

**AUDIT REPORT ON THE ACCOUNTS OF THE
NARASARAOPET MUNICIPALITY GRADE-I MUNICIPAL
COUNCIL, NARASARAOPETA MANDAL,
GUNTUR DISTRICT FOR THE YEAR 2015-16**

**File Number : SA/GNT/NARASARAOPETA/MC(3)/NARASARAOPET
MUNICIPALITY GRADE-I/2015-16**

Name Of the Auditor (s) :

1. Mr/Mrs RAJAMALLESWARA RAO - ASSISTANT AUDIT OFFICER

Date Of Audit :

From 08-01-2017 To 21-01-2017

Name (s) of Executive Authorities :

1.Mr Sri. N. Subbaraya Gupta - Chairperson From 01-04-2015 To 31-03-2016

2.Mr 1.Sri. P. Deva Singh - Commissioner From 01-04-2015 To 02-05-2015

3.Mr 2.Sri. A. Bhanu Pratap - Commissioner From 02-05-2015 To 29-12-2015

4.Mr 3.Sri.G.R.T.Om Prakash,M.E(FAC) - Commissioner From 29-12-2015 To 29-01-2016

5.Mr 4.Sri. A. Bhanu Pratap, - Commissioner From 29-01-2016 To 31-03-2016

GENERAL FUND

Para Number : 1

OTHERS (Code : 18) Rs : 0

AUDIT OBJECTIONS

Para No.1

Code No.8

**ADVANCES - ADVANCES SANCTIONED DURING THE YEAR - BUT NOT
ADJUSTED - NEEDS EARLY ADJUSTMENT : Rs. 3515000**

According to the provisions laid down in A.P.F.C.Volume I, all advances that are paid to the employees for various purposes such as tour, purchases, works, etc., shall be adjusted through the submission of a detailed bill within a period of one month from the date of payment of such advance. In the event of non-submission of the adjustment bill within the stipulated period, the official concerned shall not be paid

any further advance and the amount of advance outstanding shall be recovered from the official in lump sum

As verified from the cash books and vouchers for the year 2015-16, an amount of Rs. was sanctioned to the Municipal Employees towards various advances, as follows. However, the amounts were not adjusted during the year 2015-16, which is irregular. Immediate action would need to be initiated to get the amount adjusted or recovered from the persons concerned.

Advances Pending Adjustment For the Financial Year 2015-16 Of Narasaraopet Municipality				
S.no	Name of the individual	Nature of advance	Paid in Vr.No	Amount
1	J. Praveen Kumar, M.A.E.	Work - Filling of hindu burial ground, Guntur road	373 dt.7.10.2015	800000
2	Sk. Md. Rafiq, M.A.E.	Work - Filling and raising of of hindu burial ground at SSN college	374 dt.7.10.2015	800000
3	Sk. Md. Rafiq, M.A.E.	Purchase of 10 HP, 8 nos, submersible motor sets, for filling of raw water to SS Tank at Nakarikallu, NSP canal	697 dt.22.2.2016	500000
4	J. Praveen Kumar, M.A.E.	Improvement of burial ground in urgency	154 dt.8.8.2015	80000
5	M.Vijaya Saradhi, S.I.	T.A and DA for meeting expenditure of cyclone special Sanitation duties.	504 dt.19.11.2015	100000
6	M.Vijaya Saradhi, S.I.	Urgent works of century celebrations.	581 dt.7.12.2015	100000
7	A.M. Srinivasarao, R.O.	Urgent works of century celebrations.	584 dt.11.12.2015	1000000
8	M.Sulekha, HM	Providing nutrition food to 10 th class students	347 dt.18.3.2016	60000
9	T.Ravikanth, HM	Providing nutrition food to 10 th class students	348 dt.18.3.2016	50000
10	G.V. Ramana rao, HM	Providing nutrition food to 10 th class students	349 dt.18.3.2016	25000
			Total	3515000

Para No.2(1)

Code

No.9

**PROVIDENT FUND - INVESTMENT OF PROVIDENT FUND
SUBSCRIPTIONS OF THE MUNICIPAL EMPLOYEES - ORDERS OF THE
GOVERNMENT NOT FOLLOWED - IRREGULAR - NEEDS ACTION**

As per the orders of Govt., issued in G.O.Ms.No. 329, NAC UD (G2) Dept., Dt. 15.6.2006, all the Commissioners of Municipalities have to obtain options from the concerned Municipal employees as to whether their GPF subscriptions shall be kept in the General funds of the Offices, Govt. Securities, Government guaranteed securities in the following pattern :

- | | |
|--|-----|
| 1. Government Securities | 50% |
| 2. State/Central Govt.
Guaranteed securities | 25% |
| 3. NSS and other small saving
Investment (if allowed) | 25% |

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

Also for allowing rates of interest on PF Subscriptions based on the options exercised by the Municipal employees, the Govt. in the said G.O. ordered that

1. In case of Municipal Employees opted for keeping their subscription in General Funds of respective Municipality they shall be allowed the prevailing rate of interest as fixed by the Govt. from time on the PF subscriptions of Govt. Servants.

2. In case of Municipal Employees opted for investing / depositing their PF subscription in post of offices/Nationalised Banks/Government floated loans, the rate of interest that accrued in the investments/deposits made shall be only be allowed.

But, Narasaraopet Municipal Council has not followed the orders of the Govt. till the close of audit of 2015-16. Action would need to be taken to implement the above orders immediately and report the compliance to audit.

Para No. 2(2)

Code No.9

ENGAGING OF PERSONS ON OUTSOURCING BASIS - DEFECTS :

During the verification of files relating to persons engaged on outsourcing basis, the following defects were noticed.

(i) CONTRACTS GIVEN TO -CIVIL CONTRACTOR- INSTEAD OF AGENCIES REGISTERED UNDER CONTRACT LABOUR ACT, 1970 :

As per guidelines on outsourcing issued in G.O.Rt.No.4459, Fin. (SMPC) Dept., Dated 27-12-2006, the principal employer for outsourcing agencies shall have to register his office or department as per the provisions of Contract Labour (Regulation and Adoption) Act, 1970 to engage the outsourcing services. The principal employer i.e., Heads of Department or Head of office shall get registration certificate under section 7 of the said Act, 1970.

But, as verified from the files relating to engaging of outsourcing staff, it was noticed that tenders were called for from the civil contractors through -e- procurement and entrusted treating it as a work, which is highly irregular.

(ii) ATTENDANCE PARTICULARS OF THE OUTSOURCING PERSONNEL NOT PRODUCED :

The attendance particulars of the outsourcing personnel duly certified by the competent authority were not produced to audit for

verification. In the absence of the same, the correctness of the wages paid could not be verified in audit.

(iii) SERVICE TAX NOT RECOVERED FROM THE BILLS :

As per the guide lines issued in G.O.Rt.No.4459, Fin. (SMPC) Dept., Dated 27-12-2006, service tax has to be recovered from the agency and remitted to the concerned department. But, the same is not being done.

Action may be taken for the rectification of the above defects. Loss, if any, caused due to the above defects, the same may be estimated and recovered from the responsible persons and credited to Municipal Council funds.

Para No. 2(3)

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 Corporation with the sanction of the Corporation.

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

Para No. 2(4)

Code No. 9

SANITATION - DEPLOYMENT OF CONTRACT LABOUR :

According to Section 480 to 572 of Hyderabad Municipal Corporation 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.

Para No. 2(5)

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 superintendence 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.

Para No. 2(6)

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.

Para No. 2(7)

Code No. 9

TENDERS NOT CALLED FOR - DEFECTS POINTED OUT:

According to G.O.Rt.No.1590, Revenue (EP.I) Department, dated 03.11.2000 and the orders issued by the commissioner from time to time tenders shall invariably to call for. But the tenders have not been called for by the authorities violating the above orders. As such action would need to be taken to obtain the ratification orders from the competent authority for not having called for the tenders and produced to audit.

Para No. 2(8)

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. 2(9)

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. 2(10)

Code No.9

BANK ACCOUNTS PERTAINING TO THE M.C. (MAINTAINED BY THE M.C) ALONG WITH CASH BOOKS NOT FURNISHED - NEEDS IMMEDIATE ACTION :

The information regarding the Bank accounts maintained for various grants received from Govt. by the Municipality were not produced to audit. The number and nature of Grants received from Govt. and for which separate cash book maintained with Bank Account were not made available to audit. The income and expenditure statement along with utilization certificate to the specific purpose grants released and adjusted by the Govt. to Municipal Council for which maintained each individual Cash book and Bank Accounts were also not furnished to audit.

Hence, immediate action may be taken to produced all the Bank Accounts pertain to the Municipal Council, Narasaraopet and in the name of Commissioner, Narasaraopet Municipality along with Cash Book should be produced to audit. The loss and misappropriation of Municipal receipts if any caused Municipal funds should be recovered from the person or persons responsible.

Para No. 2(11)

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.

Para No. 2(12)

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.3(1)

Code No.11

WORKS - EXECUTION OF WORKS - CONNECTED ESTIMATES, M.BOOKS, WORK FILES ETC., NOT PRODUCED- EXPENDITURE INCURRED HELD UNDER OBJECTION : Rs.32206045

During the course of audit, the estimates, connected measurement books, work files etc., pertaining to works executed as detailed below were not made available for verification in audit to certify the genuineness of the expenditure incurred though the same might have been pre audited and records available. It was only the lack of effort of the authorities concerned which had resulted in non production of records to such a huge extent.

The connected measurement books as prescribed in the paras 290 to 292 of A.P.P.W.D. Code and Articles 171 to 174 of A.P. Financial code volume-I would need to be produced for verification in audit to certify the genuineness of the expenditure incurred in the absence of the connected measurement books as prescribed above, detailed designs and estimates as prescribed vide Para No.173 of A.P. PWD Code and completion report as specified vide Article 181 of A.P. Financial Code Vol. I and Para 216 to 218 of A.P. P.W.D code, the genuineness of the expenditure incurred and payment made could not be certified and admitted in audit. Hence, the same would need to be produced for verification in audit.

Vr.No& Date	Particulars	M.Book	Amount
6/22.4.15	Improvement of greenery in central divider Jupalli center, Vinukonda road.	59/14-15	63933
7/22.4.15	Improvement of greenery in central divider Sattenapalli road in front of Indira Nagar.	61/14-15	23222
87/30.5.15	Providing painting to the dividers in Palanadu road, Sattenapalli road and Kotappakonda road.	7/15-16	521081
137/21.7.15	Providing 100 mm dia distribution pipeline in Babapet to Kamakshi Nagar and Rahimtulla Nagar to Kalyani Petrol bunk	214/13-14	97867
145/1.8.15	Providing WBM road in 2 nd ward area	22/15-16	47000
150/1.8.15	Providing cc drains, culverts and formation of gravel road Community hall at Bapanayya nagar	21/15-16	124000
151/5.8.15	Construction of the storm water drain behind Harikrishna Nagar	144/14-15	2500000
222/15.9.15	Providing of 100 mm dia AC water distribution pipeline from door no.2-3-50 to DN. 20-4-10	34/15-16	437563

11/22.4.15	Providing ornamental painting to the siva statue	138/14-15	90266
376/8.10.15	Const.of ccdrain in ward no.33	43/15-16	211000
386/13.10.15	Const.of rcc culverts and cc drains in ward no.8	88/15-16	285000
388/13.10.15	Const.of rcc culverts and cc drains in ward no.29	55/15-16	265249
431/14.10.15	Providing 250 mm dia MS pipeline at Sattenapalli road	48/15-16	445000
435/14.10.15	Const.of cc drain from fire station in ward no.25	-	295000
476/7.11.15	Providing of cc drains from Aravindbabu Hospital road in ward no.3	76/15-16	284166
484/7.11.15	Providing of cross bund across MS right canal at Nakarikallu SS tank	59/15-16	368866
485/7.11.15	Construction of CC roads and RCC culverts in ward No.7	77/15-16	257275
487/9.11.15	Const.of rcc culverts and cc drains in ward no.30	68/15-16	223130
488/8.11.15	Const.of compound wall to hindu burial ground at Guntur road	83/15-16	650000
492/16.11.15	Const.of rcc culverts and cc drains in ward no.34	69/15-16	260000
493/16.11.15	Providing of 100 mm dia AC water distribution pipeline in ward no.18	84/15-16	243240
500/16.11.15	Bailing out of water with oil engine near nakarikallu main canal	79/15-16	265708
503/16.11.15	Construction of cc drains in ward no.11	75/15-16	364138

507/16.11.15	Construction of kalan burning -4 at hindu burial ground	89/15-16	414474
508/16.11.15	Construction of kalan burning -3 at hindu burial ground	88/15-16	414473
509/16.11.15	Construction of kalan burning -1 at hindu burial ground	86/15-16	414142
510/16.11.15	Construction of kalan burning -2 at hindu burial ground	87/15-16	414462
511/16.11.15	Const.of compound wall to hindu burial ground at Guntur road	83/15-16	3703546
556/20.11.15	Providing cc approaches along the palanadu road	91/15-16	604556
557/20.11.15	Construction of cc drains in ward no.28	70/15-16	159522
558/20.11.15	Construction of cc drains in ward no.33	94/15-16	175477
560/20.11.15	Construction of cc drains and roads in ward no.21	93/15-16	316924
561/24.11.15	Providing of retaining wall at Hindu Burial ground	97/15-16	400000
577/3.12.15	Providing of cc drains in ward no.6	106/15-16	483000
578/3.12.15	Raising of compound wall to Hindu Burial ground	102/15-16	315094
579/4.12.15	Construction of kalan burning -2 at hindu burial ground at Ravipadu road	104/15-16	450000
585/4.12.15	Construction of kalan burning -2 at hindu burial ground at Ravipadu road	105/15-16	440000
586/4.12.15	Repairing of 200 mm dia clear water line in ward no.6	103/15-16	127993

594/16.12.15	Filling and raising of hindu burial ground and development	110/15-16	881932
599/16.12.15	Const.of compound wall and cc platform in front of Muslim kabharistan	112/15-16	342130
633/19.12.15	Construction of cc drains and roads in ward no.8	115/15-16	440050
634/19.12.15	Construction of RCC culvert and cc roads in ward no.7	114/15-16	329440
635/19.12.15	Construction of RCC drains and cc roads in ward no.9	116/15-16	181960
638/19.12.15	Providing of Dhinapadu kallam at Hindu burial ground	127/15-16	821630
639/19.12.15	Providing of retaining wall at Hindu Burial ground	97/15-16	454919
640/19.12.15	Providing of pathways at Hindu Burial ground, Guntur road	129/15-16	860130
641/19.12.15	Const.of balance compound wall to hindu burial ground at Guntur road	118/15-16	1862890
642/19.12.15	Const.of cc drains in ward no.1	124/15-16	402698
643/19.12.15	Const.of cc drains in ward no.2	125/15-16	252450
644/19.12.15	Hiring of 110 HP excavator in ward No. 1 and 2	119/15-16	91575
646/19.12.15	Providing of cc drains from Masid to N. Murali House	121/15-16	352800
647/19.12.15	Providing of cc drains in front of St. Joseph-s school.	123/15-16	243810
648/19.12.15	Providing of cc drains from Jenda Chettu to Sattenapalli road.	126/15-16	215460

661/21.1.16	Providing of pathways with interlocking in Hindu burial ground in Guntur road	128/15-16	705815
662/21.1.16	Const. of 300 x 300 mm cc drains in ward no.22	131/15-16	328000
666/25.1.16	Providing of kerb stones for roads at Hindu Burial ground at GT road	146/15-16	397300
670/27.1.16	Providing of pathways roads at with Muslim khabaristan	143/15-16	475000
671/29.1.16	Maintenance of road dividers	142/15-16	61400
688/5.2.16	Providing of cc road with in municipal office around parking shed.	150/15-16	458664
694/11.2.16	Const.of cc drains in ward no.24	157/15-16	181592
698/22.2.16	Providing of cc internal roads at Christianpallem ward#5	139/15-16	805265
699/22.2.16	Const.of compound wall in front of Christian burial ground	140/15-16	617000
701/22.2.16	Providing of cc drains and caluverts from VIP guesthouse to radha bazaar nagar	151/15-16	352732
704/3.3.16	Const.of compound wall for Westside of Christian burial ground	133/15-16	739990
705/3.3.16	Providing of cc roads in front of st.Joseph school in ward#10	123/15-16	96300
706/3.3.16	Providing of cc drains and fir bricks platform for kilins in hindu burial ground at ravipadu road	164/15-16	341000
707/3.3.16	Const.of compound wall in front of Muslim khabarstan	112/15-16	154000

709/3.3.16	Const.of 300*300mm cc drains near B.Rajyam house in ward#23	153/15-16	367000
727/17.3.16	Const.of cc drains in ward no.17	152/15-16	258650
728/17.3.16	Providing of cc.approches at boys and girls high schools	154/15-16	125000
729/17.3.16	Const.of cc roads & drains in ward no.31	155/15-16	350000
208/21.11.15	Providing of prayer hall and toilets at Christian burial ground	196/15-16	546095
TOTAL			32206045

Para No.3 (2)

Code No.11

PAYEES ACKNOWLEDGEMENTS NOT PRODUCED: Rs.864441

As verified from the following vouchers, amounts were drawn and paid to various institutions as detailed below. But the connected file and the payees acknowledgements were not produced to audit to verify the correctness of the payments made. In the absence of the same, the genuineness of the payments could not be verified in audit. The same would need to be produced to audit for verification.

Vr No./Date	Particulars	Amount Rs.
437/14.10.2015	Paid to SE (PH), Quality Control Circle, Guntur towards scrutiny charges for works	34652
438/14.10.2015	Paid to SE (PH), Quality Control Circle, Guntur towards scrutiny charges for works	49500

439/14.10.2015	Paid to SE (PH), Quality Control Circle, Guntur towards scrutiny charges for works	13861
440/14.10.2015	Paid to SE (PH), Quality Control Circle, Guntur towards scrutiny charges for works	44064
477/7.11.2015	Paid to the secretary, AP.Polution control board towards water cess arrears	635004
432/14.10.2015	Paid to the APS Agro Industries Development Corporation Ltd,Guntur towards supply and delivery of 18 AGHAR digger machine	87360
	Total	864441

Para No.3 (3)

Code No.11

DEPOSITS - REFUND OF DEPOSITS - ORIGINAL CREDIT NOT POINTED OUT:

Rs.345150

As seen from the cash book and Annual account for the year 2015-16, an amount of Rs. **3,45,150** was spent towards refund of deposits as detailed below. However, the connected deposits register duly recording the previous balances, deposits received and refunds made during the year and the abstract at the end of the year was not maintained and produced to audit. In its absence the original credit entries could not be verified in audit. As a result the correctness of the payments made during the year could not be ascertained in audit. The defect has not been rectified though it was pointed out in the previous audit report also. Immediate action may be taken to maintain the register.

Vr.No.	Date	Name of the Contractor	Amount Rs.
51	1.5.2015	Paid to Sri.K. Siva mohan	100000
53	1.5.2015	Paid to K. Mallikarjuna	50000
469	31.10.2015	Paid to M/s National Electrical and Engineering Works	54750
470	31.10.2015	Paid to M/s RPL Electrical and Engineering Works	135640
685	30.1.2016	Paid to Sri. Venkateswara Securiry Services	4760
		Total	345150

Para No.3 (4)

Code No.11

HALF MARGIN LETTERS ISSUED - INFORMATION NOT FORTHCOMING

:

During the course of audit of the Narasaraopet Municipality for the year 2015-16, several half margin letters were issued to the heads of sections and other officers also requesting them to arrange for production of the records under their control for audit scrutiny. But, no action was taken by the heads of the sections concerned to arrange for the records sought for. The administrative authorities also failed to cause for the production of the said records. In view of this several records could not be verified in audit and several objections involving substantial amounts had to be raised in the audit report. Non production of records speaks ill of the preparedness of the institution for audit.

Action would need to be taken by the executive authority to avoid such instances in future and for the production of records required for audit.

Para No.3 (5)

Code No.11

**LAW CHARGES PAID - CONNECTED SUIT REGISTER-NOT PRODUCED -
EXPENDITURE INCURRED - HELD UNDER OBJECTION:**

During the year 2015-16, an amount of Rs.3,98,000 was paid towards legal charges as detailed below. But, the connected suits register advocate account (Pleaders khatha) etc., were not made available for verification.

Due to non-production of suit registers, advocate account (Pleaders khatha) could not be verified in audit whether the following procedure prescribed for maintenance of suit register was followed or not.

- 1. That all the suits to which the institution was a party were entered in the register.**
- 2. That separate pages were allotted for each suit and that appeals were entered separately giving a cross reference to the original suit.**
- 3. That the expenditure incurred on a suit was entered with full details in the appropriate columns of the register.**
- 4. That advances made to advocates and their adjustments on receipt of detailed bills was written up against the suit concerned.**
- 5. That particulars regarding, results of the suits, the sum decreed towards suit, costs etc were noted in the appropriate columns of the register.**
- 6. That recoveries made were also noted in it.**
- 7. That decrees were not allowed to become time barred and that execution petitions have been filed in time.**
- 8. That the progress of suits, execution of decrees and recoveries of amounts decreed were watched through this register by the institution.**
- 9. That half yearly returns showing the number of suits pending relating to previous year, number filed during the half year, the number disposed of and the number pending at the end of the half year have been obtained from the pleaders and checked with reference to the entries in this register.**
- 10. That amounts decreed have been noted in the miscellaneous demand register with a view to watch their recovery.**

Para No.3 (6)

CODENO.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 Narasaraopet Municipality. 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.3 (7)

Code No.11

LOANS REGISTER - NOT PRODUCED:

During the course of audit due to non-production of loans register the following items could not be verified in audit whether

- 1) All the loan amounts sanctioned to Municipal Council were realized promptly**
- 2) The loan amounts were properly spent for the purposes for which they borrowed**
- 3) Loan amounts were regularly remitted to the funding agencies**
- 4) Interest earned on the loan amounts if any was utilized for the same loan.**

Para No.3 (8)

Code No.11

SPECIAL AND SCHEME ACCOUNTS - RECORDS NOT PRODUCED:

Cash books, pass books, cheque book counterfoils, vouchers, sub-vouchers, stock registers etc., relating to the special and scheme accounts for the year 2015-16 were not produced to audit for verification. In the absence of the same, the genuineness of the transactions made during 2015-16 could not be verified in audit.

Para No.3 (9)

Code No.11

RECORDS NOT PRODUCED:

Cash books , Pass book cheque book , Vouchers, Sub-bills relating to the following accounts for the year 2015-16 were not produced to audit for verification in the absence of the same the correctness of the transactions made during the year 2015-16 could not be verified.

- 1.Election fund
2. A.C.D.P
- 3.NOAP(all pensions)
- 4.P.F. A/C
- 5.Special and scheme accounts

Para No.3 (10)

Code No.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 Municipal Council and the properties utilizing by the Municipal Council, 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.

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.3 (11)

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 Municipality. 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.3 (12)

Code No.11

MONEY VALUE FORMS - STOCK REGISTER NOT PRODUCED :

The money value forms stock register for the year 2015-16 was not produced. In the absence of the same, the opening balance of the money value forms received, utilized balance as on 31-03-2016 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.3 (13)

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 material purchases of material issued, utilized, balance day by day 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.

Loss, 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. section Secondary, Elementary section.**

Public Health Section

Vr.No.	Date	Details	Amount Paid
105	19.6.2015	Supply and delivery of 25 L unbreakable plastic tubs	22768
216	9.9.2015	Supply and delivery of conservancy articles	9106
217	9.9.2015	Supply and delivery of Piduguralla Limestone powder	8910
480	7.11.2015	Supply and delivery of conservancy articles	93773
481	7.11.2015	Supply and delivery of conservancy articles	89328
482	7.11.2015	Supply and delivery of 60 L unbreakable plastic bins	88695
501	16.11.2015	Supply and delivery and erection of Biometric systems (6Nos)	61919
601	16.12.2015	Supply and delivery of Pyrosene oil and melathion oil for sanitary purpose	617728
		Total	992227

Engineering Section

Vr.No.	Date	Details	Amount Paid
106	19.6.2015	Supply and delivery of precast RCC well rings	22867
387	13.10.2015	Supply and delivery of 100 mm dia sluice valves and CID joints	92859
380	13.10.2015	Supply and delivery of 150 mm dia sluice valves and CID joints	91794
441	16.10.2015	Supply and delivery of 250 mm dia sluice valves at Perugu Market	90392
478	7.11.2015	Supply of water supply materials	419245
		Total	717157

Para No.3 (14)

Code No.11

Tools and Plant Register not maintained and produced Rs.178705

The following amounts were drawn for purchase of computer, wooden tables and chairs and 3.5 KV UPS for accounts section of Narasaraopet Municipality. But the connected tools and plant register not produced to audit for verification of stock. The same would need to be produced to audit.

Vr No/Date	Particulars	Amount Paid
499/16.11.2015	Supply, delivery and testing of 3.5 KVA UPS	4594
505/16.11.2015	Supply, delivery and fixing of all in one computer	4040
664/23.1.2016	Supply and delivery of imported wooden tables and chairs	9235
	Total	17870

Para Number : 2

OTHERS (Code : 18) Rs : 0

Para No.3 (15)

Code No.11

PUBLIC HEALTH - CONSERVANCY ARTICLES - INDENT ORDER LETTERS - NOT OBTAINED AND PRODUCED :

As verified from the Public Health Conservancy Articles Stock Register many articles were issued to the Sanitary Inspector/Maistry

of Public Health Section during the year 2015-16. But, the Indent orders/letters were not obtained and produced to audit for verification.

In the absence of the above indent orders/letters the correctness of the issue and utilisation of the articles could not be established. Loss, if any, caused in this regard would need to be made good from the person or persons responsible.

Para No.3 (16)

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.3 (17)

CODE NO.11

INVESTMENTS - THE REGISTER OF INVESTMENTS NOT MAINTAINED PROPERLY :

The register of investments will show all investments belonging to the Municipality. They are considered as the assets of the Municipality. The purpose for which each investment made will be entered in the appropriate column.

No investment will be deleted from the register, unless they are realized or recovered or otherwise.

The register will also show interest due and realization of it from time to time. It has to be ensured that the amounts due are realized on due dates.

The total amount of investments need to be verified annually and a certificate of verification be appended in the register by the executive authority concerned.

But, this important register is not maintained properly in Narasaraopet Municipality. As a result no information stated above is forthcoming in audit. The original deposit receipts/bonds were also not produced in audit. Immediate action may be taken to maintain the register, duly recording the information in M.F.No.97 (27 columns) and the fact informed to audit. Loss, if any caused to the Municipal funds, due to non/improper maintenance of the register, will have to be made good from the person or persons responsible. The defect was pointed out in the previous audit reports also, but to no effect.

Para No.4

Code No.16

NON-SUBMISSION OF UTILISATION CERTIFCATES :

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.5 (1)

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 2015-16, it was full of defects as detailed below.

1. 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.
2. 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.
3. 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.

Para No.3 (2)

Code No.18

MAINTENANCE OF VEHICLES - RELEVANT REGISTERS NOT MAINTAINED PROPERLY:

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

- 1. Log books**
- 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. Log Books: During the course of audit it was noticed that due to improper maintenance of log 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 improper maintenance 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 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.5 (3)

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. Register showing the temporary establishment and their continuance.

7. Stock register of M.V. Forms

- 8. Register of Security deposits**
- 9. Register of recoveries of loans granted to government servants for purchases of Bicycles, H.B.A.,M.A., Motor cycle etc.,**
- 10. Condemned articles register.**
- 11. Tools and Plants Register**
- 12. Stock Register for Stationery**
- 13. Register of Auction files of Vacant condemned**

Para No. 5(4)

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.5 (5)

Code No.18

PAID VOUCHERS - -COUNCIL RESOLUTION- NUMBER WAS NOT NOTED ON THE PAID VOUCHERS :

As verified from the paid vouchers for the year 2015-16, 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 Number : 3

STATUS OF OBJECTIONS (Code : 19) Rs : 0

Code No.19

STATUS OF AUDIT OBJECTIONS :

1219 no. of objections involving amount of **Rs.246900247 as detailed below are pending settlement, at the close of audit.**

Year	No.of Objections	Amount
1960-61	1	2804.68
1968-69	1	-
1969-70	2	14402.00
1970-71	2	9911.41
1971-72	5	5208.08
1972-73	8	4230.30
1973-74	6	47554.42

1974-75	8	29866.50
1975-76	4	50.00
1976-77	25	72297.81
1978-79	17	74873.43
1979-80	3	0
1980-81	16	6451.67
1981-82	10	54268.11
1982-83	12	208987.08
1983-84	5	70858.98
1984-85	4	64417.04
1985-86	44	119938.04
1986-87	18	611618.00
1988-89	85	434259.91
1989-90	34	786196.82
1990-91	0	52305.05
1991-92	16	76526.75
1992-93	24	83322.80
1993-94	64	1474373.00
1994-95	36	3056592.00
1995-96	17	2479084.00
1996-97	28	3588443.00

1997-98	12	20316446.00
1998-99	17	2911955.00
1999-00	12	2440352.00
2000-01	23	89417.00
2001-02	43	7292471.00
2002-03	0	9883145.00
2003-04	0	8092076.00
2004-05	50	1524338.00
2005-06	28	1213347.00
2006-07	10	1685034.00
2007-08	0	971244.00
2008-09	20	1546719.00
2009-10	70	7310792.00
2010-11	67	10578937.00
2011-12	49	25280013.00
2012-13	102	34472921.00
2013-14	91	16278636.00
2014-15	94	44476967.00
Total	1183	209790846.20
2015-16	36	37109401
Grand Total	1219	246900247.20

**DISTRICT AUDIT OFFICER
STATE AUDIT, GUNTUR**

A.A.O.

Para Number : 4

OTHERS (Code : 18) Rs : 0

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.131242249 as on 31-3-2016.

DETAILS OF THE CLOSING BALANCES AS PER RECEIPTS AND PAYMENTS STATEMENT AS ON 31-3-2016:

SL.N O	DETAILS	MGF	CPF	TOTAL
1	Cash in Hand	1756770.00	-	1756770.00
2	Cash at Bank	46992998.5 1	82488401.3 1	129481399.8 2
3	Cheque in Hand	4080.00	-	4080.00
	TOTALS	48753848.5 1	82488401.3 1	131242249.8 0

DETAILS OF CONSOLIDATED CLOSING BALANCE:

C.B as per the General Funds cash book (001) : Rs. 8961510

C.B as per the General Funds cash book (002) : Rs. 23385161

C.B as per the TFC Funds cash book (003) : Rs. 27283825

C.B as per the TFC Funds cash book (004) : Rs. 26617170

Closing balance of other funds : Rs. 43233729

-

RECONCILIATION AS ON 31.03.2016

-

001 General Funds

CB as per cash book 8961510

Add: Uncashed cheques

011588/26.04.2014 2050

013958/23.12.2015 381318

013993/30.1.2016 1620

014143/15.3.2016 17193

014161/30.3.2016 81540

-

Total **4,83,726**

CB as per ST pass book **94,45,236**

RECONCILIATION AS ON 31.03.2016

002 General Funds

CB as per cash book 2,33,85,161

CB as per ST pass book **2,33,85,161**

-

003 13th Finance Funds

CB as per cash book 27283825

Add: Uncashed cheque 2843000

CB as per ST pass book **30126825**

RECONCILIATION AS ON 31.03.2016

004 14th Finance Funds

CB as per cash book & ST pass book 2,66,17,170

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-

-

-

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NARASARAOPETA-MUNICIPAL GENERAL FUND-FUND WISE ACCOUNT
BALANCES as on 31/03/2016

Bank Name	Account No	Account Type	Bank Book Balance As On 31st Mar 16
STATE BANK OF INDIA	3088426895	WATER CHARGES	492590
ANDHRA BANK	14280		670743
	10905173154	MPL DEVELOPMENT CHARGES	2099177
ANDHRA BANK	34050		51616
ANDHRA BANK	27275		200000
ANDHRA BANK	34892		6336568
ANDHRA BANK-3	25654		139115
ANDHRA BANK	22780		459207
STATE BANK OF INDIA	31553371522	SENSES	21572
STATE BANK OF INDIA	4088	DDO	2612737
STATE BANK OF INDIA	31486255081	DDO-2	29085
BANK OF INDIA	5.6721E+14		1533917
STATE BANK OF INDIA	10905173109	OLDAGE PENSIONS	26629
ANDHRA BANK	381100110348 92	PLAN GRANT	1586897
ANDHRA BANK	381100110332 42	PAVALA VADDI	72604
STATE BANK OF INDIA	30719564038	PARKS AND PLAY GROUNDS	1043
ANDHRA BANK	381100110272 75	CONDITIONAL GRANT	272169
ANDHRA BANK	381100110340 50	IKP URBAN CRPS	38065
INDIAN BANK	749305740	INDIRAMMA SAMBARALU	10175
ANDHRA BANK	182100110142 80	BPS AND LRS	390781
ANDHRA BANK	381100110256 54	SJSRY	18636
ANDHRA BANK	33966	IKP CRPS NEW	67727

INDIAN BANK	1287	RAJEEV GRUHA KALPA NEW	659359
HDFC	103414500001 21		14805
STATE BANK OF INDIA	30969814926	40% GRANT	1216
HDFC	103414500001 65	MP LADS-KVP	10030
HDFC	103414500001 72	MP LADS-TSR	19224
HDFC	501000036072 15	MP LADS-JD SEELAM	6378
ANDHRA BANK	381101000962 62	REVOLVING FUND	1198567
HDFC	501000330399 45		5054
ANDHRA BANK	910010001896 568	IDSMT REVOLVING FUND	6698252
BOB	397001000055 05		6160
	147716900000 4480	KVB SHELTER FOR URBAN HOMELESS PEOPLE	1020725
	147716900004 9400	KVB FISH MARKETS DEVOLPMENT GRANT	518578
STATE BANK OF INDIA	35586460201	CENTENARY CELEBRATIONS SPL FUND	14999370
	844812022	CPO ACCOUNT TREASURY	228000
	350454412094	SWACCH BHARAT IEC ACTIVITIES	716958
		TOTAL	43233729

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	Budget estimates	Actual	Difference	% of difference
1	Property Tax from Public-General Tax	5308000 0	5842776 5	-	0
2	Vacant land tax	450000	103698	346302	76.96
3	Entertainment Tax	4300000	3139809	1160191	26.98
4	Advertisement Tax	1300000	1088710	211290	16.25
5	Water tax/ fees	1650000 0	1184754 6	4652454	28.20
6	Rent from Markets, Shopping/Office Complexes/Buildings / Canteens	9739500	7450563	2288937	23.50
7	D & O Trades license fee	600000	325315	274685	45.78
8	Birth and Death Register Extract Fee	1500000	1855404	355404	23.69

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	Collection			Incre Decr with previ years
		2013-14 (Rs.)	2014-15 (Rs.)	2015-16 (Rs.)	
1	Property tax	29053217	48329603	58531463	Inc
2	Advertisement tax	293672	1211024	1088710	De
3	Vacant land tax	40382	71292	103698	Inc
4	License fee	406560	330130	729015	Inc
5	Leases	-	7509803	8157000	Inc
6	Entertainment tax	4575231	1242381	3139809	Inc
7	Encroachment fee	138950	289300	399200	De

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	RECEIPTS		
		2013-14 (Rs.In	2014-15 (Rs.In lakhs)	2015-16 (Rs.In lakh
1	Revenue raised by Municipal Council			
	a) Tax Revenue	413.31	384.23	669.02
	b) Non-tax revenue leases, fees and rents etc	127.17	255.02	222.53
	Total:	540.48	639.25	752.00
2.	Receipts from Government.			
	a) Entertainment tax	14.12	14.68	31.
	b) Surcharge on stamp duty	53.00	50.45	30.
	c) P.T.	-	-	
	d) Population grant	-	-	

Total	-	-	
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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.

Rs. in lakhs

Sl. No.	Item of revenue	Collection			Increase/Decrease with the previous year
		2013-14 (Rs.)	2014-15 (Rs.)	2015-16 (Rs.)	
1	Water charges	68.98	168.41	118.47	Increase
2	Leases of markets	54.43	74.34	81.57	Increase
3	Slaughter house	0.84	0.76	0.95	Increase
4	License fees (D&O Trades)	4.06	3.30	3.25	Decrease
5	Building license fee	8.90	11.22	16.80	Increase
6.	Shop Room rents	54.43	25.16	0.45	Increase
7.	Rent on Vacant land	0.68	0.71	1.04	Increase

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.

AUDIT OBJECTIONS

ParaNo. 1

Code No.4

SCHEME FUNDS - AMOUNTS KEPT IDLE - UNSPENT BALANCES NOT REMITTED:

The CDMA Hyderabad vide circular No Roc No PD A/c /CDMA/2012 Dt:13.10.12 issued instructions to all the Municipal Commissioners in the state to close all the non-operative accounts and FDRs which were opened without any orders of the higher authorities and transfer the available balances to the PD A/c No -001-and after transferring those amounts separate cash book and other necessary record shall be maintained for reconciliation and issue of UCs. The ULBs shall maintain a Master Cash Book for the Head wise and scheme wise transactions etc., and before the transfer and closing of accounts, it shall be informed to the Municipal Council for recording in the Minutes.

During the course of audit, it was observed that this Municipality has opened following saving bank accounts without any permission from the competent authority for depositing of funds received for implementation of the schemes sanctioned by the GOI and GoAP such as School building, Development charges, Salary recoveries, Mosque Grant, Parks and playgrounds, MEPMA IKP urban and maintenance of internal road. The said scheme funds were kept idle with banks. No transactions were conducted during the year under audit. The Executive Authority would need to take immediate action to remit the unspent balance amounts which were kept idle with the banks, to the heads concerned and the result may be intimated to audit.

Sl. No	Name of the Scheme	Name of the Bank A/c. No.	Amount in Rs kept idle.
1	MP Lads (J.D. Seelam)	1034 50100003 607215	6378
2	Parks and Playgrounds	30719564 038	1043
3	MP Lads (T. Subbirami reddy)	10341450 000172	19224.98
4	Pavala Vaddi	03811001 1033242	72604
5	SJSRY	03811001 1025654	18636

PARA NO: 2 (1)

CODE NO.7

TIME BARRED TAXES AND FEES:

The arrears of taxes and fees relating to the year 2012-13, 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. 2(2)

Code No.7

CELL TOWERS - TAX ON CELL TOWERS - NOT COLLECTED:

As per GO. Ms No.183 Municipal Administration & Urban Development (M Department Dt. 27.02.2008 All the Commissioners of Municipal Corporations, 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 given notices to the property owners in whose premises the towers were installed duly fixing the amounts and the same would need to be collected at an early date and credited to municipal funds.

Para No. 2(3)

Code No.7

HUGE ARREARS IN PENDENCY OF WATER TAX - NEEDS COLLECTED

As per section 133 to 145 of A.P.M.A, 1965, the municipality has to maintain water courses/works, supply and collect water charges for the supply of water through pipes. There were huge arrears in collection of the charges for water supply. The accumulated dues in this regard causes huge drain on the resources in the municipality towards making arrangements towards providing regular water supply to the town and also make alternate supplies. However, it was observed that from the AP online computer generated statements that the arrears on account of dues from the households were to the tune of Rs. 161.78 lakhs as of 31.3.2016 as detailed below.

No of connections	Demand			Collection			E	
	Arrears	Current	Total	Arrears	Current	Total	Arrears	
15758	230.34	144.22	374.56	72.13	140.65	212.78	158.21	

Though arrears in collection of water charges exist since long back to date i.e period of audit, the demand, collection and balance statement was not yet finalized by the municipality. In the absence of above the exact amount of arrears and current collections of water tax could not be assessed in audit and there was no assurance in audit that the computer generated demand was correct.

As per the section mentioned above, the commissioner is to take stringent action for recovery of water charges/arrears which includes disconnection of water supply and levying penalty. It was amply evident from the water charges collected, that the municipality was not taking deterrent action against the defaulters.

Para No. 2(4)

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 read with District Gazette Notification and Council Resolution of the Municipality, 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.3 (1)

Code No.9

ADVERTISEMENTS - EXHIBITED WITHOUT WRITTEN PERMISSION OF THE COMMISSIONER - FINE NOT IMPOSED - 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 2015-16 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. 3 (2)

Code No.9

D & O TRADERS - LICENSE FEE COLLECTED LICENSES NOT ISSUED TO TRADERS - IRREGULAR:

The counter foils of the licenses issued to the traders i.e. form No. 8 for the year 2015-16 were not made available for verification in audit. The license fees collected through challans were not produced to audit for verification. It was irregular to allow the traders to conduct the business without issue of license even though they had paid the fees.

Therefore action would need to be taken to issue the licenses to the traders and counter foils produced to verification.

Para No. 3 (3)

Code No.9

VACANT LAND TAX - DEMAND FOR THE CURRENT YEAR NOT FIXED:

In exercise of the powers conferred under Section 197, 198 and 199 of H.M.C., Act, 1955, the Municipal Council Narasaraopet had specified in the gazette that the tax on vacant land be levied at 1% of the value of that landed property prevailing in the market, as determined by the registration department.

The monthly lists of vacant lands (requiring the levy of tax) prepared as per the property tax assessment register for the year 2015-16 were not made available for verification

in audit. The demand under vacant land tax for the year 2015-16 was not fixed duly maintaining the current and arrear demand registers.

Further, the tax on vacant land was found to have been levied based on the property tax assessments made from time to time. Instead of preparing the lists of vacant lands on the basis of the property tax assessments. An independent survey by the outdoor staff would need to be got done for identification of the vacant lands in the limits of the Municipality and there by demand fixed properly, both current and arrear.

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.

As such, the municipality would 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. 3 (4)

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. 3 (5)

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 2015-16 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 for the year 2015-16.

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. 3 (6)

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.399200/- 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. 3 (7)

Code No.9

TAXES - PROPERTY TAX - DEMAND NOT FIXED:-

As per annual account an aggregate amount of Rs.5,83,13,355 was realized under property tax and water tax during the year under audit. But the Demand for the current financial year was not fixed and ward wise register was also not produced to audit for verification in audit. An amount of Rs. 5,83,13,355/- collected during the year 2015-16 was treated as Demand, which was not correct. Separate Demand has to be fixed under this item and basing on this Demand, collection has to be made. But this was not done. In the absence of the Demand register, it could not be ascertained whether the entire amount due has been collected or not. Immediate action may be taken to fix the demand with reference to ward wise Assessment list, and arrive at the D.C.B. under the authorization of the Executive

Authority. Immediate action may be taken in this regard. Any loss, sustained by municipal funds due to non-preparation of D.C.B. would have to be made good from the person or persons responsible.

Para No. 3 (8)

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 2015-16, no such expenditure has been earmarked and expenditure incurred thus violating the Govt. instructions which was highly irregular. The details are as shown below.

Gross income of the MC (excluding O.B.)

Rs. 28,21,66,547

Deduct:

Old age pension	87270832
E M D	2997051
TDS	1515025
Other Recoveries	11573672
Fixed Deposits	12825344
VAT	2554808
NAC	9514
Labour cess	457240
SEIGNORAGE CHARGES	589177
LIC	1836791
Loans to others	1501658
Advances	498829
TOTAL	123629941

Rs. 123629941

NET AMOUNT

Rs. 158536606

As per the instructions issued in the said G.O., 40% of the Net funds available i.e. Rs. 6,34,14,642/- 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. 3 (9)

Code No.9

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

As per annual account an aggregate amount of Rs.3,25,315/- was realized under D & O Trades License fees during the year under report. 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 2015-16 were not produced to audit and the traders 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. Loss if any caused due to above omission would need to be made good from the Person or Persons responsible.

Para No. 3 (10)

Code No.9

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

As per annual account an amount of Rs. 3,99,200/- was adjusted to municipal funds towards encroachment fee. Further as verified from the register of encroachments maintained for the year 2015-16, 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 outdoor 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. 3 (11)

Code No.9

REGISTER OF BUILDING APPLICATIONS - MAINTENANCE DEFECTS:-

As seen from the register of building applications maintained for the year 2015-16, 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 in 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.

Para No. 3 (12)

Code No.9

MISCELLANEOUS DEMAND REGISTER - COLLECTION OF SHOP ROOM RENTS - MARKET LEASES ETC., DEFECTS:

A) The MDR provides a record of demand, collection and balance of misc. items of revenue. It is one of the important registers and plays a key role in revenue accounts. The collection of revenues under non-taxes mentioned below will be watched through this register.

- 1. Market leases**
- 2. Rents from shop rooms, shopping complexes, building and lands**
- 3. Slaughter house leases**
- 4. Fish tank leases**
- 5. Produce from land and gardens**
- 6. Revenue receipts**
- 7. Rents from Municipal Quarters**
- 8. Decrial amounts from the courts**
- 9. Recoveries from the ILCS rooms etc.,**

In addition to the above sources, the following revenues will also be monitored through separate MDR.

- a) Non-Plan Grants**
- b) Plan grants**
- c) Entertainment tax**
- d) Profession tax**
- e) Surcharge on Stamp duty.**

Demand:

The demand, i.e. monthly lease amounts/rents or annual/one time payments fixed need be gathered from the register of revenues yielding properties and the sole lists approved by the council or the contract committee.

Collection:

Collections will have to be posted month wise from the entries or register of Miscellaneous receipts. There will be provision of penal interest under market leases and shop rooms rents, if payments are not made in time.

Balance:

Balances in the register, both normal lease amounts/rents and penal interests at the close of the year will be transferred to the MDR of the following year. There will be no separate Arrear Demand Register for miscellaneous receipts as in the case of property tax.

At the end of the year the demand collection and balance will have to be struck. During the scrutiny of ledgers for the year 2015-16 pertaining to the rents received in respect of shops, it was noticed that ledgers were not maintained and closed properly. Rent to be received (closing balance) during the year was not taken as arrears (opening balance) of the next year properly. Abstracts were not prepared and DCBs were not maintained by the municipality to ascertain the arrears of rents to be collected from the shops, markets etc.,

However, as seen from the MDR for the year 2015-16, none of the conditions stated above were fulfilled. No demand was fixed the collections were not totaled and balances arrived at. The entries in the register were neither authenticated by the clerk concerned nor by the executive authority. The connected files were also not produced to audit, despite repeated reminders. In these circumstances the correctness of the collections which were made during

the year 2015-16 could not be certified in audit. In this connection immediate action may be taken to rectify the defects stated above and the corrected MDR shown to audit early.

Para Number : 5

OTHERS (Code : 18) Rs : 0

Para No. 3(13)

Code No.9

PROPERTY TAX AND ITS COMPONENTS - NOT IMPLEMENTED

According to the provision of 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 A.R.V in respect of residential buildings and 33% of A.R.V. in respect of non-residential buildings. The property tax should be allocated to the following components to provide for expenses under each head.

- 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 apportioned among the applicable components in the above stated heads. This was contrary to the objective of the provisions made under the said section of the Municipal Act. The same would need to be

rectified and the prescribed procedure followed in future. The Commissioner would need to take earnest steps for allocation of property Tax as per the provisions in the Municipal Act to fulfill statutory obligation.

Para No. 3(14)

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.

Para No. 3(15)

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. 3(16)

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.

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. 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.

- 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 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 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. 4(2)

Code No.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 Municipality. 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. 4(3)

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 Municipality 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. 4(4)

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 4(5)

Code No.11

UNAUTHORISED CONSTRUCTIONS- REGISTER OF UNAUTHORIZED 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. Whereas on verification of records relating to revenue section, it was noticed that, a huge No. of unauthorized buildings were constructed during 2015-16 and house tax was imposed with 10% penalty which was irregular and the Municipality 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. 4(6)

Code No.11

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

During the course of audit for the year 2015-16 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.

Para No. 4(7)

Code No.11

TOWN PLANNING- UNAPPROVED LAYOUTS - 10% OPEN SPACE CHARGES NOT COLLECTED NEEDS EARLY COLLECTION.

According to Rule issued under Section 344 of the Hyderabad Municipal Corporation Act 1955, 10% of O.S.C. needs to be collected on unapproved layout sites but on verification of the Building application register for the year 2015-16, it was noticed that there was difference in collection of the open space charges in the building application.

In the same area some of the applicants were imposed 10% O.S.C. where as some others were exempted from the payment of 10% O.S.C. even though the sites belong to same area. But the reasons for not imposing the 10% open space charges were not explained in audit.

Apart from the register of approved layouts and the notified extension areas was also not produced to audit. Due to lack of the said records and sufficient information with regard to the approved layouts and unapproved layouts, the veracity in giving exemption and imposition of 10% O.S.C. could not be verified.

Hence action needs to be taken to get entire transactions verified for finding the correctness of the same.

Para No. 4(8)

Code No.11

PUBLIC HEALTH - D&O TRADES - DELETIONS LIST NOT PRODUCED TO AUDIT - NEEDS ACTION.

As verified from the D&O Trade license fees register, division wise during the year 2015-16 many new licenses were sanctioned. But the details as to of how may licenses were renewed and how may licenses were cancelled, were not produced to audit for verification. The deletions list duly enclosing the stoppage letters from the traders along with council resolution were not produced for verification. It would need to be produced early. In the absence of the deleted list, loss if any caused in this regard would need to be made good from the person or persons responsible.

Para No. 4(9)

Code No.11

WATER SUPPLY - NEW CONNECTIONS APPLICATIONS NOT PRODUCED.

During verification of the water supply connection registers, and tap donations received register maintained relating to the water supply through new connections, the individual applications, connected files along with sanction proceedings were not produced to audit. In the absence of the connected applications and sanction proceedings along with all relevant files, the correctness of the new connections, fee collected could not be verified in audit. Loss if any, sustained on this count would need to be recovered and remitted to the municipal funds under intimation to audit.

Para No.4(10)

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. Total assessments of property tax assessed during the year 2015-16 were not produced except few assessment files to audit to verify the correctness of the same.

Para No.4(11)

Code No.11

MONTHLY LISTS OF PROPERTY TAX NOT PRODUCED:.

Under section 85 of the A.P Municipalities Act, every Municipality shall levy property tax including Education tax and Library cess subject to a maximum of 25% of the Annual Rental Value in case of residential Buildings and @ 33% of Annual Rental Value in respect of Non-Residential Buildings except those exempted under the provision of the Act or any other law. Assessment Registers should be prepared based on the General Revision Lists submitted by the Bill Collectors, Revenue Inspectors etc.

The registers of monthly lists for the year 2015-16 from the outdoor subordinates were not obtained completely for all the assessments made during the year 2015-16 and produced during audit. Hence the correct number of new assessments and amount raised could not be arrived at. Since the Monthly Lists were not produced, the correctness of the Demand fixed for the year 2015-16 could not be verified during audit. Further an amount of Rs.46806852 was shown as receipt towards property tax. But the year wise break up could not be verified as the demand register was not prepared and produced to verify the correctness of the assessment wise postings and arrears accordingly. Consequently, the receipt figure in the annual account could not be cross checked with that of the final abstract figure in the property demand register. The loss, if any, in this regard would need to be recovered from the person or persons responsible and made good to Municipal Funds.

Para No.4(12)

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. 4(13)

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 2015-16. 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.4(14)

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 2015-16 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.4(15)

Code No.11

TAXES - PROPERTY TAX AND WATER TAX COLLECTED THROUGH E.SEVA CENTRES - DETAILS NOT PRODUCED:

As verified from the General funds, cash book and Treasury pass book it was observed that amount collected and adjusted through E-Seva, Cheques to the P.D. Account of Municipality towards collection of Property tax from the assesses during the year under audit as detailed below. But the details i.e. date of collection, Assessment No.s, classification of arrear and current year amounts etc., were not produced for verification in audit. In the absence of the same it could not be verified in audit whether all the amounts due and collected from the tax payers under property tax were remitted to Municipal funds or not. As a result the correctness of the receipts realised under this head of account could not be certified in audit. The Executive authority did not take much interest in this regard. Loss if any caused due to the above omission would need to be made good from the person or persons responsible.

Para No.4(16)

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.4(17)

Code No.11

TAXES - ARREAR DEMAND REGISTERS ALONG WITH OUTSTANDING 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 genuineness of the taxes actually collected and arrears to be collected as on 31.3.2016 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.4(18)

Code No.11

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

The register of encroachment fee (current) 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, an amount of Rs. 3,99,200 was shown as collection towards encroachment 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.5(1)

Code No. 18

DATABASE OF THE RECORDS OF TAXATION - EFFICACY OF THE SOFT WARE :

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. 5(2)

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.

No amount 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.

Para No. 5(3)

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. 5(4)

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 Narasaraopet 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.5(5)

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.

Para No.5(6)

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 households, 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.5(7)

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. 6

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 2015-16 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.

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 2015-16, though the income actually pertains to the subsequent year 2016-17. 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 2015-16 were not furnished.**
- ? **Statement of cash flows (a summary of ULBs cash flow for the period from 1-4-2015 to 31-3-2016) 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 2015-16 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 2015-16 in the annual accounts for the year 2015-16.

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) LACK OF FINANCIAL DISCIPLINE:

As verified from the Income and Expenditure statement for the year 2015-16, the income of both Municipal General Fund and Capital Project Fund ran into deficit which shows that the ULB was spending more than the income for the year 2015-16. There is every need to exercise restraint on expenditure to limit the same well within the income for an year.

12) 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 analyzed fully during the course of audit.

13) REVENUE EXPENDITURE VIS A VIS CAPITAL EXPENDITURE

It is the object of any institution to contain the revenue expenditure well within the revenue income. But in case of this ULB the revenue expenditure was allowed to shoot up more than the revenue income. Excess of revenue expenditure might have been met from capital income or by borrowings. This is disclosing the financial ill-health of the ULB. Urgent steps would need to be taken to contain the revenue expenditure well within the revenue income.

14) 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.,

15) 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.

16) 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.

17) 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.

18) 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 Number : 6

STATUS OF OBJECTIONS (Code : 19) Rs : 0

Code No.19

STATUS OF AUDIT OBJECTIONS :

1266 no. of objections involving amount of **Rs.246900247** as detailed below are pending settlement, at the close of audit.

Year	No.of Objections	Amount
1960-61	1	2804.68
1968-69	1	-
1969-70	2	14402.00
1970-71	2	9911.41

1971-72	5	5208.08
1972-73	8	4230.30
1973-74	6	47554.42
1974-75	8	29866.50
1975-76	4	50.00
1976-77	25	72297.81
1978-79	17	74873.43
1979-80	3	0
1980-81	16	6451.67
1981-82	10	54268.11
1982-83	12	208987.08
1983-84	5	70858.98
1984-85	4	64417.04
1985-86	44	119938.04
1986-87	18	611618.00
1988-89	85	434259.91
1989-90	34	786196.82
1990-91	0	52305.05
1991-92	16	76526.75
1992-93	24	83322.80
1993-94	64	1474373.00
1994-95	36	3056592.00
1995-96	17	2479084.00
1996-97	28	3588443.00
1997-98	12	20316446.00
1998-99	17	2911955.00
1999-00	12	2440352.00
2000-01	23	89417.00
2001-02	43	7292471.00
2002-03	0	9883145.00
2003-04	0	8092076.00

2004-05	50	1524338.00
2005-06	28	1213347.00
2006-07	10	1685034.00
2007-08	0	971244.00
2008-09	20	1546719.00
2009-10	70	7310792.00
2010-11	67	10578937.00
2011-12	49	25280013.00
2012-13	102	34472921.00
2013-14	91	16278636.00
2014-15	94	44476967.00
Total	1183	209790846.20
2015-16	36	37109401
2015-16	47	-
Grand Total	1266	246900247.20

**DISTRICT AUDIT OFFICER
STATE AUDIT, GUNTUR**

A.A.O.

Para Number : 7

RECEIPTS & CHARGES (Code : 20) Rs : 0

RECEIPTS AND CHARGES:-

The gross receipts and Charges of the Municipal Council, Narasaraopet for the year 2015-16 are as furnished below.

	RECEIPTS	CHARGES
General Fund	138875716	185739158
Capital Project Fund	143290831	117114555
TOTAL	282166547	302853713

Para Number : 8

EMPLOYEES PARTICULARS (Code : 21) Rs : 0

Para Number : 8

EMPLOYEES PARTICULARS (Code : 21) Rs : 0

EMPLOYEES PARTICULARS (Code : 21) Rs : 0

Code No. 21

Cadre Strength Particulars of Narasaraopet Municipality

Designation	CadreStrength	Number of Employees
Sweeper	2	1
Lab Assistant	3	2
Fitter	2	1
Filter Bed Operator	3	0
Watchman	7	5
Work Inspector	2	0
Assistant Engineer	2	2
Meter Reader	1	0
Ayah	2	1
P.W. Maistry (1978-Rs.325-500)	1	0
Switch Board Operator	1	0
Lighting Superintendent	1	0
Typist	1	0
Accountant	1	0
Tractor Driver	2	2
Fitter Mazoors	6	4
Gang Cooly	4	2
Library Assistant	1	0
Librarian (Guntur Municipality	1	0
Municipal Engineer	1	1
Public Health Worker	128	83
Waterwomen	2	2
Senior Assistant/Senior Accoun	3	3
Town Planning Tracer	1	0
Deputy Executive Engineer	1	1
Manager	1	1
Public Health Maistry	8	7
Town Planning Officer	1	1
Turn cock	2	0
Sanitary Supervisor	1	1
Attender	11	10
Gardener	2	1
Fitter Grade-1	0	0
Library Attender	1	1
Junior Assistant	13	8
Record Assistant	6	4
Tap Inspector	1	0

Health Assistant	2	1
U.d.r.i	1	1
T P and Building Overseer	4	3
Masalgi	1	1
Meternity Assistant	2	0
Electrician Gr.I	2	0
Avenue Cooly	1	1
Jeep Driver	1	1
Bill Collector	7	4
Revenue Officer(Spl)	1	1
Sanitary Inspector	4	2
Chainman	2	1
Superior Field Worker	2	1
TOTAL	256	161

Para Number : 9

OTHERS (Code : 18) Rs : 0

**GOVERNMENT OF ANDHRA PRADESH
STATE AUDIT DEPARTMENT**

From

**Sri. J. Nagendra Kumar,M.Sc.,
District Audit Officer,
State Audit,
GUNTUR.**

To

**Sri. A. Bhanu Pratap
Commissioner,
NARASARAOPET
Municipality,
Guntur District.**

Spl. Lr. S.A. No. 62/2016-17, Dt. 26-10-2016

Sir,

I have the honour to invite your attention to Para Nos. 1, 3(1), 3(2), 3(13), 3(14) only of the Audit Report on the accounts of Narasaraopet Municipality, Guntur District for the year 2015-16 and to state that unless the defects pointed out there in are rectified and

fact reported to this office within 4 months from the date of receipt of this Spl. Letter, Surcharge action will be initiated as per Rule 8(1) & 9 of A.P. State Audit rule 2000 issued Vide G.O.Ms.No.130 F&P (FW.Admn.II) Department, Dt:8-9-2000 and under section 10 of A.P.State Audit Act, 1989.

Yours faithfully,

District, Audit Officer
State Audit, Guntur

Enclosures :

Extract of paras.

DAO (Signature)

Enclosures :-

I.Employee Particulars Report

II.Inventory Report

---- 0 ----

This Report is Electronically Generated, So Signature is not required