviation Statement.
- 19) Quality control measures – connected details
- 20) Others – Technical persons engaged – Connected details
- 21) General and schemes- Achievement of objection of all scheme – whether accordance with the guidelines framed regarding connected schemes.
- 22) NMR's – Total man days – Scheme wise for all the schemes.
- 23) Diversion of scheme fund, if any details.
- 24) Connected lead statements of all the works executed under General and Schemes.
- 25) Material sufficiency certificates for all the works executed under General and schemes.
- 26) Revision of estimates – Approval and Technical sanction of the competent authority.
- 27) The Quarries are approved as per the survey of reports.

Further, during the course of audit as observed there are lot of corrections in the M.Books which gives wrong opinion. Further there were no initials at the places of corrections in the M.Books.

In the agreement with contractors many of the details were not filled like date of concluding of agreement, Date on which the work is to be completed, E.M.D particulars

PARA NO.35**CODE NO.09****PROVIDENT FUND – INVESTMENT OF PROVIDENT FUND SUBSCRIPTION OF THE MUNICIPAL EMPLOYEES ORDERS OF THE GOVERNMENT – NOT FOLLOWED – IRREGULAR NEEDS ACTION.**

As per the orders of the Government in G.O.Ms No:329 NAC UD(G2) Department Dated: 15.06.2006 all the Commissioners of Municipalities /Corporations have to obtain options from the Concerned municipal employees as to whether their G.P.F. Subscription shall be kept in the general funds of the Officer, Government Securities, Government guaranteed securities in the following pattern.

1. Government Securities 50%
2. State/ Central Government Guaranteed Securities 25%
3. N.S.S and other small saving investments (if allowed) 25%

(if NSS investment is not allowed it may be invested in AAA rated bond of PSUC and FIS)

Also for allowing rates of interest on G.P.F subscriptions based on the options exercised by the Municipal employees the Government in the said G.O ordered that.

1. In case of municipal employees opted for keeping their subscriptions in General Funds of respective municipality they shall be allowed the prevailing rate of interest fixed by the Government from time to time on the G.P.F subscriptions of Government Servants.
2. In case of municipal employees opted for investing / depositing their G.P.F. subscriptions in the post office/nationalized banks/ Government. Floated loans for the rate of interest that accrued in the investments/ deposit made shall only be allowed.

But this Municipal Council has not followed the orders of the Government. Action would need to be taken to implement the above orders immediately and report compliance to audit. Hence it was noticed that though the amount towards G.P.F was adjusted from the employees pay bill to the General Funds account the aggregate of such adjustment was not noted /reported and balance therein General Funds.

PARA NO.36**Code.No.09****IMPROPER MAINTENANCE OF PROVIDENT FUNDS ACCOUNT RECORDS:**

During the verification of records pertaining to Provident Fund of Municipal General Staff and School Teachers, the following observations were made:

- 1) The Municipality has not maintained the Cash Book for P.F. Due to this audit could not verify the fraudulent drawals and spurious remittances during year under audit.
- 2) The Municipality has not maintained personal Ledgers indication the amount of subscription, Interest credited drawals if any and balances at the end of the year.

- 3) The Municipality is having accounts bearing Nos: 021400101015217, with a closing balance of Rs.639191/- to the end of 31.03.2014 and Rs.7214/- vide Account No:01015216 of Corporation Bank of India, Machilipatnam by the end of 31.03.2014 to meet the accumulated P.F.balances of the employees.
- 4) As verified the Cash book concerned, it is noticed that out of the accumulated balance amounts available from the individuals accounts concerned 90% payment was only made during the year under audit. But, the with held amount @10% of individuals savings accounts was retain the accounts. But, no such balance was available in the bank accounts mentioned in (iii) above.
- 5) The Municipality has been maintained two P.D.Accounts with Treasury towards General Fund and Salaries. To the end of March'2014 the Municipality had closing balances of Rs.67619393/- (General Fund) and Rs.40488885/- (Salaries Fund) totalling to Rs.108108278/- Out of this, Education Cess and Library Cess amounts are to be transferred to the Education Department and Zilla Grandhalaya Samastha towards Education Cess and Library Cess respectively. But, how much amounts it was to be transferred etc., was not forthcoming to audit for verification. In the DDO Bank Account, the Municipality has a closing balance of Rs.114438077/- to the end of 31.03.2014. Further, Out of above, this an amount of Rs.1433916/- was yet to be transferred to the heads concerned towards remittance of seinorage NAC, CMRF etc., as such in absence of the above, the Municipality has sufficient funds to meet the P.F. payments either in the DDO Account and also in the General Funds Accounts or not could not be pointed out to audit for verification.

Hence, in the above observations were brought to noticed, it was replied that due to improper maintenance of Cash Book & P.F.Ledgers, the Municipality was not in a position to furnish the correct information as desired by audit and a detailed review will be conducted on all the issues as pointed out by audit and the result will be intimated to audit. Final outcome of the action taken may be intimated to audit.

PARA NO.37

CODE NO.09

NON - REMITTANCE OF EDUCATION CESS

According to section 85 of A.P.Municipal act 1965 the Property Tax comprises of

| | |
|---------------------------|---------|
| General Purpose | : 7.76% |
| PH Scavenging | : 2.4% |
| Lighting | : 4% |
| Elementary Education cess | : 3.0% |
| Water supply | : 7.5% |
| Drainage | : 2.5% |
| Library cess | :1.84% |

From the above collection the education cess of 3% is to be remitted to Education Department. However, the details of remittance of Education cess are not available in the Municipal records.

When the details of remittance of Education cess was called for, the Municipal council replied that action would be taken to calculate the amount under education cess and remit to the concerned department. Compliance may be reported to audit.

PARA NO.38

CODE NO.09

CHITTA - CHITTA NOT MAINTAINED PROPERLY - NOT IN ACCORDANCE WITH THE INSTRUCTIONS SPECIFIED IN THIS REGARD - LOSS IF ANY SUSTAINED TO MUNICIPAL FUNDS - NEEDS RECOVERY.

During the course of audit it was noticed that the chitta produced to audit was not maintained properly i.e in accordance with the instructions specified in this regard as follows.

1. That the entries in the chitta were made in accordance with the rules and instructions on the subject (Note: the Executive authorities of all municipal councils except in the third grade Municipal Councils are required to follow the triplicate challan system for payment of miscellaneous dues in to Municipal treasuries).

When the payment of miscellaneous dues were made by the parties themselves in to Municipal Treasuries, they should prepare a challan in the form appended to G.OMs.NO: 439 M.A Dt: 02.09.1960 in triplicate showing the full particulars of the amount sought to be paid. The challan wise first be presented to the concerned JA/SA in Municipal Office, who will examine it and put initial in the left hand top corner of the original. If he finds it correct in regard to all particulars, the party should then present it with the money to the sharoff who will receive the receipts in triplicate challans, number the challan in a consecutive order, sign it and send it to the JA/SA maintaining the register of miscellaneous receipts or the JA/SA who maintains the register of license and permissions. The later will enter the challan number particulars and amount in his register, sign the challan in token of having done so in the place provided therefore at the bottom of the challan in all the three forms of challans and send the same to the SA who is to be authorized to sign the challans. This SA will be designated as a chashier. After satisfying himself from the entries on the challan that the amount has been made independently by another JA in the register of miscellaneous receipts or register of license and permission. The SA to be called cashier will sign the challan intended to the party. The duplicate will be sent to the accountant and the original be retained by the cashier. At the end of the day all such original should be arranged serially , stitched together and traced by the cashier in to the register of miscellaneous receipts and register of licenses and permissions. He should then tally the total collections for the days with the totals in those two registers and the totals in the shoraff's chitta mentioned above should be taken to the main chitta before reconciliation of the total there of with the cash book at the end of every day. The challans to be arranged and situated will be produced for audit (G.O.Ms.No: 439, M.A Dt: 02.09.1960).

2. That the amounts shown as realized were remitted in to the treasury without delay and that no portion was with held.
3. That the total cash balance at the end of the each day including balance, if any left un- remitted from the previous day's collections is verified by the Manager or other Head ministerial Officer at the close of each day and by the Municipal Commissioner at least once a week, and the balance so verified was stated in words over the initials of the verifying officer.
4. That the totals were correct.
5. That revenue brought to credit by transfer of adjustments as well as amounts of grants etc....adjusted in the treasury were not entered in the register.
6. That cheques received in payment of Municipal dues were not credited before realization.

PARA NO.39

CODE.NO.9

PF ACCOUNTS – PF CASH BOOK NOT UPDATED – NEEDS EARLY ACTION:

It is observed that PF cash book and the individual PF ledger were not updated. The OB recoveries effected, withdrawals, CB were not posted. The Obs in the individual PF accounts were only meagre amounts. The PF cash book and the PF Ledger were also not certified by the Commissioner. Early action needed to updated the records and result may be pointed to audit. Loss, if any sustained in this regard needs to be made good from the person/ persons responsible.

PARA NO:40

CODE NO:09

PETTY CASH BOOK – NOT MAINTAINED.

The petty cash book to watch the payments of sums drawn through self cheques was not maintained and produced during the year. The amounts drawn through self cheques being taken on receipt in the cash book and daily payments are recorded. Petty cash book would need to be maintained for recordings amounts drawn in self cheques and to which the correctness of undisbursed amounts daily. The same would need to be maintained and produced.

PARA NO:41

CODE NO:09

**GENERAL ESTABLISHMENT – CADRE STRENGTH NOT FURNISHED
IRREGULAR.**

The Cadre Strength particular relating to General Establishment viz.. A.M.S.S. main office town planning section engineering section., revenue section, public health section and non – teaching establishment in concerned schools were not furnished to audit.

The non – maintenance of cadre strength particulars and non – maintenance of cadre strength register is irregular. In the absence of the approved cadre strength the pay and allowances paid in excess it may could not be verified.

The same would need to be written up and produced to audit.

The excess payments if any would need to be made good by the person or persons responsible.

PARA NO:42

CODE NO:09

**ESTABLISHMENT LEAVE SALARY CONTRIBUTION NOT DEDUCTED FROM
THE EMPLOYEES NEEDS ACTION**

As per G.O.Ms.No.292 MA & UD Dept, dt.16.5.1962 under rule 25 there shall be a central provident fund to provide for the payment of leave salary and contribution to the provident fund during leave of the members in categories I to IV as detailed below.

Category I : Managers of special grade & Selection grade municipalities.

Category II : Managers of first grade municipalities and revenue officers of special & selection grade municipalities.

Category III : Managers of second and third grade municipalities, revenue officers of first grade municipalities and accountants of special and selection grade municipalities.

Category IV : Accountants of first and second grade municipalities.

The fund shall be administered by the Director of Municipal Administration, AP, Hyderabad.

Further every municipality to which a member of service is posted shall pay to the central fund every month a contribution towards his leave salary at the rate of 12 ? % of his pay plus dearness allowance and other allowances admissible. And the leave salary in respect of members of service in category V and VI shall be paid by the municipalities concerned from their municipal funds in which he is working. The employees comes under category V and VI are detailed here under.

Category V : UD clerks including UD Revenue Inspectors and upper Division Stenographers

Category VI : Lower Division Clerks including Lower Division Revenue Inspectors, Typists and Lower Division Steno Typists.

But no contribution was recovered from the manager accountant and paid by the municipality for the categories of V & VI violating the orders issued by the govt. Therefore necessary action would need to be taken in this matter and reported to audit

PARA NO: 43

CODE NO:09

**TOWN PLANNING
CONSTRUCTION OR - RE-CONSTRUCTION OF BUILDINGS PERMISSIONS
SANCTIONED COMPLETION REPORT OCCUPANCY CERTIFICATES ISSUED
& NOT PRODUCED.**

As verified from the building application register, no proper action has been taken to obtain and produce the completion reports occupancy certificates of the buildings completed during the year 2013-14 The date of commencement and completion of the buildings constructed were not furnished for the previous years also. In the absence of the above information the correctness of the arrears of the building deviations if any and the building application fees collected and property tax levied could not be verified in audit. The loss if any sustained in this regard would need to be assessed and recovered from the person or persons responsible.

PARA NO: 44

CODE NO:09

**ADVERTISEMENT TAX - PUBLIC & PRIVATE AREAS NOT NOTIFIED
IRREGULAR NEEDS ACTION**

During the course of audit for the year 2013-14 under the head Advertisement Tax, it is noticed that the rule 10 of AP Advertisement Tax Rules, 1967 is completely violated. According to the rule mentioned above the council may by notification prohibit some areas for erection or exhibition of any sort of Advertisement. But such a notification is not established in this municipality and there by it is not possible to aware of, whether there are any inconveniences caused by the Advertisement to the public or not. Hence early action would need to be taken to get the areas ie place of public work shop, historic public buildings including monuments and purely residential buildings notified as prohibited areas.

DEDUCTIONS MADE FROM WORK BILLS - NOT REMITTED TO HEADS OF ACCOUNTS CONCERNED - Rs. 1774129/-

The following deductions have to be made from the work bills. As per G.O. Ms. No. 198, Industries & Commerce (M-I) Department, dated: 13-08-2009, G.O. Ms. No. 11, Finance (W&P) F-8 Department, dated: 29-07-2005 and G.O. Ms. No. 159 R&B (R-III) Department, dated: 30-10-2004 deductions towards Fees, VAT, CMRF NAC and L.C.respectively were made at Rs. 1774129/- from the work bills pertaining to the works executed during the year 2013-14 as detailed below, but the same were not remitted to Heads of accounts concerned. The same would need to be remitted to the respective heads of accounts early and the remittance challans produced to audit.

Certain of the deductions as detailed below which need to be deposited in the respective heads of accounts in time attract penal provisions and incase such penalties are to be paid the same may be recovered from the persons responsible and remitted to the respective heads of accounts.

| Sl. No. | Type of Deductions | Amount in (Rs.) |
|----------------|---------------------------|------------------------|
| 1 | VAT | 626649.00 |
| 2 | IT | 229664.00 |
| 3 | SENARAGE | 342413.00 |
| 4 | L.C. | 120363.00 |
| 5 | RD | 361880.00 |
| 6 | Others | 64296.00 |
| | Total: | 1774129.00 |

D & O TRADES- MONTHLY LISTS - NOT PRODUCED IRREGULAR.

During the course of audit for the year 2013-14 under D&O trades the monthly lists in inspect of all Divisions were not produced for verification in audit. Loss if any, sustained due to non production of the monthly lists would need to be made good to the Municipal funds.

Code No.11

Para No.47

D & O TRADES – LICENSE FEE DELETED- DUES LIST - CONNEECTED FILES NOT PRODUCED IN AUDIT – IRREGULAR:

As verified in audit it is noticed that the License fees which were deleted but the Licenses from which basis was Licenses fees deleted not explain audit and connected files not produced in Audit, if any loss sustained above omission would need to be made good from the Person or Persons responsible.

Para No.48

Code No.11

D&O TRADES LICENCE FEE – DEMAND NOT FIXED AND PRODUCED:-

It is noticed that during the year 2013-14 the License fees not fixed and not update registers under D & O Trades License fees. But the demand for current financial year was not fixed. The register of D & O trades was maintained division wise. The register was maintained based on the collection. The abstract of the collection was not mentioned in this register. The registers relating to the year 2013-2014 were not produced to audit and the trader's list, division wise was not produced for verification in audit. In the absence of the same, it could not be verified in audit whether all the amounts collected from the traders under D & O trades license fee were remitted to Municipal Funds. As a result, the correctness of the receipts realized under this head of account could not be ascertained in audit. The Executive authority did not take much interest in this regard. if any loss sustained due to above omission would need to be made good from the Person or Persons responsible.

Para No:49

Code:11

MAINTENANCE OF VEHICLES - RELEVANT REGISTERS NOT MAINTAINED AND PRODUCED.

The following were the important registers to be checked in audit of bills relating to maintenance of Vehicles in Public Health Section.

1. Log book
 2. Register showing the repairs ,replacements etc.,
 3. Register showing the cost of Petrol, Oil etc.,
 4. Register of Inventory of equipment
 5. Hire charges payment Registers.
 6. Registers of old parts collected after replacement
 7. Register of Accidents
1. LogBook: During the course of audit due to non production of these books it could not be verified in audit whether the following procedure was followed.

1. That all the entries in the relevant columns in the log books were made
 2. That the entries in log book were noted by the Officer who used the vehicle in his own hand, writing the mileage at the start and at the completion of their trips after verifying kilometers.
 3. That Sufficient particulars were recorded regarding movements and purpose to indicate that the journeys were on Official business.
 4. That the log book in respect of each Vehicle was closed at the end of the month and a summary prepared in the logbook showing details of duty and non duty journeys performed during the month in the prescribed proforma.
 5. That the quantity of petrol, diesel oil purchased has been entered in the log book of the respective vehicle.
 6. That the hire charges collected as per hire charges payment register have been entered in the concerned log book.
 7. That the log book was scrutinized personally by the authority concerned, once in a month and his signature appended there in.
 8. That the log books were written in the prescribed proforma with full details.
2. Register showing the repairs, replacements, spare parts etc.,
Due to non production of these registers it could not be verified in audit whether the following prescribed procedure was followed.
1. That the voucher No. and date and nature of repairs etc., together with amount were noted in the appropriate columns of the register.
 2. That in the case of replacements etc., the old parts were disposed off in Public Auction noted and the sale proceeds credited to Municipal funds.
 3. That in case of purchase of spare parts, the rules relating to the invitations and disposal of tenders have been observed.
3. Register showing the cost of petrol, Oil etc.,
Due to non production of this register, it could not be verified in audit whether the following prescribed procedure was followed or not.
1. That the details of expenditure incurred towards cost of Petrol, Oil etc., have been entered with reference to the voucher No. and date and the amount covered for the same.
 2. That the consumption of the petrol, oil etc., date wise, has been entered there in.
 3. That in respect of the contingent bills for the supply of petrol, diesel oil, the following certificates have been recorded by the authority concerned on the bills. Certified that quantities purchased have been entered in the log books of the respective vehicles. Certified that necessary recoveries under rules have been made from the parties concerned to the institution.
 4. That the mileage run by the vehicle at particular period as per log book was in accordance with the issues of petrol and oil shown in this register.
 5. That the propulsion charges or cost of fuel etc., received if any from the person who used the vehicle on non duty have been issued to the parties.
 6. That the register was periodically checked by the concerned authority and a certificate to that effect has been recovered
4. Register of inventory of equipment.

Due to non production of this register, it could not be verified in audit whether the following prescribed procedure was followed or not.

1. That the nature of equipment purchased has been entered in this register together with the date of purchase and price etc., as per voucher.

2. That the inventory of equipment has been checked by the concerned authority every month and a certificate to that effect has been recorded there in.

3. That the Loss if any arising out of negligence or fault of any person has been recovered and credited to the funds.

Para No:50

Code:11

PROPERTY TAX – GOVERNMENT OFFICES LOCATED IN PRIVATE BUILDINGS AND PAYING RENT TO OWNERS – REGISTERS NOT MAINTAINED AND PRODUCED TO AUDIT.

Information relating to Govt. Offices located in private buildings was not available to verify whether property Tax was levied as per the rents paid by Government offices to the building owners. A register containing Government offices located in private buildings should be maintained so as to verify whether Property Tax was being levied as per the rent paid by the Government Offices or not and in order to prevent leakage of revenue to the Corporation similarly a register containing Central and State Government Offices located in their own buildings also needs to be maintained so as to verify the correctness of levy of Property Tax as per rules relating to levy and collection of the P.T on Government buildings.

Para No. 51

Code No.11

PROPERTY TAX APPEALS – RECORDS NOT PRODUCED :

The appeals and connected files relating to property tax, in respect of all wards including appeals pending in courts were not produced to audit. In the absence of the same, the correctness of the assessments of the tax due to appeals could not be verified in audit. Due to non production of records in this regard, it could not be verified whether the corporation was collecting the admitted assessed amount of tax or not. Hence, early action would need to be taken to produce the property tax appeals to audit for verification.

Para No:52

Code:11

IMMOVABLE PROPERTY – CONSOLIDATED REGISTER OF PROPERTIES NOT MAINTAINED AND STATUS OF THE PROPERTIES NOT FURNISHED:

Consolidated register showing the properties owned by the Municipal council was not maintained. Several immovable property registers were produced to audit. The reasons for maintaining so many registers were not furnished. The details of properties acquired were simply noted in the registers. But, the present status of the properties was not noted. In the absence of the same, the details of the buildings, lands, shops, vacant sites etc., owned by the corporation and the properties utilizing by the corporation, properties leased out, properties

encroached etc., could not be verified in audit. Action may be taken for the preparation of consolidated register of properties owned by the corporation duly recording the present status, certified and produced to audit for verification.

The details of assets available in the official web site of the Guntur Municipal council are enclosed to the audit report.

Loss, if any, caused due to not safe guarding/non-leasing of assets may be worked out and made good from the person or persons responsible.

Para No.53

Code No.11

GRANTS RELEASED TO MUNICIPALITY FOR VARIOUS PURPOSES – GRANTS APPROPRIATION REGISTER NOT MAINTAINED:

During the year under audit several grants both statutory and non-statutory were sanctioned and adjusted to Municipal council. A separate Register of Appropriation of Grants was not maintained and produced to audit. In the absence of which, it could not be verified in audit, whether the grants released to corporation were utilized properly for the purposes for which they were sanctioned without diversion and within the time allowed for utilization. Action would need to be taken to maintain the Grants Appropriation Register and the un-utilized balance, if any, would need to be refunded to Government and remittance challans produced for audit.

Para No.54

Code No.11

MONEY VALUE FORMS – STOCK REGISTER NOT PRODUCED:

The money value forms stock register for the year 2013-14 was not produced. In the absence of the same, the opening balance of the money value forms received, utilized balance as on 31-03-2014 and as on the date of audit could not be verified in audit.

In the absence of the same it could not be verified in audit as to who was the custodian of the money value forms and the procedure adopted in issuing the M.V. forms and the watch kept over the return of the bill book.

Further the amount collected, credited to municipal funds by using the money value forms could not be certified in audit.

Losses if any noticed later, the same would need to be made good from the person(s) responsible and remitted to municipal funds under intimation to audit.

ESTABLISHMENT AUDIT REGISTER NOT PRODUCED:

As per the procedure, all recurring charges have been entered in the establishment audit register and order's sanctioning each post have been quoted in support. The order should be verified in every case in which the charges have been newly sanctioned or there has been change in them since last audit.

Due to Non- production of this register the following observations could not be made in audit.

1. That any excess over the sanctioned scale appeared in any month or of the whole period under audit and all excesses over the sanctioned monthly scale have been satisfactorily explained.

2. That the orders sanctioning the establishment have been noted in all cases and the amount entered to the sanctioned scale columns authenticated by the initials of the manager or executive authority

3. That all the alterations in the scale column have also been initialed by the manager or the executive authority and the dates from which they taken effect have been invariably noted .

4. That pensionery contribution if any, as well as house rents and fixed contingencies drawn along with pay have been properly posted in the audit register.

5. That refunds by short drawals, fines and amounts withheld for further payments have been correctly noted.

6. That the fly leaves have been correctly noted.

1. That the temporary establishments have been entered separately after the permanent establishments in the audit register the period for which sanction holds good has been noted and lines have been drawn across the pages or months previous and subsequent to such period and.

2. That the register has been maintained correctly and on the lines indicated in chapter V and posted monthly when pay bills are passed for payment.

Para No. 56

Code No.11

UNAUTHORISED CONSTRUCTIONS- REGISTER OF UN- AUTHORIZED CONSTRUCTIONS NOT MAINTAINED – IRREGULAR.

During the course of audit, it was noticed that the register of unauthorized constructions was not maintained in town planning section. Where as on verification of records relating to revenue section, it was noticed that, a huge No. of unauthorized buildings were constructed during 2010-11 and house tax was imposed with 10% penalty which was irregular and the corporation sustained huge loss due to the non imposition of penalty on U.C.S. as per G.O. No. 49 MA Dt 30-7-98.

Para No. 57

Code No.11

PROPERTY TAX ASSESSMENT FILES NOT PRODUCED

Property tax of all assessments were fixed through MLs in respect of all the new and additional assessments etc., Elaborate procedure was prescribed to fix the property tax in Circular instructions issued in Cir.-1 in Roc.No.11646/2006-F1-1 Dated 12-12-2006 of CDMA, AP, Hyderabad The measurements entered in the MLs with regard to the buildings assessed by the Bill Collectors were to be verified by the RI/RO and finally approved by the Commissioner and orders to be passed. The assessment files maintained if any were not produced to audit to verify the correctness of the same.

Para No. 58

Code No.11

REGISTER OF REVISION PETITIONS AND APPEALS ALONG WITH FILES NOT FURNISHED

The records relating to the revision petitions received and allowed were not produced to audit. Hence it could not be verified in audit whether RPs were allowed or not if allowed whether the same was done as per rules and eligibility or not could not be verified. Further it was noticed that the window for modification was being allowed in the month of April by the e-Suvidha for a predetermined period and there was no assurance in audit that in the said period only RPs allowed by the Commissioner were modified as the system allows modification of any of the assessments there was scope for misuse of the facility more so when the DEO was operating all the three logins of the DEO, RO/RI and the Commissioner. The Executive Authority would need to produce the same to audit for verification.

Para No. 59

Code No.11

REGISTER OF REMISSIONS AND WRITEOFFS NOT PRODUCED

The records relating to the remissions and write offs allowed were not produced to audit. It was not made known as to how much was allowed as remissions and write offs in the financial year 2013-14. In the absence of the same the quantum of remission and write off and whether the same was allowed as per the provisions of the Act or not could not be verified in audit. The same would need to be produced immediately.

Para No. 60

Code No.11

MUTATION REGISTER NOT PRODUCED

During the course of audit the register containing all the permanent changes made either by the Commissioner or by the Appellant Authority in the assessment of house and land taxes after the demand registers for the tax concerned was written up for the year was not maintained and produced, in the absence of the same whether the procedure prescribed in arriving at the changes in the assessments were made and recorded properly or not could not be checked in audit. This important register may be maintained and produced to audit.

Para No. 61

Code No.11

REGISTER OF BUILDINGS EXEMPTED FROM THE PAYMENT OF PROPERTY TAX - NOT MAINTAINED AND PRODUCED TO AUDIT.

The register of buildings exempted from payment of property tax during the year 2011-12 was not maintained and produced to audit for verification. In the absence of the same, it could not be ensured in audit whether such buildings were assessed to other taxes/charges such as water tax, drainage tax and primary service charges etc.

Early action would, therefore, need to be taken to get the register written up and maintained up to date.

Para No. 62

Code No.11

PROPERTY TAX APPEALS – RECORDS NOT PRODUCED.

The appeals and connected files relating to property tax, in respect of all wards including appeals pending in courts were not produced to audit. In the absence of the same, the correctness of the assessments of the tax due to appeals could not be verified in audit. Due to non production of records in this regard, it could not be verified whether the ULB was collecting the admitted assessed tax or not. Hence, early action would need to be taken to produce the property tax appeals to audit for verification.

ParaNo. 63

Code No.11

RECOVERIES DEDUCTED FROM WORK BILLS - DETAILS OF THE REMITTANCE PARTICULARS - NOT FURNISHED.

As verified from the cash book along with vouchers the recoveries which were effected from work bills were remitted to the head of account concerned, from Municipal funds. The details of the remittances made were not noted either in the cash book or voucher. In the absence of the details it could not be known whether the recoveries were remitted correctly/promptly or not.

Para No.64

Code No. 11

VACANCY REMISSION REGISTERS - NOT PRODUCED:

During the course of audit, the register of vacancy remissions was not produced for verification in audit. In absence of the same, it could not be verified in audit whether the following conditions on which the remission of property tax could be granted were fulfilled.

- i) The building should be vacant and unlet for a considerable period of 36 or more days in the half year.
- ii) There should be a notice of vacancy from the owner either in that half year or in the proceeding half year indicating the period of vacancy.
- iii) There should be a demand for remission of tax either in that half year or in the succeeding half year.
- iv) The amount of remission shall be proportional to the period of vacancy and it shall not exceed half of the amount of tax.

Hence the above register would need to be written up and produced to audit early for verifying whether the above conditions were fulfilled.

PARA NO: 65

CODE NO:11

OUTSTANDING BILLS NOT PRODUCED -VERIFICATION COULD NOT BE DONE .

As per the rules in vogue, in respect of outstanding items of revenue shown in the DCB statement appended to the annual account all the outstanding bills in support of them shall be produced to the auditors at the time of annual audit. But during the year under audit the outstanding bills were not produced. Hence the following observations could not be made.

1. Whether a certificate of verification of outstanding with the pending bills and warrant receipts (if issued) has been recorded in the ADR by the revenue officer or by the commissioner where there was no revenue officer.
2. Whether in the case of amounts shown as outstanding for which receipts are missing, the memorandum at the beginning of the bills book showing any date of collection and credit. If the credits are not traceable

such items should be treated as short credits and taken to the notice of the commissioner for such action as deemed fit.

3. Whether the bills outstanding in the bill book or intact or are they removed and posted again.
4. Whether the total no of bills outstanding in each bill book agrees with that shown in the account of realization in the memorandum at the beginning of the bill book.
5. Whether there are any outstanding bills or warrants the accounts of which are not traceable in the demand or arrear demand register (which is also not maintained.)
6. Whether any items not really outstanding are shown as such in the demand or arrear demand register.
7. Whether all blank bills or warrants are intact and forth coming

Therefore action would need to be taken to produce the same in next audit or else the loss sustained in this regard would need to be assessed and made good from the person or persons responsible and credited to municipal ;funds under intimation to audit.

PARA NO:66

CODE NO:11

REGISTER OF LAYOUTS - NOT PRODUCED TO VERIFY THE LAND PROPOSED FOR CONSTRUCTION OF HOUSE WAS IN THE APPROVED LAY OUT OR NOT CORRECTNESS OF THE 10% OF THE OPEN SPACE CHARGES COLLECTED NOT CERTIFIED - NEEDS ACTION.

On verification of the building application files it was noticed that, in some area 10% open space charges were collected as the land proposed for construction of house was not approved. In some applications the same charges were not collected though LP No was not stated in the registered document of the same area. This municipality has not notified the area and register of layouts sanctioned in the municipal limits was also not maintained and produced to audit. In the absence of the same it was not known whether the land proposed for construction was approved and here the correctness of the 10% open space charges collected were also could not be certified in audit.

Therefore action would need to be taken to produce the register of notified area, register of layouts may be produced to audit and the loss if any sustained would need to be assessed and made good from the person or persons responsible and credited to municipal ;funds under intimation to audit.

PARA NO:67

CODE NO:11

WORKS - REGISTER OF WORKS NOT PRODUCED - NEEDS EARLY PRODUCTION.

During the course of audit on the accounts of municipal council, Machilipatnam for the year 2013-14, it is noticed that the register of works was not maintained. Due to non maintenance of the work register the particular regarding the proposed for the year. The works in progress and the works completed so far could not be verified. A part from that payments made so far on the part bills and the balance to be paid also could not be verified.

Therefore early action would need to be taken for to get the register maintained and the loss if any sustained in this regard would need to be recovered from the person or persons responsible.

Para No:68

Code:11

MAINTENANCE OF VEHICLES - RELEVANT REGISTERS NOT MAINTAINED AND PRODUCED.

The following were the important registers to be checked in audit of bills relating to maintenance of Vehicles in Public Health Section.

8. Log book
 9. Register showing the repairs ,replacements etc.,
 10. Register showing the cost of Petrol, Oil etc.,
 11. Register of Inventory of equipment
 12. Hire charges payment Registers.
 13. Registers of old parts collected after replacement
 14. Register of Accidents
3. Log Book: During the course of audit due to non production of these books it could not be verified in audit whether the following procedure was followed.

9. That all the entries in the relevant columns in the log books were made
 10. That the entries in log book were noted by the Officer who used the vehicle in his own hand, writing the mileage at the start and at the completion of their trips after verifying kilometers.
 11. That Sufficient particulars were recorded regarding movements and purpose to indicate that the journeys was on Official business.
 12. That the log book in respect of each Vehicle was closed at the end of the month and a summary prepared in the logbook showing details of duty and non duty journey performed during the month in the prescribed proforma.
 13. That the quantity of petrol, diesel oil purchased has been entered in the log book of the respective vehicle.
 14. That the hire charges collected as per hire charges payment register have been entered in the concerned log book.
 15. That the log book was scrutinized personally by the authority concerned, once in a month and his signature appended there in.
 16. That the log books were written in the prescribed proforma with full details.
4. Register showing the repairs, replacements, spare parts etc.,
- Due to non production of these registers it could not be verified in audit whether the following prescribed procedure was followed.
4. That the voucher No. and date and nature of repairs etc., together with amount were noted in the appropriate columns of the register.
 5. That in the case of replacements etc., the old parts were disposed off in Public Auction noted and the sale proceeds credited to Municipal funds.
 6. That in case of purchase of spare parts, the rules relating to the invitations and disposal of tenders have been observed.
3. Register showing the cost of petrol, Oil etc.,

Due to non production of this register, it could not verified in audit whether the following prescribed procedure was followed or not.

7. That the details of expenditure incurred towards cost of Petrol, Oil etc., have been entered with reference to the voucher No. and date and the amount covered for the same.
 8. That the consumption of the petrol, oil etc., date wise, has been entered there in.
 9. That in respect of the contingent bills for the supply of petrol, diesel oil, the following certificates have been recorded by the authority concerned on the bills. Certified that quantities purchased have been entered in the log books of the respective vehicles. Certified that necessary recoveries under rules have been made from the parties concerned to the institution.
 10. That the mileage run by the vehicle at particular period as per log book was in accordance with the issues of petrol and oil shown in this register.
 11. That the propulsion charges or cost of fuel etc., received if any from the person who used the vehicle on non duty have been issued to the parties.
 12. That the register was periodically checked by the concerned authority and a certificate to that effect has been recovered
4. Register of inventory of equipment.

Due to non production of this register, it could not verified in audit whether the following prescribed procedure was followed or not.

1. That the nature of equipment purchased has been entered in this register together with the date of purchase and price etc., as per voucher.
2. That the inventory of equipment has been checked by the concerned authority every month and a certificate to that effect has been recorded there in.
3. That the Loss if any arising out of negligence or fault of any person has been recovered and credited to the funds.

PARA NO:69

CODE.No:11

MGF – HEADS – 2301004 & 2301005 – FUEL (PETROL & DIESEL) & FUEL TO LIGHT VEHICLES – LOG BOOKS NOT PRODUCED & CERTIFIED BILLS NOT PRODUCED - IRREGULAR

It is observed during the audit that the following amounts were spent during 2013-14 as per Receipts & Payment Account of MGF:

1. 2301004 – Fuel (Petrol & Diesel) – Rs.4501089.00
2. 2301005- Fuel to Light Vehicles – Rs.3639352.00

But the connected log books of vehicles, list of vehicles and fuel bills/ vouchers certified by the competent authority were not produced to audit, in the absence of which the correctness of the expenditure could not be verified in audit. Loss, if any sustained in this regard needs to be made from person/s responsible

Para No.70

Code No.11

MONEY VALUE FORMS – STOCK REGISTER NOT PRODUCED:

The money value forms stock register for the year 2013-14 was not produced. In the absence of the same, the opening balance of the money value forms received, utilized balance as on 31-03-2014 and as on the date of audit could not be verified in audit.

In the absence of the same it could not be verified in audit as to who was the custodian of the money value forms and the procedure adopted in issuing the M.V. forms and the watch kept over the return of the bill book.

Further the amount collected, credited to municipal funds by using the money value forms could not be certified in audit.

Losses if any noticed later, the same would need to be made good from the person(s) responsible and remitted to municipal funds under intimation to audit.

Para No.71

Code No. 11

STOCK REGISTER NOT PRODUCED:

The following important stock registers were not produced for verification in audit. In the absence of these registers the opening balance of the material purchases made during the year, utilized, issued and balance could not be verified in audit.

As per the rules, the stock register should be maintained with details of opening balance, of materials purchased of material issued, utilized and day by day balance should be maintained.

In the absence of these registers, the stock opening balance, received utilized, necessity of purchases, utilization & balance could not be certified in audit.

Losses if any sustained due to any irregularities noticed later, the same would need to be made good from the person(s) responsible.

1. Electrical Goods stock register.
2. Engineering stores stock register.
3. P.H. Stock register.
4. P.W.S. stock register.
5. And all other stock registers pertaining to Engineering, P.H. Planning, Main office R.O.

PARA NO.72**CODE NO.11****PROVIDENT FUND ACCOUNT NOT MAINTAINED PROPERLY - NEEDS RECTIFICATION:-**

Though subscribing to the provident fund is optional in Municipal Councils, the provident fund account with the existing balances of the employees, had to be maintained properly, as it was governed by the provident fund rules. The following important registers/Forms have to be maintained in connection with provident fund.

1. Forms of nomination.
2. Statement of annual account.
3. Notice to the nominee.
4. P.F. ledger of subscriber.
5. Abstract register.
6. P.F. cash book.
7. Voucher for payment of P.F.
8. Register of subscriber.
9. Register of Temporary withdrawals and their recoveries.

But none of the above registers were maintained in Municipal Council, Machilipatnam .As a result the correctness of the transactions carried out, under P.F. during the year could not be verified in audit. Loss if any sustained by the Municipal Council as a result of non-maintenance of the above registers, would need to be made good from the person or persons responsible. Immediate action may be taken to maintain the above registers and produce the same to audit.

PARA NO.73**CODE NO.11****PURCHASES - TENDER FILES AN CONNECTED RECORDS AND STOCK REGISTERS & ISSUE REGISTER NOT PRODUCED - NEEDS ACTION:**

During the audit it is observed in the account, that huge amounts were spent towards purchases of PH items, Engineering Contingencies, Water works contingencies, Conservancy materials, Unifoms etc. But the connected Tenders files, Records, Stcok Entry and Issue Registers were not produced to audit. In the absence of which the correctness of purchases could not be verified in audit. Immediate action need to be taken to produce the same. Loss, if any, sustained in this regard needs to be made god from person/s responsible.

PARA NO:74

CODE.No:11

GENERAL FUND – PAYMENTS TO OUTSOURCING PH.WORKERS – NMR SHEETS, TENDER FILES, CONNECTED RECORDS , EPF, ESI PARTICULARS NOT PRODUCED:

It is observed that many outsourcing workers were working in PH section for sanitation & other works. But their NMR sheets duly countersigned by the authorities, Tender files relating to selection of outsourcing agencies, connected other records, EPF, ESI remittance particulars were not produced to audit for verification. In the absence of the same, the correctness of the payments made to outsourcing agencies could not be verified. Loss, if any, sustained in this regard needs to be made good from person/s responsible.

PARA NO.75

CODE NO.11

CHITTA, CHALLAN REGISTER AND REMITTANCE CHALLANS NOT PRODUCED:

Chitta is the main Register in respect of receipts of the ULB, whether it is tax revenue or non-tax revenue. Further, the amounts so received are remitted to the treasury through challans and the challans are entered in to the Challan Register. But, the Chitta, Challan Register and remittance challans were not produced to audit. In the absence of which, the correctness of total receipts received by the ULB, whether the received amounts were remitted to the treasury account or not, whether the amounts were remitted without delay or not could not be ascertained in audit. There is every scope for misappropriation, and it is highly irregular. High authorities need to interme in the matter to correct the internal control mechanisms.

PARA NO. 76

CODE NO.11

PUBLIC HEALTH-VEHICLES LOG BOOK NOT PRODUCD:-

During the audit it is noticed that the following vehicles engaged towards public health. But log books of the said vehicles were for not produced to audit for verification. Necessary action may taken to produce the log books loss of any sustained in this regard should be made good from persons responsible.

| Sl.No. | Vehicals name |
|--------|----------------------|
| 1 | 250KV Generator |
| 2 | 45KV Generator |
| 3 | 5 HP Oil Engine |
| 4 | 62.5 KV Generator |
| 5 | ADM 5709 |
| 6 | AIC 2901 |
| 7 | AP 16AV 1822 |
| 8 | AP 16AV 1823 |
| 9 | AP 16AV 1824 |
| 10 | AP 16AV 1828 |
| 11 | AP 16AV 1834 |
| 12 | AP 16AV 1835 |
| 13 | AP 16AV 1836 |
| 14 | AP 16AV 1837 |
| 15 | AP 16AV 1839 |
| 16 | AP 16AV 1841 |
| 17 | AP 16AV 1842 |
| 18 | AP 16AV 5694 |
| 19 | AP 16BT 8509 |
| 20 | AP 16TA 1837 |
| 21 | AP 16TA 1838 |
| 22 | AP 16TA 1839 |
| 23 | AP 16TA 1844 |
| 24 | AP 16TA 5974 |
| 25 | AP 16TA 5995 |
| 26 | AP 16TA 5997 |
| 27 | AP 16TA 6003 |
| 28 | AP 16TA 6005 |
| 29 | AP 16TA 6006 |
| 30 | AP 16TA 6007 |
| 31 | AP 16TA 6009 |
| 32 | AP 16TA 6275 |
| 33 | AP 16TA 6276 |
| 34 | AP 16TA 6294 |
| 35 | AP 16TA 6303 |
| 36 | AP 16TA 6314 |
| 37 | AP 16TA 6322 |
| 38 | AP 16TA 6335 |
| 39 | AP 16TA 7156 |
| 40 | AP 16TA 9113 |
| 41 | AP 16TA 9114 |
| 42 | AP 26V 5235 |
| 43 | AP 27F 0309 |
| 44 | AP 31UFTR 6343 |
| 45 | AP 37 YATR 4284 |
| 46 | FOGGING MACHINE |

PARA NO. 77

CODE NO.11

PUBLIC HEALTH-PURCHASE FOOGING MACHINES –STOCK REGISTER AND ISSUE REGISTER NOT PRODUED

It is noticed during the Audit the following items were purchased Vide the vouchers mentioned below towards public Health. But the connected file and Issue register not produced to audit for verification. Necessary action may taken to produce the Issue register loss of any sustained in this regard should be made good from persons responsible.

PARA NO. 78

CODE NO.11

LOG BOOKS MILEAGE METER READINGS NOT BEING ENTERED NEEDS ACTION.

It is noticed during the audit that, in the log books the millage i.e. public vehicle meter reading from and to is not being entered. Because of this, the number of Kms travelled by each vehicle could not be arrived at loss any sustained in this regard should be made good from persons responsible.

PARA NO.79

CODE NO.11

TAXES – ARREAR DEMAND REGISTERS ALONG WITH OUT STANDING BILLS NOT PRODUCED:-

In respect of the following taxes, arrears demand registers along with outstanding bills were not produced for verification in audit. In the absence of the same, the genuiness of the taxes actually collected and arrears to be collected as on 31-03-2014 could not be ascertained in audit.

1. Water tax.
2. M.V. Tax
3. Advertisement tax.
4. Vacant land tax.
5. Property tax
6. Leases, rents and fees etc.,

Immediate action may be taken to produce the same.

PARA NO.80

CODE NO.11

ENCROACHMENT FEES –ARREAR DEMAND REGISTERS NOT MAINTAINED AND PRODUCED:-

The register of encroachment fee provides a record of all encroachments identified, and demand, collection and balance of license fees from objectionable encroachments. This register provides information for 5 years.

Similarly, the Arrear Demand Register provides record of all balances of encroachments fees outstanding at the end of the year. But the above registers were not maintained and produced to audit. However, colletion particulars not produced towards encroachment arrear fees, during the year under audit. Since the above registers were not maintained, the accuracy of the amounts collected could not be verified in audit. Hence, immediate action may be taken to maintain the register (MF.No.197) duly incorporating the required information. Any further delay in this regard would cause serious loss to the funds of Municipal council.

PARA NO. 81**CODE NO.11****REGISTER OF REVENUE YIELDING PROPERTIES NOT MAINTAINED AND PRODUCED:-**

In order to guard any item of Municipal revenue being left out in the M.D.R., a register of Revenue yielding properties and other miscellaneous sources of revenue of the municipality will have to be maintained. It has to be ensured that all the items shown in this register with the exception of those that are managed departmentally are entered in the M.D.R. for watching the realization of the revenue due. The register also helps in watching the rise or fall of revenue over several years and also to make investigations, if necessary.

However, this important register was not maintained. As a result it could not be fully ascertained in audit, whether revenue from all sources was being recorded or there were any leakages. It could not be verified in audit, whether all the sources of revenue were included in the M.D.R. due to non-maintenance of the above register. Immediate action may be taken to maintain the register and produce the same to audit.

Para No.82**Code No.16****NON-SUBMISSION OF UTILISATION CERTIFICATES:**

According to Article 211 (A) of the Andhra Pradesh, Financial Code Vol-I it is the responsibility of the grant receiving authority to furnish U.C. to the grant releasing authority. The Utilization certificates would need to be furnished to the District Audit Officer, State Audit, in the proforma Prescribed for counter signature. But the utilization certificates for no accounts were furnished to audit for verification.

Para No.83**Code No. 18****REGISTERS NOT MAINTAINED:**

The important registers to be maintained along with cash book were as detailed below. Early action would need to be taken to maintain these registers and produced the same for verification in audit.

1. Undisbursed pay register
2. Permanent advance register
3. Register of contingent charges
4. Register of A.G. Objections.
5. Stock register of Furniture
6. Establishment Audit register
7. Increment Watch register
8. Register showing the temporary establishment and their continuance.
9. Stock register of M.V. Forms
10. Register of Security deposits

11. Register of recoveries of loans granted to government servants for purchases of Bicycles, H.B.A.M.A., Motor cycle etc.,
12. Condemned articles register.
13. Mutation register
14. Stock register of P.H. articles.
15. Petty Cash book
16. Tools and Plants Register
17. Stock Register for Stationery
18. Register of V.L.T.
19. D.C.B of vacant Land Tax
20. D.C.B. of Advertisement Tax
21. Used Receipt Books for the taxes collected manually
(WT VLT and M.R)
22. Register of Auction files of Vacant condemned

Para No.84

Code No.18

DATA BASE OF THE RECORDS OF TAXATION – EFFICACY OF THE SOFTWARE :

During the course of audit, it was noticed that the Demand Registers (both current and arrear) of property tax and other tax and non tax revenues were maintained based on the computer generated data. Manual maintenance of the same was dispensed with though there were instructions to maintain the same. The actual demand for the current and arrear years was not certified by the competent authority and produced to audit.

Collection of property tax and other revenues is done in many ways like remittance in e-seva, by online remission, payment by way of Cheque or Demand Draft etc., from the tax payers. Whether the software takes care of various ways of collections of taxes was not explained to audit.

As seen from the Cheques received register, the corresponding credit entries in the Bank account could not be traced in audit and the amount realized in lump sum on a day is taken to receipt.

As seen from the Cash Book, the receipt side of the cash book was not at all maintained. Treasury adjustments, voucher adjustments etc., were not carried out.

Registers of appeals, revisions, mutations, writes off, remissions etc., were not maintained and produced to audit. Monthly lists of out door staff whether given effect, if so whether given effect promptly within the time or not were not borne by record and as no manual demand registers were maintained whether all such changes were effected in the demand or not could not be verified in audit.

In the absence of maintenance of subsidiary registers connected with levy, collection of property tax and other taxes and non taxes, the demand generated by the computer data base whether can be taken as authentic and certified demand or not, could not be decided in audit. The Executive Authority therefore would need to look in to the matter and test the efficacy of the soft ware in place and furnish certified demand to audit so as to verify the same.

Para No.85

Code No.18

**ENTERTAINMENT TAX FILES RELATING TO ET OF CINEMA AND CABLE T.V
NOT MAINTAINED**

As per GO.Ms No.1644 Revenue (CT-IV) Department dt.8.11.2006, the levy, assessment, collection and enforcement of Entertainment Tax on Cinema, Cable TV networks shall be vested with commercial Tax Department. According to section 4 of APET Act 1939 (The Act originally passed by the Madras Provincial Legislature as Madras Entertainment Tax Act 1939) 90 percent of the total proceeds of the Entertainment Tax collected in the Municipal area by the CT department is required to be apportioned to the local authority every quarter. An amount of Rs ...nil was adjusted towards Entertainment Tax to this municipality during the year. It was observed from the E.T files relating to Cinema and Cable T.V was not maintained in this municipality. In the absence of the said file the correctness of the adjustment particulars of E.T could not be verified in audit.

ParaNo.86

Code No. 18

SPECIAL NOTICES ISSUED – RECORD NOT MAINTAINED

In case of all the new and additional assessments made during the financial year were entered in the e-Suvidha package and the special notices of demands fixed were obtained from the package and the same were said to have been issued through the bill collectors concerned to the property owners. But there was no assurance in audit that all the notices were issued in time by the bill collectors concerned. The special notice number and the date of issue had to be entered in the ML at Col.No.45 and 46 respectively but the details were not being entered in the MLs in majority of the cases. Further the revenue section of the ULB did not maintain the copies of the special notices obtained from the package. In the absence of the same the correctness of the demand fixed and timely issuance of the same could also be not verified in audit.

Para No.87

Code No.18

REGISTER OF LIBRARY CESS NOT MAINTAINED

(A) As per GO.Ms No 68 dt.12.9.2009, under Section 85(2) of the AP, Municipality Act read with Section 20 of Andhra Pradesh Libraries Act 1960, the Municipal council is required to levy and collect the amount of Library Cess @ 8 paisa for every rupee on the property Tax collected and transfer the same to Zilla Grandhalaya Samstha (ZGS) concerned to provide library service to public. The register of library Cess was not maintained in this municipality. As such it could not be known how much the amount was pending to remit to ZGS towards library cess in audit. The executive authority would need to work out and

arrive at the remitted Library Cess which was pending prior to 26-10-2009 and same would need to be remitted to ZGS early.

(B) Government issued orders vide GO. No 122 Education (PE Prog.I) Department Dt:26.10.2009 para 5 of (II) directing of Library Cess @ 8 percent on property tax collected, at e-seva center level and remit the same to City/Zilla Grandhalaya Samstha (ZGS) concerned through e-seva. However it was observed from the copies of statements furnished by Administrative Officer, e-seva, that library cess was not collected at the rate prescribed by Government i.e @ 8 percent. The executive authorities would need to take good steps to collect library cess as per Government norms.

Para No.88

Code No.18

DEPARTMENTAL INSPECTION AND INTERNAL AUDIT OF THE OFFICE NOT DONE.

Departmental Inspection:- According to the Government orders in G.O.Ms.No.247,GAD,dated 8.2.1962 and instructions issued from time to time. District Officers and their subordinate officers are required to be inspected by the Heads of Departments periodically and furnish Inspection Reports in the form of Questionnaire prescribed therein. The need for inspection of Government offices periodically was also emphasized in Government Memo.

Internal Audit:- As per the orders in G.O. Ms.No.34, F & P Department dated 1-7-1997, it was the responsibility of the Accounts Branch of the Head of the Department to conduct Internal Audit of the Regional offices, District offices, unit offices etc., periodically at least once in a year and furnish report.

The copies of the Departmental Inspection notes and Internal Audit notes were not produced to audit. In the absence of the said copies it could not be known whether the inspection either departmental or internal was conducted in time or not. The same may be furnished to audit.

Para No. 89

Code No.18

LABOUR CESS NOT COLLECTED BY MUNICIPALITY – NEEDS COLLECTED

Government in GO. MS.No.112 dt.15.12.2009 Labor Employment Training & Factories department issued instructions for collection of 1% of cess on estimated cost of construction of the building works, and instructed for collection by the local bodies at the time of approval of plan. During the course of audit, the executive authority has not collected labour cess and followed above Government norms at the time of plan approval. Immediate action would need to be taken to collect labour cess at the time of plan approval.

Para No.90**Code No.18****NON EXCHANGE OF INFORMATION BETWEEN TOWN PLANNING AND REVENUE SECTION:**

The Revenue Wing of the Municipality did not have access to the Building Approvals plans from the town Planning wing as there was no system to furnish copies of approvals by the Town planning Wing to the Revenue Wing for monitoring of the buildings and assess it under PT in accordance with the details therein. The Revenue wing similarly did not follow the procedure to bring to the notice of the Town Planning Wing in respect of buildings that have been constructed unauthorized for taking further necessary action. Details of visits made by the Building inspectors for verification of the status of the buildings for which permissions were given were not forthcoming in audit. The U.C. Registers maintained showing the details of the notices given for the deviations noticed and the unauthorised constructions against which action was taken were not produced to assess the work of the town planning wing of the ULB.

ParaNo. 91**Code No.18****PAID VOUCHERS – ‘COUNCIL RESOLUTION’ NUMBER WAS NOT NOTED ON THE PAID VOUCHERS :**

As verified from the paid vouchers for the year 2013-14, it was noticed that the ‘Council Resolution’ number was not noted on back side of the vouchers. In the absence of the same, the fact of obtaining the council resolution for the payments made could not be verified in audit. Action may be taken for noting the council resolution number and date for every paid voucher in future.

Para No.92**Code No.18****DEMAND REGISTER – WATER TARRIF FOR HOUSE HOLD WATER SUPPLY SERVICE CONNECTIONS (HSCs) - NOT MAINTAINED:-**

As per G.O.ms.No.303 Municipal Administration & Urban Development (A2) Department, dated 3-8-2004 the Government have decided to formulate a new strategy for the urban poor i.e. Below Poverty Line house holds, for provision of house service connections. Accordingly the following orders are issued.

1. Any Below Poverty Line house holders, possessing a White Ration Card and not having access to house service connection, shall be granted one HSC on payment of Rs.1200/- per connection including the cost of pipes and road cutting charges. The cost of tap, however shall be borne by the individual.
2. The beneficiary shall be given the option of paying the amount in 12 equal monthly installments without interest. The house service connection shall

be given after payment 1st installment and the rest shall be recovered along with the monthly/bi monthly billing for water consumed.

The proof of receiving the installments and the schedule of the giving connections was not produced to audit. But the Demand register of water tariff was not maintained and produced to audit. In the absence of the same, it could not be verified whether the installments were being collected regularly or not. Loss, if any, caused in this regard would need to be recovered from the person or persons responsible. The above said register would need to be prepared and produced to audit early.

Para No.93

Code No.18

DIFFERENCES IN MEASUREMENTS BETWEEN M.Ls AND E-SUVIDHA PACKAGE AND RESULTANT VARIATIONS IN FIXING OF PT – NEEDS TO BE REVISED AND LOSS ASSESSED.

During the scrutiny of records relating to PT it was noticed that many variations existed between the measurements as recorded in the ML and the measurements entered in the e-Suvidha. The MLs were not filled fully. In about 44 columns to be filled if no RP is filed only 7 to 8 columns are filled and the calculations of MRV and ARV and discounts allowed were not included in the registers. It was also noticed that the PT as obtained from the e-Suvidha package was entered in the ML and the same was being collected which was resulting in perpetuation of the variations in the imposition of PT. In some cases it was noticed that the measurements were not the same in the ML and e-Suvidha resulting in less fixation of PT as detailed below resulting in recurring loss to the ULB in the form of less PT fixed and collected. In cases where the PT was fixed more than what was to be if calculated manually it results in recurring extra burden on the tax payer. The calculation logic in the package was not consistent and not free from inconsistencies as a result also certain variations occurred. No record is produced to audit to show that the assessment of PT was properly supervised by the RI, RO, Commissioner, RDMA etc as no supporting record to form an opinion in audit was maintained and produced to audit. In the absence of the same the details as recorded by the Bill Collector in the ML were taken for granted and PT was imposed without any cross verification though elaborate machinery was available and copious instructions were issued to the authorities concerned for the supervision.

Para No.94

Code No.18

INCONSISTENCIES IN THE E-SUVIDHA PACKAGE RESULTING IN LOSS TO THE MC.

Certain inconsistencies were noticed in the e-Suvidha package during the course of audit which had a bearing on the correctness or otherwise of the PT fixed and collected accordingly. The package was not levying the deviation penalties even when there were deviations from permitted extent as per building permission. It only levied penalty for unauthorised construction penalty. There was no assurance in audit that the calculations of PT was correct in the system. The special notice generated by the package was being used and the copy of the same was not made available in audit. There was no assurance in audit that the three logins were not misused as it was noticed that the DEO was using all the three logins freely and there was no check on the use of the logins. There was no assurance in audit that the Spl. demand notice was compared properly before the facsimile of the Commissioner was appended.

Para No.95

Code No.18

NON-UTILISATION OF FEE TOWARDS PUBLICATION OF BUILDING PERMISSION IN NEWSPAPERS COLLECTED FROM THE APPLICANTS SEEKING PERMISSION FOR HOUSE-PLAN AND FOR HOUSE CONSTRUCTION

In accordance with Government memo.no.22889/MA/97, MA&UD, dated 1-11-1997, an amount of Rs.100/- from individuals and Rs.1000 from apartment builders, are being collected by the municipal authorities towards fee for publication of building permissions in newspapers while according approval for house plans. The amounts collected shall be utilized towards publication charges payable to news media for printing the particulars viz., name of the applicant/GPA, sanction, total sq.ft sanctioned, total floors sanctioned, number of flats per floor, area of flats, parking space, etc., as a measure of transparency.

It was observed during the scrutiny of the records that the particulars of building permissions were not made public through the press utilizing the publication charges collected from the applicants in contravention of the Government orders. No separate account was maintained as regards publication charges so far collected. This was not in order. The lists of all unauthorized constructions noticed especially regarding apartments, office complexes were not published in the newspapers every month for information of general public.

Comments on Annual Account

Para No.96

Code No.18

1) CERTAIN TRANSACTIONS NOT CAPTURED – NEEDS TO BE RECTIFIED

During verification of account in DEABAS it was noticed that certain transactions were not captured in the account. The details of receipts and expenditure entries that were omitted in the new account when compared with the manual records/registers maintained were enclosed in the **Annexure-I**. As the entries were not captured in the DEABAS, the Balance Sheet, Income and Expenditure and Receipts and payments statements and Trial Balance account which were arrived at without the entries shown in Annexure-I could not be held to be correct and comprehensive. The same would need to be taken in to the account and revised account be produced to audit early.

2) NON MAINTENANCE OF REGISTERS PRESCRIBED IN THE MANUAL

The APMAM prescribed maintenance of certain registers and forms. The formats of the books, registers and forms referred to in Table 4.1 of Chapter 4 of APMAM need to be maintained. But it was observed that all the registers and forms were not maintained during the year 2011-12 contrary to the instructions contained in the manual. The details were mentioned in **Annexure-II**. The registers and forms would need to be maintained and produced to audit for verification of annual account along with the registers.

3) VERIFIED FOBS NOT FURNISHED

The OBs of the respective G.L. accounts were drawn from the OBs provided in the FOBS furnished to audit. The said FOBS was verified and certain material deviations from the instructions envisaged in the APMAM, and instances of under/over stating of value of assets and non-identification of assets etc., were pointed out and communicated to the Executive Authority for rectification. But the said FOBS was not returned duly rectifying the defects pointed out or existed in the FOBS. The annual accounts for the years 2009-10 to 2012-13 furnished were prepared with the OBs as arrived at in the FOBS. Thus adopting of incorrect OBs rendered the annual account for the year 2009-10 to 2012-13 not reliable and could not be held to reflect the true and fair view of the transactions of the accounting period. In view of the non rectification/ remedying the defects pointed out in FOBS issued to the Municipal council vide letter SA No. dated: persisted in the final accounts of this year 2013-14 also and as such the defects already pointed out in the verified FOBS may be read as part and parcel of this audit report.

4) NON-IDENTIFICATION OF MANY ASSETS

Many assets were not identified in spite of pointing out relevant objections in the FOBS verification report. The Executive Authority of the ULB ought to have shown much more interest in identifying valuable assets and taken steps to include the same in the Balance Sheet.

5) RECEIVABLES AND PAYABLES NOT ASCERTAINED PROPERLY

APMAM mandates that the receivables in case of tax income shall be ascertained for the last five years and in case of non tax income for the last three years. But the same was not adopted either in the FOBS or in the account rendered now to audit. If the receivables and payables were not assessed properly now there was every chance that of the institution suffers at a later date. However the basis for the amounts arrived at as receivables and payables was also not made known to audit.

6) RECEIVABLES NOT RECONCILED

The Accounts Section and the Tax Section shall reconcile the balance at the beginning of the accounting year in respect of the year wise property and other tax receivables as appearing in the balance sheet of the previous year with the year wise total of the arrears recorded in the demand register as per the provisions contained in APMAM. But during the verification of the annual accounts it was noticed that the arrear demand registers were not maintained by the ULB and as such the amount shown in the balance sheet could not be held to be correct and the basis on which the figures had been finalized was also not made known to audit.

7) ADVANCE COLLECTION OF D&O TRADE FEES INCLUDED IN THE I&E STATEMENT

The convention in the ULBs with regard to the collections of D & O trade fees was to collect the same in advance for the subsequent year i.e., before February of an year. The collections made after February are to be made along with collection of belated fees. The advance collection made shall be kept under deposit for that year and adjusted to General funds in the subsequent year. But during the course of verification of account it was noticed that the said distinction was not observed and the collections made were not classified based on the year to which they pertain. As a result of which the entire amount collected was reflected as income in the Income and Expenditure statement for the year though the income actually pertains to the subsequent year The correctness of the Income and Expenditure statement to that extent suffered due to the above defect pointed out.

8) RECEIPT ENTRIES WERE BASED ON CHITTA

It was observed in audit that the base document that was considered for recording receipt entries in the new system of accounting was Chitta. The endeavour of the accountant who prepared annual accounts was to faithfully account for all the entries in the Chitta as receipt entries in the annual accounts. But no effort was made to trace amounts collected by the collection staff and remained unremitted if any.

9) SOME OTHER MATERIAL OBSERVATIONS

- As verified from the Schedules enclosed to the 'Income and Expenditure statement', it was noticed that the amounts relating to the 'previous year' were not furnished.

- As verified from the Schedules enclosed to the 'Balance Sheet', it was noticed that the details of 'additions' and 'deletions' during the year 2013-14 were not furnished.
- Statement of cash flows (a summary of ULBs cash flow for the period from 1-4-2013 to 31-3-2014) was not furnished.
- Financial performance indicators were not furnished.
- Financial ratios were not calculated and produced.

10) FIXED ASSETS REGISTER NOT MAINTAINED

The A.P. Municipal Asset Valuation Methodology Manual provides for maintenance of Fixed Assets Register for 11 categories of assets and formats were prescribed in Annexure-6 and as per instructions the register has to be maintained updating the details of acquisition/construction/improvement of assets for each particular year. But it was noticed during audit that no such registers have been maintained under certification by the competent authority for the years 2009-10 to 2013-14 duly incorporating the assets identified in FOBS/rectified FOBS.

No effort has been made either to maintain Fixed Asset Register as part of preparation of annual account in the year 2009-10 and no updation was recorded by capturing the additions/deletions during the year 2013-14 in the annual accounts for the year 2013-14.

Non maintenance of the important Asset register by the ULBS having significant and valuable assets, impairs the asset management system and proper watch on the cost of the assets/improvement to assets would not be possible.

11) NOTES TO ACCOUNTS NOT ENCLOSED TO FINANCIAL STATEMENTS

The Notes to accounts comprising of the statement of significant accounting principles followed by the ULB in respect of accounting for its transactions and its preparation and presentation of the financial statements, statement of contingent liabilities representing obligations relating to past transactions and claims against the ULBs which were contingent on the happening of future uncertain events, subsidy report in accordance with the provisions of the Act and rules governing the ULBs and instructions of the Government in respect of certain services along with many other disclosures like details of honorarium paid to mayor/chair person, amount of refunds, remissions and writes of etc., were not enclosed with the financial statements and in the absence of the same the annual account prepared could not be analysed fully during the course of audit.

12) RECONCILIATION PROCEDURES NOT OBSERVED:

A.P.M.A.M., prescribed reconciliation procedures with an objective to ensure that the accounting information is recorded at more than one place, there are no discrepancies between the different sets of records. The procedures include the following.

a) Bank reconciliation: aiming at reconciliation of bank, treasury balances with cash book balances.

b) Inter Unit reconciliation: intending to identify the disputed/un accepted inter unit transactions and to take appropriate action for rectification which is necessary in the process of consolidation of ULB at the head office level as the balances of inter unit account balances shall be nullified.

c) Reconciliation of Deposits: Aiming at reconciliation the balance of EMD/SD etc., and any other deposits received by the ULB. The reasons for differences shall be identify and rectification entries passed whenever required by the section concerned.

d) Reconciliation of receivables and collections : The receivables and collections shall be reconciled on a quarterly basis or such other shorter time intervals, however the procedure for reconciling outstanding balances of receivables and collections of all kinds of receivables namely viz., property tax receivables, Water tax receivables etc., is the same.

e) Reconciliation of Advances given: Advances given shall also be reconciled on a quarterly basis including advances given to employees of ULB, sections of the ULB and contractors and suppliers.

Further A.P.M.A.M. envisaged reconciliation of loans taken, reconciliation of payables, reconciliation of ledger balances etc., also.

But during the scrutiny in audit it was observed that these procedures prescribed were not followed and no reconciliation statements were enclosed to the final accounts, in the absence of reconciliation of receivables and collections the balances shown as either receivable or collected could not be held to be correct. Urgent steps would need to be taken by the Executive Authority to cause preparation of the reconciliation statements as per the instructions of the A.P.M.A.M.,

13)MANY ITEMS WERE BOOKED UNDER THE HEAD “OTHERS” FOR NOT KNOWING CORRECT CLASSIFICATION

It appears that while making data entry and creating vouchers many items were booked under the head “others” either due to lack of understanding at data entry level or because of the complexity involved in deciphering the correct classification of the expenditure as per the Chart of Accounts prescribed by the APMAM.

14) MIS-CLASSIFICATIONS

Instances of misclassifications are many and some of the misclassifications may have material effect in reflecting the true and fair view of the accounts so prepared.

15) VOUCHERS NOT VERIFIED DURING DATA ENTRY

It appears that at data entry level the original vouchers were not verified and as such the vouching appears to have been done based on the entries in the cash book leading to many misclassifications and incorrect totaling etc.,

16)IRREGULAR CALCULATION OF DEPRECIATION

As per para 5.2.1 of A.P. Municipal Asset Valuation Methodology Manual Depreciation shall be provided at full rates for assets purchased/constructed before October 1st and at half rates if purchased/constructed on or after October 1st of an accounting year. As the depreciation statements were not produced to audit, it could not be known whether the procedure as per said manual at the time of calculation of depreciation was followed or not.

17)PROPERTY TAX AND ITS COMPONENTS – NOT FOLLOWED CORRECTLY

According to Sec.85 of the A.P. Municipalities Act, 1965, the government have fixed ceiling to the rate of property tax inclusive of Education Tax and Library Cess that it should not exceed 25% of ARV in respect of residential buildings and 33% of ARV in respect of non-residential buildings. The property tax should be allocated to the following components

1. General purpose
2. Water supply tax
3. Drainage tax
4. Scavenging tax
5. Lighting tax
6. Education tax
7. Library cess

As verified from the annual account, the property tax was not allocated as per the said provision of the Municipal Act. This is contrary to the A.P. Municipal Act. The allocation would need to be done.

Further the authority concerned would need to examine whether the compliance of this mandate of the A.P. Municipal Act was loaded in the software or not and whether the software is giving such a report or not. In case the same is not supported by the software steps should be taken for the inclusion of the logic pertaining to this aspect in the software.

PARA NO.97

CODE NO.18

ADVANCES – ADVANCES RECOVERABLE REGISTER NOT MAINTAINED PROPERLY – IRREGULAR – NEEDS PROPER MAINTENANCE:-

As verified from the Advances recoverable register maintained for the year 2013-14, it was full of defects as detailed below.

1. Many advances sanctioned during the year were not entered in the register which is highly irregular. The advances sanctioned during the year were detailed in the next page (Annexure).
2. Previous balances were not forward to by the advances sanctioned during the financial year, leaving the outstanding advances that were sanctioned in previous years without accounting for which is highly irregular.

3. Recoveries were not posted in the register by noting the installment numbers. As such, how much amount was recovered and how much balance was left out for that year could not be checked in audit.

4. Advances account not prepared for the year. D.C.B. was not produced.

In view of the above defects in maintenance of advances recoverable register, the advances account could not be finalized and also whether they are being recovered or not could not be checked in audit. As such the loss if any caused to municipal funds due to irregular maintenance of this register should be got recovered from the person or persons responsible. Immediate action would need to be taken to produce the said register duly rectifying the defects.

RECEIPTS AND CHARGES:-

The gross receipts and Charges of the Municipal council, Machilipatnam for the year 2013-14 are as furnished below.

| | | |
|-------------|-----|------------|
| Receipts | Rs. | 96303406/- |
| Expenditure | Rs. | 32288196/- |

STATUS OF AUDIT OBJECTIONS.

No. of objections involving an amount of Rs. as detailed below are pending settlement, at the close of audit.

| S.No. | Year | No.of Objection | Amount |
|-------|--------------|-----------------|---------------------|
| 1 | Upto2008-09 | 390 | 38887529.14 |
| | 2009-10 | 156 | 30045969.00 |
| | 2010-11 | 185 | 84238069.87 |
| | 2011-12 | 59 | 213942656.00 |
| | 2012-13 | 186 | 5618720.00 |
| | 2013-14 | 97 | 30454731.00 |
| | Total | 1073 | 403187674.00 |

APPROVED ✓

DAO

A.A.O

**District Audit Officer,
State Audit, Krishna, Machilipatnam**