




Office of the District Audit Officer,
State Audit, Krishna, Machilipatnam.

The Draft Audit Report on the accounts of General Fund Funds of Municipal Council, Gudiwada for the year 2016-17 is submitted herewith for kind approval duly enclosing the following documents.

1. Annual Account for the year 2016-17
2. D.C.B. Statement for the year 2016-17
3. Audit Report for the year 2015-16


A.A.O.

Grd

// Approved //

D.A.O 19/3/18.
52/19/3

GOVERNMENT OF ANDHRA PRADESH
STATE AUDIT DEPARTMENT

From
Sri Y.Satyanarayana, M.Sc.,
District Audit officer,
Krishna District,
MACHILIPATNAM.

To
The Commissioner,
Municipal Council,
GUDIVADA,
Krishna District.

AR. S.A.No. /2017-18, Dated: ¹⁹ /3/2015

Sir,

Sub : Audit -Audit Report on the accounts of Municipal Council, Gudivada
for the year 2016-17 - Sent - Regarding.

The Audit Report on the accounts of Municipal Council, Gudivada for the year 2016-17 is forwarded herewith in duplicate. I am to request that, replies to the Audit Report may be furnished to this office within three months from the date of receipt of the Audit Report duly rectifying the defects pointed out therein in accordance with Section 9 of A.P. State Audit Act, 1989 and Rule 8 (1) of the Rules issued under G.O.Ms.No.130, Fin. &Plg. (FW Admn. II) Department, dated 8-9-2000.

Yours faithfully,


DISTRICT AUDIT OFFICER.

KRISHNA DISTRICT, MACHILIPATNAM

Enclosure : Audit Report in duplicate.

Copy to the Commissioner and Director of Municipal Administration,
A.P., Gorantla, Guntur.

Handwritten initials and date: C.S.B. P. 19/3/15

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**AUDIT REPORT ON THE ACCOUNTS OF
GENERAL FUNDS OF MUNICIPAL COUNCIL, GUDIWADA
FOR THE YEAR 2014-2015.**

Name of the Auditor:- Sri K.N.VENKATESWAR RAO, Asst. Audit Officer

Time taken for audit :-to

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

Sl.No	Name of the Chairman / Special Officer	Period
1	Sri Y.Srinivasa Rao	01-04-2016 to 31.03.2017

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

Sl.No	Name	Period
1	Sri B.Sheshanna	01.04.2016 to 31.03.2017

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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. 245321684.00 as on 31-3-2017. As verified from the cash book, the cash book was closed every month. The monthly abstract and yearly abstract was arrived at and noted in the cash books. The Bank Reconciliation Statements were not produced. As such the correctness of the closing balance of the cash book could not be certified in audit. Immediately the Bank Reconciliation Statements would need to be produced to audit.

DETAILS OF THE CLOSING BALANCES AS PER CASH BOOK AS ON 31-3-2017:

SL.NO	DETAILS	001A/C
1	Cash in Hand	198282.00
2	C.B. as per Cash Book	108412142.00
3	Un cashed cheques	3221737.00
4	001 amount adjusted to 002 a/c	(-)899943.00
5	Unknown amount adjusted to 001 a/c	(+)56772.00
5	C.B.As per Treasury Pass Book	110790708.00

SL.NO	DETAILS	002 A/C
1	Cash in Hand	1679233.00
2	C.B. as per Cash Book	136909542.00
3	Un cashed cheques	4639357.00
4	002 amount adjusted to 001 a/c	(-)1735118.00
5	C.B.As per Treasury Pass Book	139813781.00

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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
1	Property Tax from Public-General Tax	Not produced	36018522.50	36018522.50
2	Vacant land tax		377430.00	377430.00
3	Entertainment Tax		517036.00	517036.00
4	Advertisement Tax		2997888.00	2997888.00
5	Water tax/ fees		5721730.00	5721530.00
6	Rent from Markets, Shopping/Office Complexes/Buildings / Canteens		10193788.00	10193788.00
7	D & O Trades licence fee		2328320.00	2328320.00
8	Encroachment Fee		31400.00	31400.00

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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			Increase/ Decrease with ref. to previous years
		2014-15 Rs.	2015-16 Rs.	2016-17 Rs.	
1	Property tax	25309744.00	43613741.00	36018522.50	Decreased
2	Advertisement tax	307650.00	492680.00	278224.00	decreased
3	Vacant land tax	0.00	0.00	377430.00	Increased
4	Trade License fee	80950.00	173640.00	2328320.00	increased
5	Leases	2271948.00	8513885.00	10807726.00	Increased
6	Entertainment tax	0.00	0.00	2997888.00	Increased
7	Encroachment fee	59300.00	366515.00	31400.00	decreased

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		
		2014-15 Rs	2015-16 Rs	2016-17 Rs
1	Revenue raised by Municipal Council			
	a) Tax Revenue	26658295.00	43468686.00	37605848.85
	b) Non-tax revenue leases, fees and rents etc	3940464.00	20297542.00	113130964.77
	Total:	30598759.00	63766228.00	150736813.62
2.	Receipts from Govt.			
	a) Entertainment tax	0.00	0.00	2997888.00
	b) Surcharge on stamp duty	19750909.00	2783805.00	19607454.00
	c) P.T.	0.00	0.00	0.00
	d) Population grant	0.00	0.00	0.00
	Total	19750909.00	2783805.00	22605342.00

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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.

Sl. No.	Item of revenue	Collection			Increase/Decrease with ref. to previous years
		2014-15	2015-16	2016-17	
1	Water charges	363455.00	5227165.00	5192371.00	Decreased
2	Leases of markets	1825000.00	747376.00	770600.00	Decreased
3	Slaughter house	0.00	63500.00	47652.00	Decreased
4	License fees (D&O Trades)	80950.00	173640.00	2328320.00	Increased
5	Building license fee	570648.00	3810.00	48287756.00	Increased
6.	Shop Room rents	8385158.00	7764509.00	9607901.00	Icreased
7.	Others	711135.00	3129848.00	0.00	Cannot be ascertained

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 OBJECTIONSCode No.1**01) Huge differences in Opening Balances – Reasons not explained to Audit :**

On verification of annual account of Gudivada municipal council for the year 2016-17 it was observed that there are huge variations in different heads while adopting the previous year closing balances and opening balances for this year. It is further observed that in case of most of the Heads of account, Opening Balance taken as NIL. The differences are as follows.

Sl.No	Account Code	Account Head	2015-16 CB	2016-17 OB	Difference	Remarks
1	3101001	Revenue Transfers	1213,99,619.78	0.00	1213,99,619.78	
2	4311001	PT Receivables	41,87,794.00	0.00	41,87,794.00	
3	4311003	VLT Receivables	1,26,207.00	0.00	1,26,207.00	
4	4313001	Water Tax Receivables	203,39,345.00	0.00	203,39,345.00	
5	4314001	Rent Receivables	74,33,859.27	0.00	74,33,859.27	
6	4501001	Cash on hand	123,54,882.00	0.00	123,54,882.00	
7	4501002	Cheque on Hand	20,24,570.00	0.00	20,24,570.00	
8	4502104	Andhra bank gudivada 014610100028076	9,97,875.00	0.00	9,97,875.00	During 2016-17 this HOA not found in the trail balance
9	4502106	state bank of India bajar branch 31017982294	2,15,657.00	2,07,055.00	8,602.00	
10	4502107	state bank of India bajar branch 30356001971	44,208.00	0.00	44,208.00	During 2016-17 this HOA not found in the trail balance
11	4502108	state bank of India bajar branch 30346540609	9,124.03	0.00	9,124.03	During 2016-17 this HOA not found in the trail balance
12	4502109	state bank of India Post Office Branch 30952683490	3,29,300.00	0.00	3,29,300.00	During 2016-17 this HOA not found in the trail balance
13	4502110	state bank of India Post Office Branch 30775476348	58,329.00	0.00	58,329.00	During 2016-17 this HOA not found in the trail balance
14	4502111	state bank of India Post Office Branch 10607771878	2,98,827.00	7,94,723.00	-4,95,896.00	
15	4502112	state bank of India Post Office Branch 30936936599	99,802.00	0.00	99,802.00	During 2016-17 this HOA not found in the trail balance
16	4502113	state bank of India Post Office Branch 10607818548	26,93,903.00	10,07,648.00	16,86,255.00	
17	4502114	state bank of India Post Office Branch 30589063353	58,76,787.00	2,155.00	58,74,632.00	
18	4502115	state bank of India Post Office Branch 10607805731	5,870.92	0.00	5,870.92	During 2016-17 this HOA not found in the trail balance
19	4502116	state bank of India Post Office Branch 10607811304	7,32,482.00	0.00	7,32,482.00	During 2016-17 this HOA not found in the trail balance
20	4502118	state bank of India Post Office Branch 10607772317	10,179.35	0.00	10,179.35	During 2016-17 this HOA not found in the trail balance
21	4502119	state bank of India Post Office Branch 10607805786	6,22,748.00	0.00	6,22,748.00	During 2016-17 this HOA not found in the trail balance
22	4502120	state bank of India Post Office Branch 10607805742	14,022.56	0.00	14,022.56	During 2016-17 this HOA not found in the trail balance
23	4502121	state bank of India Post Office Branch 10607772362	2,62,789.00	0.00	2,62,789.00	During 2016-17 this HOA not found in the trail balance

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24	4502122	state bank of India Post Office Branch 10607771958	3,48,865.22	4,79,415.00	-1,30,549.78	
25	4502123	state bank of India Post Office Branch 30303416413	4,977.00	0.00	4,977.00	During 2016-17 this HOA not found in the trail balance
26	4502127	cenra bank gudivada 18754	30,40,067.00	7,45,287.00	22,94,780.00	
27	4502128	state bank of hyderabad gourishankarpuram 52100297911	2,60,006.03	0.00	2,60,006.03	During 2016-17 this HOA not found in the trail balance
28	4502129	vijaya bank gudivada 407001010004059	31,59,966.00	0.00	31,59,966.00	During 2016-17 this HOA not found in the trail balance
29	4502131	state bank of India Post Office Branch 10607805753	4,693.27	0.00	4,693.27	During 2016-17 this HOA not found in the trail balance
30	4502132	state bank of India Post Office Branch 10607772769	193.00	0.00	193.00	During 2016-17 this HOA not found in the trail balance
31	4502133	state bank of India Post Office Branch 10607771845	5,084.83	5,309.00	-224.17	
32	4502134	state bank of India Post Office Branch 10607772442	8,90,374.00	9,60,980.00	-70,606.00	
33	4502135	state bank of India Post Office Branch 10607771663	11,222.00	13,080.00	-1,858.00	
34	4502136	state bank of India Post Office Branch 30110250408	1,26,999.00	28,69,544.00	-27,42,545.00	
35	4502137	state bank of India Post Office Branch 10607771776	2,134.32	0.00	2,134.32	
36	4502138	state bank of India Post Office Branch 10607771856	1,60,510.97	0.00	1,60,510.97	
37	4502139	state bank of India Post Office Branch 10607805775	2,21,772.99	0.00	2,21,772.99	
38	4502140	state bank of India Post Office Branch 10607771969	0.00	25,00,817.00	-25,00,817.00	
39	4502141	state bank of India Post Office Branch 10607772102	13,146.41	0.00	13,146.41	During 2016-17 this HOA not found in the trail balance
40	4502142	state bank of India Post Office Branch 10607771992	2,858.00	0.00	2,858.00	During 2016-17 this HOA not found in the trail balance
41	4502143	state bank of India Post Office Branch 30096816014	72,934.00	0.00	72,934.00	During 2016-17 this HOA not found in the trail balance
42	4502144	state bank of India Post Office Branch 10607771685	46,54,866.00	58,08,986.00	-11,54,120.00	
43	4502145	state bank of India Post Office Branch 10607772044	7,407.48	0.00	7,407.48	During 2016-17 this HOA not found in the trail balance
44	4502146	state bank of India gudivada 844810203001	135,01,312.00	8,03,17,682.00	-668,16,370.00	
45	4502147	state bank of India gudivada 844810203002	418,05,016.00	6,35,85,784.00	-217,80,768.00	
46	4502148	state bank of India Post Office Branch 10607805764	1,01,144.55	0.00	1,01,144.55	During 2016-17 this HOA not found in the trail balance
47	4502149	state bank of India gudivada 10607769451	8,20,101.00	0.00	8,20,101.00	During 2016-17 this HOA not found in the trail balance
48	4502150	state bank of India gudivada 10607769484	23,410.00	0.00	23,410.00	During 2016-17 this HOA not found in the trail balance
49	4502151	state bank of India gudivada 31563023017	1,28,798.00	315630,23,017.00	-315628,94,219.00	
50	4502153	indian bank gudivada 444460167	14,22,468.00	0.00	14,22,468.00	During 2016-17 this HOA not found in the trail balance

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51	4502154	indian bank gudivada 444470460	13,249.00	0.00	13,249.00	During 2016-17 this HOA not found in the trail balance
52	4502155	state bank of India Post Office Branch 10607769767	1,92,604.00	0.00	1,92,604.00	During 2016-17 this HOA not found in the trail balance
53	4502156	state bank of India gudivada 844810203004	1,22,832.00	0.00	1,22,832.00	During 2016-17 this HOA not found in the trail balance
54	4502157	state bank of India gudivada 844810203005	8,451.00	0.00	8,451.00	During 2016-17 this HOA not found in the trail balance
55	4502158	state bank of India gudivada 844810203003	641,05,003.00	5,18,00,071.00	123,04,932.00	
56	4502159	state bank of India Post Office Branch 3095268-3490	29,74,266.00	39,98,950.00	-10,24,684.00	
57	4502160	cenra bank gudivada -18792	25,28,288.00	5,44,786.00	19,83,502.00	
58	4502161	state bank of India Rajendra Nagar 3047599-5773	2,08,360.00	7,40,268.00	-5,31,908.00	
59	4502162	state bank of India Post Office Branch 10607767737	550.00	0.00	550.00	During 2016-17 this HOA not found in the trail balance
60	4502163	state bank of India Post Office Branch 10607767410	7,282.00	0.00	7,282.00	During 2016-17 this HOA not found in the trail balance
61	4502164	state bank of India gudivada 31893627104	77,75,662.00	0.00	77,75,662.00	During 2016-17 this HOA not found in the trail balance
62	4502204	state bank of India Post Office Branch 10607772849	6,91,943.36	13,01,554.00	-6,09,610.64	
63	4502206	saptagiri grameena bank gudivada 28613766	9,19,580.00	0.00	9,19,580.00	During 2016-17 this HOA not found in the trail balance
64	4504104	cenra bank gudivada 15649	15,31,152.00	7,83,426.00	7,47,726.00	
65	4504204	cenra bank gudivada 15601	8,12,046.00	4,37,591.00	3,74,455.00	
66	4506101	state bank of India gudivada 33725863936	0.00	37,919.00	-37,919.00	

In this connection it is required to take necessary steps by the executive authority to rectify the above defects immediately and intimate the same to audit.

02)Differences between ULB records & Annual A/c in respect of Closing Balances – Needs rectification.

Audit on the accounts of Gudivada Municipal council for the year 2016-17 reveals that the following are the differences between the ULB records & Annual A/c in respect of Closing Balances in various accounts. The same shall be rectified immediately.

Municipal Fund

Item	Name of the A/c	Amount shown in ULB Records	Amount shown in Annual A/c	Dif.
1.Treasury/ Bank Balances	001	110790708.00	11,38,39,918.25	(-)3049210.00
	002	139813781.00	13,61,46,173.48	3667608.00
	13 th Fin.			
	14 th Fin			
The reasons for the above differences between ULB records & Annual A/c in respect of treasury/bank balances are not explained in Audit by the authorities. But, audit reveals that the authorities are not reconcile the figures between cashbook & passbook. The treasury balance shown in the annual account must be the treasury balance shown in cash book.The difference shown above shall be rectified by the executive authority and intimate the same to audit				

03) Huge differences between the figures in ULB Records & Annual A/c in respect of recoveries payable – Needs Rectification.

Audit on the accounts of Gudivada Municipal council for the year 2016-17 reveals that there are dues in recoveris payables at end of the FY 2016-17. Authorities has to promptly remit all the recoveries to the concerned heads & departments, immediately .But it was noticed in audit that some of the recoveris remained payable at the end of FY 2016-17.It is further observed that there is a variation in the amount of recoveries payable between ULB records and Annual account

Sl. No	Account Code	Head of Account	Recoveries Payable as per		Variation (+/-)
			ULB Records	Annual A/c	
1	350-20-25	TDS from Contractors	0.00	8,72,081.99	0.00
2	350-20-52	VAT	647498.00	11,19,422.90	0.00
3	350-20-56	Seigenorage	427929.00	6,07,234.00	0.00
4	350-20-15	Labour Cess	719550.00	6,91,842.68	0.00
5	350-20-27	NAC/CMRF	210830.00	17,07,059.00	0.00
6	350-20-16	EPF	0.00	17,11,970.00	0.00

But, as seen from the annual account under the head of “350-20” i.e., Recoveries Payable showed huge balances pending remittance. The same shall be rectified duly re-examining the receipt & payments under each head. The differences are as follows.

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Code No.1

04) Grants – 14th Fin. Grant details in ERP under the head of 320-10-08 not tallied with ULB

Cash Book & Pass Book details – Irregular – Needs Rectification.

Audit on the accounts of Gudivada Municipal council for the year 2016-17 reveals that the 14th Fin. Grant release and expenditure details during the year are shown under the head of account i.e., 320-10-08. But, the details are not tallied with ULB records.

The details of the difference are shown below for verification.

	Opening Balance	0.00
14th Fin. Grant as per ULB Records	Receipt during the year	0.00
	Grant returned back to CDMA, AP, towards IEC Activities, Capacity Bldg., SLB & DEABAS	0.00
	Expenditure	0.00
	Closing Balance	0.00

.Name of the Receipt	Details	Amount
14th Fin. Grant in ERP (320-10-08)	Opening Balance	0.00
	Receipt during the year	4,52,68,584.00
	Expenditure under this head	15,93,401.00
	Closing Balance	4,36,75,183.00

Hence, the authorities are hereby instructed to pass the necessary Journal entries for rectifying the above defect.

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Code.No 1

05) VARIATION IN CASH IN HAND BY 31-03-2017 – NEEDS RECTIFICATION

The cash in hand by the end of the year i.e., on 31-03-2017 in Gudivada Municipality is as follows.

Name of the Fund	Balance as on 31-03-2017
001	1,98,282.00
002	1679233.00
Total	1877515.00

But, on verification of the cash balances under the head of 450-10-01 in ERP A/c by the end of the year i.e., on 31-03-2017 is as follows.

Details	Amount
Opening Balance of cash in hand on 01-04-2016	0.00
Add: Cash received during the year	7,04,39,414.00
Total	7,04,39,414.00
Less: Cash remitted to concerned accounts during the year	6,63,78,267.00
Closing Balance of cash in hand on 31-03-2017	4061147.00

As seen from the above statements it is known that huge variation i.e., **Rs. 2183632.00** between ULB records & ERP A/c. **Audit is opined that the changes occurred in ERP system regarding how to made the collection & remittance entries in ERP in respect of collection against Bill based demand i.e., Property Tax & Water Tax are not understood properly.**

Due to introduction of ERP system and **linkage of all modules with finance module** several revolutionary changes were occurred in municipal accounting system. Major change is that if any tax payer paid the tax **from any source** shown above the collection was posted in demand registers along with cash book automatically on assessment wise & account head wise.

Further, the collection posting in respect of Bill based demand i.e., “where is fixed demand” to be done by only revenue officials/e-seva authorities etc., After making collection entry by them the amount is shown in account as either in “Cash in Hand”/“Cheque in Hand”/“Cash in Transit” basing on the mode of transaction.

While remitting the cash in hand to the municipal funds **the accountant** may compare the collection & remittance particulars and **pass the remittance entry only** as follows.

Passing of Remittance Entries

If the collection made through cash	Debit the Bank A/c and Credit the Cash in hand
For E-seva Collection receipt	Debit the Bank A/c and Credit the Cash in hand

But, due to non-observance of the above changes the accountants were passed again the collection entries regarding Property Tax & Water Tax etc., on day wise & adjustment wise. Hence, the Cash in hand raised abnormally vide shown above.

Hence, the authorities are hereby instructed to rectify the above defects and intimate the same to audit.

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Code.No 1

06) VARIATION IN CHEQUE IN HAND BY 31-03-2017 – NEEDS RECTIFICATION

The Cheque in hand by the end of the year i.e., on 31-03-2017 in Gudivada Municipality is as follows.

Name of the Fund	Balance as on 31-03-2017
All Accounts	0.00
Total	0.00

But, on verification of the Cheque balances under the head of 450-10-51 in ERP A/c by the end of the year i.e., on 31-03-2017 is as follows.

Details	Amount
Opening Balance of Cheque in hand on 01-04-2016	0.00
Add: Cheques received during the year	2,45,40,091.00
Total	2,45,40,091.00
Less: Cheques remitted to concerned accounts during the year	2,24,86,386.00
Closing Balance of Cheque in hand on 31-03-2017	20,53,705.00

As seen from the above statements it is known that huge variation i.e., **Rs. 2053705.00** between ULB records & ERP A/c. **Audit is opioned that the changes occurred in ERP system regarding how to made the collection & remittance entries in ERP in respect of collection against Bill based demand i.e., Property Tax & Water Tax are not under stood by the account people.**

Due to introduction of ERP system and **linkage of all modules with finance module** several revolutionary changes were occurred in municipal accounting system. Major change is that if any tax payer paid the tax **from any source** shown above the collection was posted in demand registers along with Cash book automatically on assessment wise & account head wise.

Further, the collection posting in respect of Bill based demand i.e., “where is fixed demand” to be done by only revenue officials/e-seva authorities etc., After making collection entry by them the amount is shown in account as either in “Cash in Hand”/”Cheque in Hand”/”Cash in Transit” basing on the mode of transaction.

While remitting the Cheque in hand to the municipal funds **the accountant** may compare the collection & remittance particulars and **pass the remittance entry only** as follows.

Passing of Remittance Entries

If the collection made through Cheque	Debit the Bank A/c and Credit the Cheque in hand
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But, due to non-observance of the above changes the accountants were passed again the collection entries regarding Property Tax & Water Tax etc., on day wise & adjustment wise. Hence, the Cheque in hand raised abnormally vide shown above.

Hence, the authorities are hereby instructed to rectify the above defects immediately and intimate the same to audit.

07) VARIATION IN COLLECTION FIGURES OF PROPERTY TAX – NEEDS RECTIFICATION

The **Revenue Module** of the Samalkot Municipality in ERP showed that an amount of **Rs. 42771023.00** was collected during the year towards Property Tax (both arrears & current) vide shown below.

Sl. No.	Source	Mode of Receipt	No. of Receipts	Amount Collected
1	AP Online	Cash	13919	34070039.00
2	E-Seva	Cash		
3	Mobile	On Line		
4	System	Cash		
		DD/Cheques	500	8338821.00
		On line	211	362160.00
		Bank	0	0.00
Grand total of Property Tax as per Rev. Module in ERP				42771023.00

On verification of cash book & day book in ERP for the year 2016-2017 it is noticed that several changes were occurred in accounting of receipts. They are as follows.

In old system	In new ERP module
- The PT collection is received through office collection (either in cash/cheque) & from E-seva centers only.	- The PT Collections are received now through online i.e., (Mobile & internet banking) also.
- After receipt of Property Tax from tax payer the revenue authorities are posted the collection figures in on line on <u>assessment wise</u> against demand in E-Mass.	- In the new system on receipt of Property tax from tax payer <u>the same was posted in demand register of revenue section & cash books of account section simultaneously.</u>
- The account section authorities were also entered the <u>day wise</u> collection & remittances in their cash books.(both Cash/Cheque receipt)	Further the collections were posted in cash book on <u>assessment wise & account code wise now.</u>
- While entering in cash book the entire receipt was posted against the account head “ <u>110-01-01</u> ” through bulk amount i.e., <u>day wise (or) adjustment wise.</u>	- Now the receipt was posted on the same day automatically to the following heads <u>in ERP A/c & in demand registers also on assessment wise.</u> “Arrear Collection of PT” to “ <u>431-10-04</u> ” “Interest on PT” to “ <u>140-20-02</u> ” “Current Collection of PT” to “ <u>110-01-01</u> ” “Penalty for UC” to “ <u>140-20-01</u> ” “Library Cess” to “ <u>350-30-01</u> ” “Education Cess” to “ <u>350-30-02</u> ” “Rebate” to “ <u>220-21-03</u> ” “Adv. Collection of PT” to “ <u>350-41-02</u> ”
- Collection & remittance entries both were passed by the accountants only.	- Now, the collection entries were passed by the revenue section authorities/e-seva authorities etc., due to linkage of financial module with rev. module. - The accountants may now pass only remittance entries as and when the collections were account for to municipal funds.

Due to introduction of ERP system and **linkage of all modules with finance module** several revolutionary changes were occurred in municipal accounting system. Major change is that if any tax payer paid the tax **from any source** shown above the collection was posted in demand registers along with cash book automatically on assessment wise & account head wise.

Further, the collection posting in respect of Bill based demand i.e., “where is fixed demand” to be done by only revenue officials/e-seva authorities etc., After making collection entry

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by them the amount is shown in account as either in “Cash in Hand”/”Cheque in Hand”/”Cash in Transit” basing on the mode of transaction.

While remitting the same to the municipal funds the accountant may compare the collection & remittance particulars and pass the remittance entries only as follows.

Passing of Remittance Entries

If the collection made through cash	Debit the Bank A/c and Credit the Cash in hand
For E-seva Collection receipt	Debit the Bank A/c and Credit the Cash in hand
For Cheques/DD's	Debit the Bank A/c and Credit the Cheque in hand
For on line transaction amount remittance	Debit the Bank A/c and Credit the Cash in Transit

But, due to non-observance of the above changes both collection & remittance entries passed in ERP Account. Hence, the collection towards Property Tax raised abnormally vide shown below.

Sl. No.	GL Code	Account Head	Debit	Credit	Net (Dr./Cr.)
1	110-01-01	Property Tax	36,568	3,60,55,090	36018522 (Cr.)
2	431-10-04	PT Receivables (Arrear)	0.00	3,31,1620	3311620 (Cr.)
3	350-30-01	Library Cess	15,00,010	9,60,110.22	539899.78 (Cr.)
4	350-30-02	Edn. Cess	122	39,23,953	3923831Cr.)
Grand Total of PT Collection as per ERP A/c					43793872.78 (Cr.)

On verification of the above statements it is clear there is **huge difference of 10,22,849.78 towards collection of Property Tax between the Rev. Module & ERP A/c** of Gudivada Municipality. The differences shall be rectified duly passing the proper journal entries

Hence the authorities are here by instructed to take necessary steps in order to avoid variation in collection figures of Property Tax from the Statements generated in ERP A/c and DCB figures in Revenue Module.

08) VARIATION IN COLLECTION FIGURES OF WATER TAX – NEEDS RECTIFICATION

The **Revenue Module** of the Samalkot Municipality in ERP showed that an amount of **Rs. 5721730.00** was collected during the year towards Water Tax (both arrears & current) vide shown below.

Sl. No.	Source	Mode of Receipt	No. of Receipts	Amount Collected
1	AP Online	Cash	3455	5657330.00
2	E-Seva	Cash		
3	Mobile	Cash		
4	System	Cash		
		On line	29	61400.00
		Cheques/DD	3	3000.00
Grand total of Water Tax collection as per Rev. Module in ERP				5721730.00

On verification of cash book & day book in ERP for the year 2016-2017 it is noticed that several changes were occurred in accounting of receipts. They are as follows.

In old system	In new ERP module
- The WT collection is received through office collection (either in cash/cheque) & from E-seva centers only.	- The WT Collections are received now through online i.e., (Mobile & internet banking) also.
- After receipt of Water Tax from tax payer the revenue authorities are posted the collection figures in on line on <u>assessment wise</u> against demand in E-Mass.	- In the new system on receipt of Water tax from tax payer <u>the same was posted in demand register of revenue section & cash books of account section simultaneously.</u>
- The account section authorities were also entered the <u>day wise</u> collection & remittances in their cash books.(both Cash/Cheque receipt)	Further the collections were posted in cash book on <u>assessment wise now.</u>
- While entering in cash book the entire receipt was posted against the account head “ <u>110-02-01</u> ” through bulk amount i.e., <u>day wise (or) adjustment wise.</u>	- Now the receipt was posted on the same day automatically to the following heads <u>in ERP A/c & in demand registers also on assessment wise.</u> “Arrear Collection of WT” to “ <u>431-30-01</u> ” “Current Collection of WT” to “ <u>110-02-01</u> ” “Adv. Collection of WT” to “ <u>350-41-06</u> ”
- Collection & remittance entries both were passed by the accountants only.	- Now, the collection entries were passed by the revenue section authorities/e-seva authorities etc., due to linkage of financial module with rev. module. - The accountants may now pass only remittance entries as and when the collections were account for to municipal funds.

Due to introduction of ERP system and **linkage of all modules with finance module** several revolutionary changes were occurred in municipal accounting system. Major change is that if any tax payer paid the tax **from any source** shown above the collection was posted in demand registers along with cash book automatically on assessment wise & account head wise.

Further, the collection posting in respect of Bill based demand i.e., where is fixed demand to be done by only revenue officials/e-seva authorities etc., After making collection entry by them the amount is shown in account as either in “Cash in Hand”/“Cheque in Hand”/“Cash in Transit” basing on the mode of transaction.

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While remitting the same to the municipal funds the accountant may compare the collection & remittance particulars and pass the remittance entries only as follows.

Passing of Remittance Entries

If the collection made through cash	Debit the Bank A/c and Credit the Cash in hand
For E-seva Collection receipt	Debit the Bank A/c and Credit the Cash in hand
For Cheques/DD's	Debit the Bank A/c and Credit the Cheque in hand
For on line transaction amount remittance	Debit the Bank A/c and Credit the Cash in Transit

However the collection towards Water Tax has shown abnormally low collection vide shown below. The reasons for the same are not pointed to audit.

Sl. No.	GL Code	Account Head	Debit	Credit	Net (Dr./Cr.)
1	110-02-01	Water Tax	0.00	1,06,200.00	1,06,200.00 (Cr.)
2	431-30-01	WT Receivables (Arrear)	0.00	0.00	0.00
3	350-41-06	Adv. Collection of WT	0	3000.00	3000.00 (Cr.)
Grand Total of WT Collection as per ERP A/c					1,09,200.00 (Cr.)

On verification of the above statements it is clear there is **huge difference towards collection of Water Tax between the Rev. Module & ERP A/c** of Gudivada Municipality. The differences shall be rectified duly passing the proper journal entries

Hence the authorities are here by instructed to take necessary steps in order to avoid variation in collection figures of Water Tax from the Statements generated in ERP A/c and DCB figures in Revenue Module.

09) VARIATION IN COLLECTION FIGURES OF VACANT LAND TAX – NEEDS RECTIFICATION

The **Revenue Module** of the Samalkot Municipality in ERP showed that an amount of **Rs. 3,66,524.00** was collected during the year towards Vacant Land Tax (both arrears & current) vide shown below.

Sl. No.	Source	Mode of Receipt	No. of Receipts	Amount Collected
1	E-Seva	Cash	168	304134.00
2	Mobile	On Line		
3	System	Cash		
		DD/Cheques	1	73302.00
		On line	0	0.00
		Bank	0	0.00
Vacant Land Tax Collection as per Rev. Module in ERP				377436.00

On verification of the annual account of the Gudivada municipality for the year 2016-17 it is observed that HOA 110-01-02 (vacant land tax) not found in the annual account.

10) VARIATION IN COLLECTION FIGURES OF ADVERTISEMENT TAX – NEEDS RECTIFICATION

The **Revenue Module** of the Gudivada Municipality in ERP showed that an amount of **Rs. 1,41,833.00** was collected during the year towards Advt. Tax (both arrears & current) vide shown below.

Sl. No.	Source	Mode of Receipt	No. of Receipts	Amount Collected
1	System	Cash	15	205999.00
		DD/Cheques	20	517036.00
Advertisement Tax Collection as per Rev. Module in ERP				723035.00

The Advt. Tax receipt during the year 2016-2017 as per the ERP A/c is as follows.

Sl. No.	GL Code	Account Head	Debit	Credit	Net (Dr./Cr.)
1	110-11-01	Advt. Tax on Hoardings	0.00	261930.00	261930.00(Cr.)
2	110-11-99	Advt. tax Others	0.00	548161.00	548161.00(Cr.)
3	110-11-05	Advt. Tax on Cable Operators	0.00	0.00	0.00(Cr.)
4	110-11-02	Adv tax on cinema houses	0.00	16294.00	16294.00(Cr.)
5	110-11-03	Adv tax on hoardings on vehicles	61200.00	0.00	61200.00(Dr.)
6	110-11-04	Adv tax on public screens	0.00	0.00	0.00(Cr.)
Advt. Tax Collection as per ERP A/c			61200.00	826385.00	765185.00(Cr.)

On verification of the above statements it is clear there is **difference of Rs.103350.00 towards collection of Advt. Tax between the Rev. Module, ERP A/c** of Gudivada Municipality. The differences shall be rectified duly passing the appropriate journal entries .

It is further observed that Expenditure entry of Rs.61200.00 was wrongly booked under the receipt HOA 110-11-03 which is not correct and needs to be rectified immediately.

11) Liabilities – Huge amount under Contractors payable head of account 350-10-02 shown- without any dues – Irregular – Needs Rectification.

Audit on the accounts of Gudivada municipality for the year 2016-17 reveals that the liability i.e., contractors payable by the end of the year is shown as Rs. 2,24,34,116.00 under the head of account i.e., 350-10-02. But, as per records there are no dues to the contractor by the end of the year.

The details of the difference are shown below for rectification.

.While entering the payables in ERP the payables were entered in twice erroneously. The same shall be rectified immediately.

Name of the Receipt	Details	Amount
	Opening Balance	38,35,599.00
Contractors Payable (350-10-02)	Payables entered under the head	14,79,73,634.38
	Payables paid during the head	12,55,39,518.06
	Contractors payables at the end of the year i.e., on 31-03-2017	2,62,69,715.32

It is observed that number of Contractor Journal vouchers are not get cancelled by corresponding Expenditure Voucher entries and for some of the Expenditure voucher entries (Cr. Entries) respective CJV/EJVs are not passed. The details of excess CJV's (Dr.) & Expenditure Voucher (Cr.) entries passed (Work Bills Payable) during the year are shown in Annexure – I. An early action would need to be taken to correct the above defect

12) Receipt under the head of 130-10-01 i.e., Rent from Markets showed less than the actual receipt - Irregular

Audit on the accounts of Gudivada for the year 2016-17 reveals that there is huge difference between the collection figures vis-a-vis DCB and ERP portal. The details of the difference are shown below for rectification.

Sl.No.	Head of Account	Collection as per DCB	Collection as per ERP	Difference	Remarks
1	130-10-01 Rent from markets	1871500.00	770600.00	1100900.00	
2	130-10-15 Rent from Shop Rooms	9188701.00	10636935.00	-1448234.00	
3	130-10-07 Rent from slaughter houses	63500.00	47652.00	15848.00	
4	130-10-21 Lease from Fish tanks	210969.00	351252.00	-140283.00	
	TOTAL	11334670.00	11806439.00		

Hence, the authorities are hereby instructed to take necessary steps to rectify the above difference in collection figures and intimate the same to audit at an early date. In this connection any financial loss occurred to the Municipal funds may be made good from the person(s) responsible.

PARANO. 13

CODE NO. 3

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

As per G.O.Ms.No.179/MA&UD(G-1)Dept., Dt. 25-2-2009, the salaries are being paid under the Head of 010 from Treasuries w.e.f 1-4-2009. The Non-Government recoveries like Festival Advances, Marriage Advance, Bank Loans, Court recoveries etc. were adjusted to this account by the Treasury Department while passing the salary bills. The monthly installments of advances which were taken from Municipal General Funds were credited to this account as Non-Government recoveries. The credit installments were not remitted to Municipal General funds so far. As such huge amount relating general fund amount was available and kept idle. The executive authority did not take much interest for transfer of recovery amount to Municipal General Fund. However as there are no Government instructions for discontinuation of pay bill register, the office is not maintaining the pay bill registers, instead preparing pay bills on computer. As such it could not be ascertained in audit how much amount was adjusted in this account towards recovery of advance amount. Immediate action would need to be taken to remit to the Municipal General Funds

In this connection it was observed that an amount of Rs.54400.00 was drawn and paid to the employees towards Festival advance and Marriage advance from the fund which was created from non-government recoveries like Advances, Bank Loans, Court recoveries etc. This was not admissible in audit. The Executive Authority would need to take good steps to remit account concerned as and when adjusted to this fund in future.

Para No.14

Code No. 6

EARMARKED MUNICIPAL FUNDS FOR THE WELFARE OF S.Cs S.T's AND W& C.W. –PARTICULARS NOT POINTED OUT:

In G.O.Ms No.41, dt. 24-01-77, instructions were issued to earmark the municipal funds @15%, 4% and 5% for the welfare of S.C.s and S.Ts and Women and Child Welfare respectively. In Government Memo.No.3811/42/77-4,M.A. dated 02-11-78, it was also classified that the welfare schemes for the S.Cs., S.Ts., and women & Child welfare contained in the aforesaid Government order have to be met at the proportion specified above from out of the developmental expenditure of the Corporation. But the details of amount earmarked at 15%, 4% & 5% from out of the developmental expenditure apportioned by the Gudiwada Municipality, Gudiwada for the year **2016-17** and the expenditure incurred were not furnished in spite of similar defects having been pointed out in the Audit Reports of the Previous years and this year also.

Action would therefore need to be taken immediately to maintain a separate register furnishing the particulars therein to watch whether the funds for welfare of S.Cs and S.Ts and W & C.W., were earmarked and utilized properly for their welfare as envisaged in the Government orders referred to above.

PARA NO: 15

CODE NO.7

TIME BARRED TAXES AND FEES:

The arrears of taxes and fees relating to the year 2016-17 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. 16

CODE NO.7

NON-COLLECTION OF GARBAGE CHARGES – NEEDS COLLECTED

The Municipal bodies as per the guidelines of "total sanitation programme" are required to collect garbage charges from the eating establishments, hospitals, diagnostic centres, clinics, theatres, function halls, lodges, shopping complexes etc., since these establishments generate garbage in bulk. The bulk garbage charges are to be collected as per the bed strength in respect of the hospitals and nursing homes and at flat rate as assessed by the Municipal body in respect of cinema halls and other places of entertainment.

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

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PARA NO. 17

CODE NO.7

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

As per GO. Ms No.183 Municipal Administration & Urban Development (M Department Dt. 27.02.2008 All the Commissioners of Municipal 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 to give notices to the property owners in whose premises the towers were installed duly fixing Rs. 1000/- per each year.The details of location of cell towers and collection particulars are not forthcoming to the audit. The amounts would need to be collected at an early date and credited to municipal funds.

PARA NO. 18

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 supplyof 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 10319437.00 as of 31.3.2017 as detailed below as per computer zenerated statements given by the municipal authorities

DEMAND			COLLECTION			BALANCE		
Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total
3025437	13410000	16435437	2418000	3698000	6116000	607437	9712000	10319437

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Though arrears in collection of water charges exist up 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 in collection 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 . 19

CODE NO.7

NON COLLECTION OF ADVERTISEMENT TAX ON CABLE TVs.

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

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

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

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

PARA NO . 20**CODE NO.8****ADVANCES –PENDING ADJUSTEMENTS—IRREGULAR—NEEDS EARLY--ACTION**

Rs:904133-00

As could be verified from the cash book, paid vouchers & advances recoverable register of Gudivada,Municipal Council ,Gudivada for the year 2016-17,it is observed that an amount of Rs,904133-00 pending adjustment till the close of audit, details are as follows,

V.NO/Date	Cheque	Paid to	Advance taken	purpose	Exp	Pending adjustment
183/15.10.16	015120	N.V.Raghavayya	100000	Water works	NIL	100000
41/2.6.16	013428	B.Priyanvadha	20000	Navanirmana dheeksha arrangements	NIL	20000
101/23.7.16	000222	M.Ramesh Babu	31000	Procurement of hole digger petrol mechinr	NIL	31000
173/6.10.16	015104	B.Sujana kumari	15000	Clearance of building material &debris	NIL	15000
189/19.10.16	015128	V.Jhansi laxmi	15000	Swach bharat programme	NIL	15000
202/24.10.16	015128	-do-	8000	Conduct career foundation motivation classes		
211/1.11.16	015150	B.Sujana Kumari	10000	Preparation of voter lists	NIL	10000
243/23.11.16	015188	S.Narayana	60000	Purchase of digital camera & 2tabs	NIL	60000
331/1.2.17	015613	D.Jagadish	50000	National women parliament programme	NIL	50000
332/1.2.17	015614	Md.Galib Saheb	35000	National women parliament prrogramme	NIL	35000
340/3.2.17	015619	Not Known	100000	ODF Programme	NIL	100000
344/8.2.17	015629	P.V.V.K.Saradhi Babu	70000	Stationary expenditure for road widening of Bantumilli road	NIL	70000
364/14.3.17	015674	A.Srinivasa rao	92904	Flexi printing for Swatcha Sarvekshan-2017	NIL	92904
365/14.3.17	015674	-do-	93022	Flexi printing & banners for Swatcha Sarvekshan-2017	NIL	93022
366/15.3.17	015675	-do-	90062	Printing meterial for Swatcha Sarvekshan-2017	NIL	90062
367/15.3.17	015675	-do-	54145	Pamphlets & sticker material for Swatcha Sarvekshan-2017	NIL	54145
384/31.3.17	--	B.Sujana kumari	60000	Removal of encroachments opposite to new Muncipal office building	NIL	60000
		Total	904133			904133

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Therefore, it is brought to the notice of the executive authorities that the matter would need to be seriously pursued and steps taken immediately for recovery of the advances pending from the person or persons responsible and furnished the material facts to the audit positively

Code No.9

21) Liabilities – Huge amount shown under the head of Expenses payable 350-10-03 - without any dues – Irregular – Needs Rectification.

Audit on the accounts of Gudivada Municipal accounts for the year 2016-17 reveals that the liability i.e., Expenses payable by the end of the year is shown as Rs. 22710944.16 under the head of account i.e., 350-10-03. But, as per records there are no dues towards expenses by the end of the year.

The details of the difference are shown below for rectification.

While entering the expenses payables in ERP the payables were entered in twice erroneously. The same shall be rectified immediately.

Name of the Receipt	Details	Amount
	Opening Balance	1,20,44,280.00
Contractors Payable (350-10-03)	Payables entered under the head	2,11,98,829.84
	Payables paid during the head	1,05,32,165.68
	Expenses payables at the end of the year i.e., on 31-03-2017	2,27,10,944.16

It is observed that number of Expense Journal vouchers are not get cancelled by corresponding Expenditure Voucher or Bill payment Voucher entries and for some of the Expenditure voucher entries (Cr. Entries) respective EJVs are not passed. The details of excess EJV's (Dr.) & Expenditure Voucher (Cr.) entries passed (Expenses Payable) during the year are shown in Annexure – II. An early action would need to be taken to correct the above defect.

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PARA NO. 22

CODE NO.9

LOG BOOKS MILEAGE METER READINGS NOT BEING ENTERED NEEDS ACTION.

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

PARA NO.23

CODE NO.9

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

During the year under audit, it was noticed that for some of the PH workers working in this corporation, full salary was not claimed as they were absent to duty. But, on which days, they were absent was not known as the master rolls were not made available for verification in audit. Further the absent period was not regularized and relevant entries either for their period of absence on leave sanctioned period were not posted in the Service Registers of the individuals. But subsequent increment were sanctioned. Sanction of increments without regularizing the period of absence is irregular. Therefore action would need to be taken to regularize the period of absence either with the leave eligible or loss of pay leave and make necessary entries in the Service Register. If the period of absence treated as loss of pay the increments sanctioned should be revised and postponed. Any excess payment made due to postponement of increment would need to be worked out and made good from the person or persons responsible and credited to Corporation funds under intimation to audit.

PARA NO. 24

CODE NO.09

D&O TRADES - CONSOLIDATED DEMAND REGISTER NOT MAINTAINED - PROPERLY-IRREGULAR:

The consolidated demand register of D&O trades for the year 2016-17 was not produced to audit for verification. Through the monthly lists were prepared for each division without a consolidated demand of the institution it was not Tallied possible to reify the demand, collection and balance.

Due to non maintenance of the said register there is a possibility for leakage of revenue with regard to addition and deletion of trades.

Hence action would need to be taken to get the consolidated demand register prepared and produced to audit for verification.

[Type text]

Para. No.25

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 for the year 2016-17 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: 26

CODE NO.9

D&O TRADES LICENCE FEE – DEMAND NOT FIXED AND PRODUCED – CERTAIN DEFECTS.

As per Section-263 and 264 of A.P. Municipalities act, 1965 read with the rules issued with G.O.Ms.No.276 Municipal Administration dt 21-3-68 license fee shall be collected for giving license and permission for using a place for certain purposes, for installation of machinery or manufacturing plant driven by Electrical Power and driven by power other than electrical power. But the as seen from the Register of D&O Trades, the register was maintained based on the collections. The Division wise traders list was not produced to audit for verification. Further, the details of deletions and additions of traders was also not made available to audit for verification. 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. 27

Code No.9

O&M, HIRE CHARGES OF VEHICLES –CERTAIN OBSERVATIONS– NEEDS RECTIFICATION .

Rs: 528987/-

During the course of audit on the accounts of Gudiwada Municipal council, Gudiwada,, it is observed that an aggregate amount of Rs. 528987 /- was drawn and spent towards O&M,hire charges of vehicles.It was observed in Audit that the sub vouchers which are enclosed to the original vouchers were not get cancelled by the competent authority concerned which is irregular and the same may cause for double claim. Further, the Payees Acknowledgements or the stamped receipts etc., by the supplier in token of having received the amount was also not furnished to the audit. In the absence of the same, the correctness of the amounts drawn and paid could not be verified in audit.

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

Further, on verification of the stock registers, it is observed that item wise details of stocks received, the mode of receipt of the stocks, opening balance of the stock, its utilization and closing balance of the stock item wise was not recorded in the stock register. Also, the stock verification entries as required under Article 139 of APFC Vol.II was also not recorded in the stock registers which is not in order. On account of the above omissions the correctness of the payments made towards purchase of Public Health materials could not be checked in audit. Hence the expenditure could not be admitted and is held under objection.

PARA NO.28

CODE NO.09

HALF MARGIN LETTERS ISSUED – INFORMATION NOT FORTHCOMING.

During the course of audit of the Municipal Council, Gudivada for the year 2015-2016, from General, PH, Engg, Sis & SMs, Sec. Edn., Ele. Edn., sections towards PF, LIC, Court, Society, Bank, Court recoveries, subscription and loans etc., half margin letters were issued to the heads of section 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.

[Type text]

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

para No.29

Code No.9

SUBSIDIARY REGISTERS NOT MAINTAINED PROPERLY – ENTRIES ON THE RECEIPTS SIDE NOT MADE, NOT TOTALLED, NOT BALANCED AND NOT RECONCILED WITH MONTHLY/ANNUALLY- HIGHLY IRREGULAR.

As per the 'Andhra Pradesh Municipal Accounts Manual' the Urban Local bodies should maintain each financial year the 'General cash book' in form GEN-1, which shall be the Book of original entry for recording transactions involving cash and /or bank pass book. The cash book has two sides Viz."Receipts" and "payments". All collections on behalf of the ULB shall be recorded on the "Receipts" side and all payments shall be recorded on the 'payment' side. Separate cash books (Subsidiary) shall be maintained in respect of each bank account. Designated Bank accounts may be operated for deposit of collections pertaining to property and other Taxes, Supply, Public works, Special funds etc., as has been provided in the applicable rules and regulations. Monthly Abstract should be recorded in the General Cash Book showing the balances of all the subsidiary cash books(General Fund Cash Book, DDOCurrent A/c, Grants cash Book,FDR,Permanent Advances Register etc.,) and the balance of Bank so that the Head of the institution could know the actual balance available in the insitution on any particular date.

There were no periodical closings under proper attestation. Reconciliation of balances of cash book with those of banks was not made regularly. Erroneous/Fraudulent drawls can be detected only through reconciliation. Such an important financial internal control mechanism was ignored.

No pages should be left blank and each plage should be serially numbered duly enclosing a certificate to the extent of pages in the cash book. However many pages were left blank in between transaction and have not been cancelled under attestation.

Most of the entries were being made in pencil which was highly irregular.

The details of book adjustments, treasury receipts, the details of MRs were not recorded in cash book.

PARA NO. 30

CODE NO.09

PROVIDENT FUND – INVESTMENT OF PROVIDENT FUND SUBSCRIPTION OF THE MUNICIPAL EMPLOYEES ORDERS OF THE GOVERNMENT – NOT FOLLOWED – IRREGULAR NEEDS ACTION.

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

1. Government Securities 50%
2. State/ Central Government 25% Guaranteed Securities

[Type text]

3. N.S.S and other small 25% saving investments (if allowed)

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

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

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

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

Para No. 31

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 2016-17 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.32

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. 33

Code No.9

OBSERVATIONS ON VACANT LAND TAX:

A)Non identification of vacant plots for levy:

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

(A) Audit Observed that:

- The Municipality had not made any effort for identification and collection of Vacant Land Tax. In view of the fact that the Municipality has been receiving requests for approval for construction of buildings this information can be utilized for collection of Vacant Land Tax.
- Even though the VLT was being collected by the Town Planning Wing at the time of giving approvals for Building constructions for the previous 3 years, the fee thus collected was not being accounted for under the VLT.

B) Improper maintenance of VLT records:

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

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

[Type text]

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

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

Para No. 34

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. 35

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 2016-17 were prepared based on the computer generated data and the correctness of the data shown there in was not certified to by the executive authority.

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

Further, the page wise totals along with the final abstract were not enclosed to the ward wise computer generated demand and arrear demand registers Up to 2016-17

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. 36

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. 57700- 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 :37

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.

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

**38) WORKS – TENDER INVITATION PROCESS – TENDER NOTICE NOT PUBLISHED
IN NEWS PAPER-IRREGULAR**

As from the section 4 of G.O.Ms. No. 94 I& CAD(PW – COD) Dt. 1-7-2003 , for the works upto Rs.50 lakhs the tender notice shall be published in the district editions of two Telugu dailys with largest circulation and for the works above Rs. 50 lakhs the tender notice shall be published in one Telugu daily and one English daily with largest circulation. The format of the advertisement shall be reduced so that cost of the advertisement kept at minimum. However in the case of Guduwada Muncipal Council it is pointed out that for majority of the works tender notice was not published in the newspapers as detailed above which reduces the competitiveness in the tender process .Although all the tenders are called for through e-procurement it is mandatory to publish the tender notice in news papers as stated above to maintain transparency in the bidding process. In this connection any financial loss occurred to the municipal funds may be made good from the persons responsible.

39) MUTATIONS – DOCUMENT VALUE TAKEN AS BASIS FOR CLACULATION OF MUTATION FEE INSTEAD OF MARKET VALUE – LOSS OF REVENUE. Rs,254253.00

As seen from the records of Gudivada Municipal council pertaining to transfer of ownership titles (mutations) it is observed that, the amount of mutation fee to be paid by the applicant is assessed based on the document value of the asset to be transferred to the transferee instead of market value of the asset, which resulted in the loss to the exchequer of the Municipality. Some of the examples are given below. Necessary action would need to be taken to assess the loss sustained by way of a detailed enquiry and intimate the same to audit.

Sl.N o.	Details of Title	Title Transfer Fee paid	Market value as per SRO rates	@1% of Market value	Loss to the Municipal funds Rs.
1.	Application No:A2/31/166-5.7.2016 Nethi Bai To A.Chandra sekhar Document Registered in 1985.Ext.163sqyds. in 4 th ward.	Rs.1000. 00	163 x9700=15,8 1,000	15810.00	14810.00
2.	Application No.A1/61/2016 V.Bhaskara Rao to V.Muralikrishna Rao Document registered in Apr 30,1986 Ext.219 Sq yds + 300Sqft BUA	6000.00	If only land value taken 219x9700=2 124300.00	21240.00	15240.00

[Type text]

3.	Application No.A3/10/2016 Narra Rayappa to Govada Vara krupa Document registered in29.10.1990 Ext.109 Sq yds	800.00	109x4900=53 4100	5341.00	4500.00
4.	Application No.A3/15/2016 Y V S Rama Laxminarayana sarma To D V S Srinivas Ext. 266.2Sq yds + 1053 Sqft BUA in 11 th ward	5540.00	If the land value alone taken 266.2x9600=2 5555520.	25555.00	20015.00
5	Application No.A3/41/2016 Tummala Krishna Kumari Ext.982 Sq yds +6435 Sqft BUA And 636 Sq yds Open site in 16 th ward	36540.00	If the land value alone taken 1618 x 14600=23622 800	236228.00	199688.00
				TOTAL	254253.00

**40) WORKS – THIRD PARTY QUALITY CONTROL CERTIFICATION NOT OBTAINED
– IRREGULAR**

During the course of audit on the accounts of Gudiwada Municipal council for the year 2016-17 it was observed that third party Q.C. for the works taken up during the FY was not obtained and produced to audit.

As per the G. O. Ms. No. 94 I& CAD (PW – COD) Dt. 1-7-2003 Contractor and the Engineer in charge are responsible for the conduct of Quality control tests as per the standard procedures

**41) MUTATIONS – LATEST MARKET VALUE ASSESSMENT OF THE ASSET – NOT
FURNISHED – NEEDS AN EARLY ACTION**

During the course of audit on the accounts of Gudivada municipal council for the year 2016-17 it was observed that, regarding the collection of mutation fee on the transfer of ownership title in the municipal council area, current market value assessment by the stamps and registration department is not furnished by the applicants and mutation charges are collected on the basis of the ownership document provided by the applicant, which is irregular.

In the absence of market value assessment certificate provided by the Stamps and Registration department it is not possible to ascertain the correctness of the collection of mutation

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charges during the FY 2016-17. Hence an early action would need to be taken to obtain the current market value of the all the mutations carried out during the FY 2016-17 and if any financial loss occurred in this regard may be made good from the person/persons responsible.

Para No. 42

Code No.9

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

As per annual account an amount of Rs. 31400- was adjusted to municipal funds towards encroachment fee. Further as verified from the register of encroachments maintained for the year 2016-17 the following defects were noticed. The demand, collection and balance was not noted in the register at the end of the financial year.

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

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

PARA NO: 43

CODE NO.9

REGISTER OF BUILDING APPLICATION – MAINTENANCE DEFECTS:-

As seen from the register of building applications maintained for the year 2016-17 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.

PARANO.

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. 45

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. 46

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. 47

CODE NO.9

NON CONSTITUTION OF WARD AND REVIEW COMMITTEES

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

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

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

PARA NO. 48

CODE NO.9

ENCROACHMENTS – COLLECTION OF ENCROACHMENT FEE – SOME DEFECTS

During the course of audit on the accounts of the Gudivada Municipality for the year 2016-17 ,it was observed that Rs.31400-00 was collected as Encroachment fee .However fallowing defects were noticed regarding Encroachments .

- Permanent Encroachment register was not maintained
- Annual survey of encroachments was not conducted during the 2016-17 by the TP Section of the Municipality.
- During 2015-16 an amount of Rs.150280.00 was collected against the no 173 of temporary encroachments as per the temporary encroachment register and area wise encroachment details were as fallows

1.Eluru road	-----	61
2. Tilak Road	-----	37
3. Medara Bazar	-----	27
4. Market Centre	-----	11
5. Bus stand Road	-----	29
6.Sapta Kodu Road	-----	08

TOTAL		173

which is not complete and comprehensive. During the FY2016-17 only Rs.31400.00 collected and register of temporary encroachments not produced to audit.In this circumstances it is not possible to ascertain the correctness of the collection..

Hence an early action would need to be taken in this connection and if any financial loss occurred to Municipal funds may be made good from the persons responsible.

PARA NO. 49

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.50

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. 51

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. 52

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. 53

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. 54

Code No.09

WORKS-SERVICE LEVEL AND BENCH MARKS WAS NOT PREPARED AND PRODUCED IN AUDIT-IRREGULAR

As verified in audit, it is observed that Annual Development plan . that the amount was earmarked for service level and bench marks were kept unspent during the period 2010-11 to 2016-17. But the Service level and bench marks was not Prepared and produced in Audit for verification for the end of March 2015. If any loss sustained in this regard would need to be recovered from the person or persons responsible.

[Type text]

VIOLATION OF RULES

PARA NO: 55

CODE NO :09

**AMOUNT TRANSFER FROM MUNICIPAL GENERAL FUND 001 A/C TO SELF A/C –
IRREGULAR-NEEDS ACTION.**

As could be verified from the cash book and paid vouchers, it was observed that a total amount of Rs,7,29,515/- was transfer from Muncipal General Fund 001 a/c to self a/c no:35253290871, details are as follows,

V NO	DATE	AMOUNT	AMOUNT TRANSFER TO SELF A/C	REMARKS
31	17.05.2016	229515	35253290871	Reasons not furnished
44	04.06.2016	500000	35253290871	Reasond not furnished
	Total	729515		

In this connection reasons not furnished to audit for transfer the amount from Muncipal General Fund 001 a/c to self a/c 35253290871.

Therefore, it is brought to the notice of the executive authorities that the matter would need to be seriously pursued and steps taken immediately to get enquiry and fact intimate to audit.

[Type text]

VIOLATION OF RULES

CODE NO:9

**56) PROVIDING ELECTRIFICATION OF NEW MUNICIPAL OFFICE BUILDING –
SOME DEFECTS NOTICED-IRREGULAR.**

During the verification of records pertaining to works providing electrification of new municipal office building in Gudivada Municipality.

It was observed that despite of the release of office building construction grant Rs;46,48,802-00.

The payment for the above work Rs;6,87,738-00 were made from the General Funds wide V.NO : 362,Dated,10/03/2017 wide cheque no : 015663.

Hence the executive authorities has to take necessary steps to reimburse the amount Rs;6,87,802-00 to General Funds.

PUSKHARAM GRANT

VIOLATION OF RULES

CODE NO:09

57) During the course of audit on the amount of Rs; 1,09,85000-00 was granted for under taking pushkaram-2016 works utilizing 14th FC funds.

The following defects are noticed in the execution of 4 different works for the following 4 different works.

- 1)construction of fountain at Nehru Chowk**
- 2)construction of B T Road from flyover bridge to Nehru Chowk**
- 3)construction of storm water drainage from sri lakshmi,sri rama ,sri brahma theatres to chintalakodu.**
- 4)construction of central designer grills.**

- 1) In this connection single tender was called for all the 4 works as it they are single work instead of calling separate tender for each work and entrusted to single contractor.**
- 2) First tender call was in the form of short tender call from 14-06-2016 to 18-06-2016 i.e 4 days. & in the first call itself single tender of Sri Associates accepted at 4.98% excess.**
- 3) As per the 3rd party quality control report 0.6% bituminous deficiency reported.**

Hence wide circular Memo no 12582/vigl/1/2005,dt.23.03.2006 a penalty of twice the the deficiency shall be recovered from the contractor.

4)Original quotations of fountain and plants were not produced to audit

In view of the above defects any financial loss occurred to the municipal funds may be made good from the person responsible.

VIOLATION OF RULES

CODE NO:09

58) SUPPLY OF 4000 LITRES CAPACITY WATER TANKERS ON HIRE BASIS FOR TRANSPORTATION OF DRINKING WATER IN 1 TO 12 ,13 TO 24 & 25 TO 36 WARDS.

As could be verified from the paid vouchers, cash book,files, m-books & council resolution of the Gudivada Muncipal Council for the year 2016-17, it was observed that the following defects are noticed pertaining to various works belongs to voucher no:211,212 &213.

1)Paper publication not produced

2)C R NO:218/19.01.2016,bid open as on dt,16-02-2016.There is a 27 days expired after council resolution, the authorities went for short tender (3days)16-02-2016 to 19-02-2016 in the first call itself

3)Quotations obtained for lorry from unregistered firms.Hence the authenticated rates could not be verified.

4)Log books pertaining to lorry & tractor cum trailer or not found in the connected files and also the register number ,speedo meter reading,details of the drivers not mainted at all.

More over the work distribution of drinking water on hire vehicles were spitted in to 3 works of each Rs,8,06,000-00 i.e well under the technical sanction limits of M.E which is against the GO.MS.NO:94.

5)Data not produced. Rate Rs,395/- per trip was under objection.

In view of the above defects any financial loss occurred to the municipal funds may be made good from the person responsible.

Para No: 59

Code:11

MAINTENANCE OF VEHICLES - RELEVANT REGISTERS NOT MAINTAINED AND PRODUCED.

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

1. Register showing the repairs ,replacements etc.,
2. Register showing the cost of Petrol, Oil etc.,
3. Register of Inventory of equipment
4. Hire charges payment Registers.
5. Registers of old parts collected after replacement
6. Register of Accidents

1. 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.

2. 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.

[Type text]

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

3. 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.

RECOVERIES NOT REMITTED

CODE NO :10(102)

60) VAT- DEDUCTED FROM THE WORK BILLS- NOT REMITTED TO CONCERN HEADS- NEEDS REMITTENCE.

Rs,647498/-

During the course of audit on the accounts of Gudivada Muncipal Council for the year 2016-17,it was observed that,VAT deducted from the various work bills from the months 11/2016 to 2/2017. As per G.O. Ms No:11 FIN (W&P) F-8,Dept,Dt,29-07-2005 recoveries remitted to the concern head of departments.But not remitted the VAT recoveries until the end of the financial year 2016-17,details are as follows,

particulars	Month wise deductions	Head wise deductions	Deducted amount	remittance	balance
VAT	11/2016 to 2/2017	MPLads	58748	NIL	58748
VAT	3/2017	001 A/C (GF)	211794	NIL	211794
VAT	3/2017	002 A/C (GF)	5035	NIL	5035
VAT	3/2017	13 FC	99087	NIL	99087
VAT	3/2017	14 FC	271385	NIL	271385
		TOTAL	647498		647498

So early action would need to be taken to remit the VAT deductions to concerned head of the departments and intimate to audit.

RECOVERIES NOT REMITTED

CODE NO :10(103)

61) SEINORAGE- DEDUCTED FROM THE WORK BILLS- NOT REMITTED TO CONCERN HEADS- NEEDS REMITTENCE.

Rs,427929/-

During the course of audit on the accounts of Gudivada Municipal Council for the year 2016-17, it was observed that, Seinorage deducted from the various work bills from the months 12/2016 to 3/2017. As per G.O. Ms No:217/Industries & commerce(M-1) Dept Dt,29-09-2004 recoveries remitted to the concern head of departments. But not remitted the Seinorage recoveries until the end of the financial year 2016-17, details are as follows,

particulars	Month wise deductions	Head wise deductions	Deducted amount	Remittance	balance
seinorage	12/2016	001 A/C (GF)	51620	NIL	51620
seinorage	01/2017	001 A/C (GF)	6747	NIL	6747
seinorage	02/2017	001 A/C (GF)	3390	NIL	3390
seinorage	03/2017	001 A/C (GF)	38801	NIL	38801
seinorage	01/2017	002 A/C (GF)	2542	NIL	2542
seinorage	02/2017	002 A/C (GF)	4289	NIL	4289
seinorage	03/2017	002 A/C (GF)	1007	NIL	1007
seinorage	12/2016	13FC	104704	NIL	104704
seinorage	01/2017	13FC	67920	NIL	67920
seinorage	03/2017	13FC	23667	NIL	23667
seinorage	12/2016	14FC	10704	NIL	10704
seinorage	01/2017	14FC	43198	NIL	43198
seinorage	02/2017	14FC	17062	NIL	17062
seinorage	03/2017	14FC	44114	NIL	44114
seinorage	12/2016	MPLads	5701	NIL	5701
seinorage	02/2017	MPLads	2463	NIL	2463
		Total	427929		427929

So early action would need to be taken to remit the seinorage deductions to concerned head of the departments and intimate to audit.

RECOVERIES NOT REMITTED

CODE NO :10(108)

62) LABOUR CESS & NAC/CMRF - DEDUCTED FROM THE WORK BILLS- NOT REMITTED TO CONCERN HEADS- NEEDS REMITTENCE.

Rs,930380/-

During the course of audit on the accounts of Gudivada Municipal Council for the year 2016-17,it was observed that,Labour Cess & NAC/CMRF deducted from the various work bills from the months 04/2016 to 03/2017.As per G.O.Ms No: 159/R&B (R-111) Dept,Date, 31-10-2004 recoveries remitted to the concern head of departments.But not remitted the Labour Cess & NAC/CMRF recoveries until the end of the financial year 2016-17,details are as follows,

particulars	Month wise deductions	Head wise deductions	Deducted amount	Remittance	balance
L C	10/2016 to 02/2017	001 A/C (GF)	431271	NIL	431271
LC	10/2016 to 02/2017	13 FC	220989	NIL	220989
LC	10/2016 to 02/2017	14 FC	64827	NIL	64827
LC	11/2016 to 02/2017	MPLads	2463	NIL	2463
NAC/CMRF	04/2016 to 03/2017	001 A/C (GF)	84981	NIL	84981
NAC/CMRF	04/2016 to 03/2017	002 A/C (GF)	17384	NIL	17384
NAC/CMRF	05/2016 to 03/2017	13 FC	64392	NIL	64392
NAC/CMRF	08/2016 to 03/2017	14 FC	39589	NIL	39589
NAC/CMRF	05/2016 to 02/2017	MPLads	4484	NIL	4484
		TOTAL	930380		930380

[Type text]

So early action would need to be taken to remit the Labour Cess & NAC/CMRF deductions to concerned head of the departments and intimate to audit.

Para No. 63

Code No.11

MUNICIPAL FUNDS – 001, 002 ACCOUNT – AMOUNT PAID TO EPF, GUDIWADA TOWARDS PAYMENT OF EMPLOYEES' CONTRIBUTION – ACKNOWLEDGEMENTS – REMITTED CHALLANS ETC., NOT PRODUCED AND OTHER DEFECTS – IRREGULAR – NEEDS PRODUCTION AND RECTIFICATION.Rs.1882669/-

Sl.No.	Month	Particulars EPF(13.61+12)/%=25.61%	Amount Deducted
1	06/2016	15 Employees	41599
2	07/2016	15 Employees	41802
3	08/2016	15 Employees	39984
4	09/2016	15 Employees	39889
5	10/2016	15 Employees	41893
6	11/2016	15 Employees	40914
7	12/2016	15 Employees	40908
8	01/2017	15 Employees	41312
9	02/2017	15 Employees	41545
		Total:	369846

Sl.No.	Month	Particulars	Amount Deducted
1	3/2016	50 Employees	130049
2	4/2016	50 Employees	131083
3	5/2016	50 Employees	125121
4	6/2016	50 Employees	126806
5	7/2016	50 Employees	130204
6	8/2016	50 Employees	130814
7	9/2016+	50 Employees	127232
8	10/2016	50 Employees	121710

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9	11/2016	50 Employees	123722
10	12/2016	50 Employees	120928
11	01/2017	50 Employees	117830
12	02/2017	50 Employees	127324
		Total	1512823

During the course of audit for the year 2016-17 001, 002 Account of General Funds of Municipal Corporation, Gudiwada. it is noticed that an amount of Rs.1882669 /- was drawn and sent to Employees Provident Fund Organization, Guntur towards employees' contribution of PF recovered from salary of staff (12% recovered from salary and 13.61% employer's contribution) for the period from March 2016 to February 2017. In this connection, the details of employee wise month wise contribution recovered and employee wise month wise employer's share has not been produced to audit for verification. Further, the acknowledgement in token of having received the amount from Employees Provident Fund Organization, Guntur and the details of the amount adjusted to the individuals' accounts etc., were not made available to audit for verification. In the absence of the same, the correctness of the expenditure thus incurred could not be verified and admitted in audit. Hence, the entire amount is held under objection. The loss if any sustained due to the above omission would need to be made good and credited to concerned heads of accounts under intimation to this department without fail.

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Para No. 64

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/ Mastery of Public Health Section during the year

[Type text]

2016-17. 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 utilization 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. 65

CODE NO.11

**LIC PREMIUM AMOUNT PAID TO LIC OFFICE CONNECTED PAYEES
ACKNOWLEDGEMENTS NOT PRODUCED.**

During the verification of records pertaining to LIC Premium recovered from the staff salary bills. But the connected acknowledgements and token having received the amounts were not obtained and produced during the audit. Therefore the total amount could not be admitted in audit. If loss any sustained, the same would need to be worked out and recovered from the individuals and credited to municipal funds early.

PARA NO. 66**CODE NO.11****CASH BOOK – NOT MAINTAINED IN ACCORDANCE WITH THE INSTRUCTIONS – LOSS SUSTAINED IF ANY NEEDS RECOVERY**

During the course of audit it was observed that the cashbook produced to was not maintained in accordance with the instructions specified in this regard as detailed below.

1. That the Cash and Bank columns were correctly used.
2. That the entries on the receipt side have been correctly made from the challan and collection registers and not from the chitta.
3. That there were no erasures and that all corrections have been neatly made and attested by the executive authorities of Manager.
4. That the book was closed every month and that a reconciliation of the closing balances of the pass book and cashbook was effected and recorded under the signature of the executive authority.
5. That book was written up daily and that the cash balance at the time of the audit was correct.
6. That all receipts paid by the parties in the Treasury direct and amounts of grants etc., adjusted to the personal deposits account at the treasury were entered in red line in the Treasury of bank column of cashbook.
7. That the amounts entered in the Treasury or the bank column on the charges sides of the cashbook agree with those in the counterfoils of cheques.
8. That the cancelled were forthcoming.
9. That the amounts drawn on self cheques were brought on to the petty cash book with particulars of voucher number and the purpose of payment.
10. Reconciliation was not done in the Cash book.

PARA NO.67**CODE NO.11****PUBLIC HEALTH-VEHICLES LOG BOOK NOT PRODUCED:-**

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

Sl.No.	Vehicle No.	Period
1	AP 16 TA 8391	4/2016 to 3/2017
2	AP 16 TA 4804	4/2016 to 3/2017
3	AP 16 AS 7972	4/2016 to 3/2017
4	AP 16 AS 7973	4/2016 to 3/2017
5	AP 16 AS 7970	4/2016 to 3/2017
6	AP 16 TA 4805	4/2016 to 3/2017
7	AP 16 TA 4918	4/2016 to 3/2017

[Type text]

Para No.68

Code No.11

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

During the course of audit for the year 2016-17 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:69

Code No:11

D&O TRADERS-DELETIONS LIST NOT PRODUCED TO AUDIT-IRREGULAR.

During the course of audit on the accounts of Gudivada Muncipal Council for the year 2016-17,under D&O traders the deletions list for the year 2016-17 in respect of all divisions were not produced to audit. Loss if any, sustained due to non production of the deletions list would need to be made good to the Municipal funds.

Para No:70

Code No:11

D&O TRADERS-DEMAND COLLECTION BALANCE FOR THE YEAR 2016-17- NOT PRODUCED TO AUDIT-IRREGULAR.

During the course of audit on the accounts of Gudivada Muncipal Council for the year 2016-17,under D&O traders Demand,collection,balance in respect of all divisions for the year 2016-17 were not produced to audit. Loss if any, sustained due to non production of the demand ,collection,balance would need to be made good to the Municipal funds.

PARA NO.71

CODE NO.11

PROVIDENT FUND ACCOUNT NOT MAINTAINED PROPERLY – NEEDS RECTIFICATION:-

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

1. Forms of nomination.
2. Statement of annual account.
3. Notice to the nominee.

[Type text]

4. P.F. ledger of subscriber.
5. Abstract register.
6. P.F. cash book.
7. Voucher for payment of P.F.
8. Register of subscriber.
9. Register of Temporary withdrawals and their recoveries.

But none of the above registers were maintained in Municipal Council..... .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.

[Type text]

Para No: 72

Code:11

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

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

Para No. 73

Code No.11

PROPERTY TAX APPEALS – RECORDS NOT PRODUCED :

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

Para No: 74

Code:11

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

Consolidated register showing the properties owned by the Municipal Corporation was not maintained. Several immovable property registers were produced to audit. The reasons for maintaining so many registers were not furnished. The details of properties acquired were simply noted in the registers. But, the present status of the properties was not noted. In the absence of the same, the details of the buildings, lands, shops, vacant sites etc., owned by the corporation and the properties utilizing by the corporation, properties leased out, properties encroached etc., could not be verified in audit. Action may be taken for the preparation of consolidated register of properties owned by the corporation duly recording the present status, certified and produced to audit for verification.

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

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

Para No. 75

Code No.11

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

During the year under audit several grants both statutory and non-statutory were sanctioned and adjusted to Municipal Corporation. 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. 76

Code No.11

MONEY VALUE FORMS – STOCK REGISTER NOT PRODUCED:

The money value forms stock register for the year 2016-17 was not produced. In the absence of the same, the opening balance of the money value forms received, utilized balance as on 31-03-2017 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.77

Code No.11

ESTABLISHMENT AUDIT REGISTER NOT PRODUCED:

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

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

1. That any excess over the sanctioned scale appeared in any month or of the whole period under audit and all excesses over the sanctioned monthly scale have been satisfactorily explained.
2. That the orders sanctioning the establishment have been noted in all cases and the amount entered to the sanctioned scale columns authenticated by the initials of the manager or executive authority
3. That all the alterations in the scale column have also been initialed by the manager or the executive authority and the dates from which they taken effect have been invariably noted .
4. That pensionary contribution if any, as well as house rents and fixed contingencies drawn along with pay have been properly posted in the audit register.
5. That refunds by short drawals, fines and amounts withheld for further payments have been correctly noted.
6. That the fly leaves have been correctly noted.
 1. That the temporary establishments have been entered separately after the permanent establishments in the audit register the period for which sanction holds good has been noted and lines have been drawn across the pages or months previous and subsequent to such period and.
 2. That the register has been maintained correctly and on the lines indicated in chapter V and posted monthly when pay bills are passed for payment.

Para No.78

Code No.11

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

During the course of audit, it was noticed that the register of unauthorized constructions was not maintained in town planning section. Where as on verification of records relating to revenue section, it was noticed that, a huge No. of unauthorized buildings were constructed during 2016-17 and house tax was imposed with 10% penalty which was irregular and the corporation sustained huge loss due to the non imposition of penalty on U.C.S. as per G.O. No. 49 MA Dt 30-7-98.

Para No. 79

Code No.11

PROPERTY TAX ASSESSMENT FILES NOT PRODUCED

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

Para No. 80

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. 81

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 2016-17. 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.

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Para No. 82

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. 83

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 2016-17 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.

ParaNo.84

Code No.11

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

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

Para No. 85

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.86

CODE NO.11

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

In respect of the following taxes, arrears demand registers along with outstanding bills were not produced for verification in audit. In the absence of the same, the genuineness of the taxes actually collected and arrears to be collected as on 31-03-2016 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.87

CODE NO.11

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

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

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

[Type text]

PARA NO. 88

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.

[Type text]

Para No. 89

Code No.11

F.S.D. AND E.M.D.DEPOSITS – CERTAIN DEFECTS- REGISTER NOT PRODUCED

IRREGULAR:

Rs754207-00

During the course of audit on the accounts of Gudivada Municipal Council for the year 2016-17, it was noticed that an amount of Rs, 754207 -00 towards paid to refund of deposits to contractors for construction of various works in Gudivada Municipality limits.

Details are as follows,

V no	Date	Amount	Cheque	Particulars
73	06/07/2016	38745	000139	Laying to CC road from Eluru road of BC office road to Ratnamala road in ward no :33&34
74	06/07/2016	35895	000139	Laying to CC road from Pedapeta Harijanawada to house of Dasari Prabudas house in ward no :26
75	06/07/2016	44023	000139	CC road from Eluru road to ratnamala road in ward no:35
187	19/10/2016	77909	000139	CC road at Sonti Dharma rao street from Prasad shed road to old bypass road in ward no :17
270	9/12/2016	99998	015430	costruction of Kaikala Kala Mandiram
307	31/12/2016	85040	015471	Replacement of old pumpset in head water works
326	27/01/2017	29710	015605	CC pavement from Marvaadi Satram beside road to Maarvadi temple road
327	27/01/2017	21163	015606	Costruction of CC road & CC drain to shakina prayer road from kothapet to church in ward no: 07
328	27/01/2017	5761	015608	Distilling of drain slum road east side from Nehru chowk to chandraiah drain
329	27/01/2017	19374	015608	Construction of RCC culvert in Muggu Bazar road
330	03/02/2017	84442	015657	CC pavement to santhi nagar reservior south side road from rajendra nagar 4 th line to satya sesha nilayam house in ward no: 6
335	03/02/2017	38034	015618	CC pavement to Singam raju veedi (Boggu Bazar) from stadium road to 1 st cross road in ward no:24
336	03/02/2017	37724	015618	CC pavement to RTC Colony 3 rd road from Pamarru road to M.siva Prasad D No:1/572 in ward no:2
337	03/02/2017	39522	015618	CC pavement to RTC Colony 2 nd cross road from Lankapalli Jacob house D No:1/577 to V.Chintayya house D No:1/577-2 in ward no :2
338	03/02/2017	21591	015617	CC road at Allu Krishnaiah house in 4&5 wards
349	06/03/2017	30284	015644	CC pavement to Kaikala Kalamandir approach road from Kaikala Kalamandir to Vijayawada road
350	06/03/2017	39792	015644	CC pavement at Kanaka Durga temple road from Neela Mahal road to Kothavaari vedhi in ward no :34
351	06/03/2017	5200	015644	CC pavement at Pedapeta Harijanawada from MPUP School to Dasari Prabudas house in ward no :28
	Total	754207		

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The original credit particulars of the deposits refunded have not been produced for verification. If any loss sustained in this regard would need to be recovered from the person or persons responsible.

CODE NO 11

90) PURCHASE OF WATER SUPPLY GOODS-CONNECTED FILES,M-BOOKS,STOCK REGISTER,BILLS- NOT PRODUCED-IRREGULAR-NEEDS ACTION.

Rs,464971/-

During the course of audit on the accounts of Gudivada Municipal Council for the year 2016-17,it was noticed that an amount of Rs, 464971-00 was paid towards water supply goods .Details are as follows,

V NO	Month	Amount	Cheque	Particulars
36	5/2016	391659	013420	Supply delivery & fixing of 630 amps capacity totally enclosed floor maintained bug-bar type dut proof LT power distribution panel board in 11 MLD raw water pump house
97	7/2016	44175	000218	Supply & fixing of panel board (fully automatic star delta starter) 15 HP to 20 HP motor with 63A/60A 3pale MCCB on common panel board in 11 MLD raw water pump house & other repair works.
150	9/2016	29137	--	Supply of inter connection materials of society mill area pamula colony&santhi nagar ELSR back side
	Total	464971		

But in this connection, connected files ,M-books, bills & stock registers not produced to audit. In the absence of the same the correctness of the expenditure could not be ascertained in the audit. If any loss sustained in this regard would need to be recovered from the person or persons responsible.

NON PRODUCTION OF RECORDS**PARA NO: 91****CODE NO :11****WORKS – GENERAL FUND WORKS -001 A/C – FILES , M-BOOKS NOT PRODUCED –IRREGULAR – NEEDS RECOVERY.****RS,71,66,543-00**

As could be verified from the paid vouchers & cash book from the Gudivada Municipal Council General Funds 001 a/c for the year 2016-17, it was observed that a total amount of Rs,71,66,543-00 towards paid to execution of various works from the Gudivada Municipal limits . Details are as follows,

V NO	DATE	CHEQUE	AMOUNT	NAME OF THE WORK	REMARKS
20	16.05.2016	011599	857720	Construction of compound wall to east side at dumping yard .	Files,M-Books not produced.
66	29.06.2016	--	14,88,715	Providing cc road to Mareedu vari street to prasad shed road to old by pass road in ward no :17	Files,M-Books not produced
110	30.07.2016	000358	798811	Providing B T road to teachers colony main road in 1 st & 2 nd wards.	Files,M-Books not produced
144	30.08.2016	000397	1394295	Maintenance of cc road to Prasad shed road from e-seva to girls high school road in 16 th & 17 th wards.	Files,M-Books not produced
184	15.10.2016	015121	763894	Discilting of nakkalakodu drain from Geeta Bhavan,Baapineedu petrol bunk & workers colony to dondapadu canal bridge.	Files,M-Books not produced
281	21.12.2016	015446	1863108	Supply & delivery of JCB 20X BACK HOE LOADER fitted with 0.18cum excatex bucket & 0.50cum loader bucket to GDV Mpl.	Files,M-Books not produced.
		TOTAL			

But in this connection files m-books not produced to audit for verification.

So any financial mis-appropriation or loss occurred to the Muncipal funds would be made good from the persons responsible.

NON-PRODUCTION OF RECORDS

Code No :11

92) BUILDING PENALISATION SCHEME-INFORMATION -NOT FURNISHED

During the course of audit on the accounts of Gudivada Muncipal Council for the year 2016-17,it was observed that from the receipts an amount of Rs, 75-00 was collected under building penalization scheme during the year 2016-17.

But in this connection any relevant records were not produced to audit for verification under building penalization scheme. So number of buildings were account for under building penalization scheme could not be found under audit Hence if any loss was sustained to be recovered from the person or persons responsible.

MISAPPROPRIATION

CODE NO: 12

93) RECEIPTS-AMOUNT COLLECTION AS HOUSE TAX & INTEREST THROUGH CHITTA COLLECTION-NOT CREDITED TO MUNICIPAL FUNDS-IRREGULAR – NEEDS RECOVERY.

Rs,14650/-

During the course of audit on the accounts of Gudivada Municipal Council for the year 2016-17, it was observed that an amount of Rs,14650-00 was collected as house tax & interest through chitta collection wide 002 A/C cash book page no :28 as on date 13.05.2016. But the same amount not credited to Municipal Funds.

So, it seems to be irresponsible and irregular from the duties and it's causes misappropriation.

Hence this matter would need to be serious and intimate to the higher authorities for initiate action to recover the amount with penal interest from the person or persons responsible and remit the amount to Municipal Funds.

Para No. 94

Code No.16

NON-SUBMISSION OF UTILISATION CERTIFICATES:

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

Para No. 95

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

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6. Establishment Audit register
7. Increment Watch register
8. Register showing the temporary establishment and their continuance.
9. Stock register of M.V. Forms
10. Register of Security deposits
11. Register of recoveries of loans granted to government servants for purchases of Bicycles, H.B.A.M.A., Motor cycle
Condemned articles register.
12. Mutation register
13. Stock register of P.H. articles.
14. Petty Cash book
15. Tools and Plants Register
16. Stock Register for Stationery
17. Register of V.L.T.
18. D.C.B of vacant Land Tax
19. D.C.B. of Advertisement Tax
20. Used Receipt Books for the taxes collected manually
(WT VLT and M.R)
21. Register of Auction files of Vacant condemned

Para No.96

Code No.18

DATA BASE 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

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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. 97

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.

ParaNo.98

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. 99

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, Vijayawada 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.

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Para No. 100

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.101

Code No.18

LABOUR CESS NOT COLLECTED BY MUNICIPALITY – NEEDS COLLECTED

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

Para No.102

Code No.18

NON EXCHANGE OF INFORMATION BETWEEN TOWN PLANNING AND REVENUE SECTION:

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

ParaNo.103

Code No.18

PAID VOUCHERS – ‘COUNCIL RESOLUTION’ NUMBER WAS NOT NOTED ON THE PAID VOUCHERS :

As verified from the paid vouchers for the year 2016-17, it was noticed that the ‘Council Resolution’ number was not noted on back side of the vouchers. In the absence of the same, the fact of obtaining the council resolution for the payments made could not be verified in audit. Action may be taken for noting the council resolution number and date for every paid voucher in future.

Para No.104

Code No.18

DEMAND REGISTER – WATER TARRIF FOR HOUSE HOLD WATER SUPPLY SERVICE CONNECTIONS (HSCs) - NOT MAINTAINED:-

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

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

The proof of receiving the installments and the schedule of the giving connections was not produced to audit. But the Demand register of water tariff was not maintained

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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. 105

Code No.18

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

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

Para No. 106

Code No.18

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

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

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all the three logins freely and there was no check on the use of the logins. There was no assurance in audit that the Spl. demand notice was compared properly before the facsimile of the Commissioner was appended.

Para No. 107

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. 108

Code No.18

1) CERTAIN TRANSACTIONS NOT CAPTURED – NEEDS TO BE RECTIFIED

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

2) NON MAINTENANCE OF REGISTERS PRESCRIBED IN THE MANUAL

The APMAM prescribed maintenance of certain registers and forms. The formats of the books, registers and forms referred to in Table 4.1 of Chapter 4 of APMAM need to be maintained. But it was observed that all the registers and forms were not maintained during the year 2011-12 contrary to the instructions contained in the manual. The details

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were mentioned in **Annexure-II**. The registers and forms would need to be maintained and produced to audit for verification of annual account along with the registers.

3) VERIFIED FOBS NOT FURNISHED

The OBs of the respective G.L. accounts were drawn from the OBs provided in the FOBS furnished to audit. The said FOBS was verified and certain material deviations from the instructions envisaged in the APMAM, and instances of under/over stating of value of assets and non-identification of assets etc., were pointed out and communicated to the Executive Authority for rectification. But the said FOBS was not returned duly rectifying the defects pointed out or existed in the FOBS. The annual accounts for the years 2009-10 to 2011-12 furnished were prepared with the OBs as arrived at in the FOBS. Thus adopting of incorrect OBs rendered the annual account for the year 2009-10 to 2011-12 not reliable and could not be held to reflect the true and fair view of the transactions of the accounting period. In view of the non rectification/ remedying the defects pointed out in FOBS issued to the Municipal Council vide letter SA No. dated: persisted in the final accounts of this year 2016-17 also and as such the defects already pointed out in the verified FOBS may be read as part and parcel of this audit report.

4) NON-IDENTIFICATION OF MANY ASSETS

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

5) RECEIVABLES AND PAYABLES NOT ASCERTAINED PROPERLY

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

6) RECEIVABLES NOT RECONCILED

The Accounts Section and the Tax Section shall reconcile the balance at the beginning of the accounting year in respect of the year wise property and other tax receivables as appearing in the balance sheet of the previous year with the year wise total of the arrears recorded in the demand register as per the provisions contained in APMAM. But during the verification of the annual accounts it was noticed that the arrear demand registers were not maintained by the ULB and as such the amount shown in the balance

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sheet could not be held to be correct and the basis on which the figures had been finalized was also not made known to audit.

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

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

8) RECEIPT ENTRIES WERE BASED ON CHITTA

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

9) SOME OTHER MATERIAL OBSERVATIONS

- As verified from the Schedules enclosed to the 'Income and Expenditure statement', it was noticed that the amounts relating to the 'previous year' were not furnished.
- As verified from the Schedules enclosed to the 'Balance Sheet', it was noticed that the details of 'additions' and 'deletions' during the year 2013-14.were not furnished.
- Statement of cash flows (a summary of ULBs cash flow for the period from 1-4-2014 to 31-3-2015) 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

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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)NOTES TO ACCOUNTS NOT ENCLOSED TO FINANCIAL STATEMENTS

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

13) 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

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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.,

14)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.

15) 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.

16) VOUCHERS NOT VERIFIED DURING DATA ENTRY

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

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

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

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

Para No. 109

Code No.18

ADVERTISEMENT CHARGES COLLECTED BUT THE SAME ENCHORCHAMENT-FEE NOT COLLECTED.

During course of the audit on the accounts of town planning section of Gudiwada Municipality for the year 2016-17, it is observed that advertisement charges collected for the following advertisement, the enchorchament fee not collected advertisement due to this loss sustained to municipal funds. It is highly irregular. Connected authorities need take action for collection of Enchorchament fees for advertisement.

RECEIPTS AND CHARGES:-

The gross receipts and Charges of the Municipal Council, Gudiwada for the year 2016-17 are as furnished below.

Receipts	Rs.	150736813-12
Expenditure	Rs	97344290-92

STATUS OF AUDIT OBJECTIONS.

1516 No. of objections involving an amount of Rs. 506144323.85 as detailed below are pending settlement, at the close of audit.

S.No.	Year	No.of Objection	Amount
1	1980-81	01	6123.00
2	1982-83	01	0.00
3	1983-84	01	79509.00
4	1987-88	03	23398.00
5	1988-89	01	1255.00
6	1989-90	01	35417.00
7	1993-94	02	51145.00
8	1994-95	01	665361.00
9	1995-96	57	9303988.00
10	1996-97	42	11385788.51
11	1997-98	34	12592038.54
12	1998-99	20	9861348.00
13	1999-2000	23	30839206.00
14	2000-01	44	12342456.70
15	2001-02	37	3994545.00
16	2002-03	29	12526731.00
17	2003-04	61	28573527.00
18	2004-05	73	39715916.00
19	2005-06	103	57594176.00
20	2006-07	70	21185921.00
21	2007-08	65	27624876.00
22	2008-09	68	43106688.00
23	2009-10	61	23497968.00
24	2010-11	89	79524312.00
25	2011-12	117	3596718.00
26	2012-13	118	5446421.00
27	2013-14	93	21774788.00
28	2014-15	98	24406958.00
29	2015-16	94	12411525.00
	TOTAL	1407	492168103.85
30	2016-17	109	13976220-00
	Grand Toal	1516	506144323-85

District, Audit Officer,
State Audit, Krishna, Machilipatnam.

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GUDIVADA MUNICIPAL COUNCIL
CATEGORY WISE AUDIT OBJECTIONS AND AMOUNT INVOLVED FOR THE YEAR
2016-2017

S NO	CODE NO	PARA NO	AMOUNT INVOLVED RS
1	1	1	NIL
2	1	2	NIL
3	1	3	NIL
4	1	4	NIL
5	1	5	NIL
6	1	6	NIL
7	1	7	NIL
8	1	8	NIL
9	1	9	NIL
10	1	10	NIL
11	1	11	NIL
12	1	12	NIL
13	3	13	NIL
14	6	14	NIL
15	7	15	NIL
16	7	16	NIL
17	7	17	NIL
18	7	18	NIL
19	7	19	NIL
20	8	20	904133-00
21	9	21	NIL
22	9	22	NIL
23	9	23	NIL
24	9	24	NIL
25	9	25	NIL
26	9	26	NIL
27	9	27	528987-00
28	9	28	NIL
29	9	29	NIL
30	9	30	NIL
31	9	31	NIL
32	9	32	NIL
33	9	33	NIL
34	9	34	NIL
35	9	35	NIL
36	9	36	NIL
37	9	37	NIL
38	9	38	NIL
39	9	39	254253.00
40	9	40	NIL
41	9	41	NIL
42	9	42	NIL
43	9	43	NIL
44	9	44	NIL
45	9	45	NIL
46	9	46	NIL
47	9	47	NIL
48	9	48	NIL
49	9	49	NIL
50	9	50	NIL
51	9	51	NIL
52	9	52	NIL
53	9	53	NIL
54	9	54	NIL
55	9	55	NIL
56	9	56	NIL
57	9	57	NIL

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58	9	58	NIL
59	9	59	NIL
60	10(102)	60	647498
61	10(103)	61	427929
62	10(108)	62	930380
63	11	63	1882669
64	11	64	NIL
65	11	65	NIL
66	11	66	NIL
67	11	67	NIL
68	11	68	NIL
69	11	69	NIL
70	11	70	NIL
71	11	71	NIL
72	11	72	NIL
73	11	73	NIL
74	11	74	NIL
75	11	75	NIL
76	11	76	NIL
77	11	77	NIL
78	11	78	NIL
79	11	79	NIL
80	11	80	NIL
81	11	81	NIL
82	11	82	NIL
83	11	83	NIL
84	11	84	NIL
85	11	85	NIL
86	11	86	NIL
87	11	87	NIL
88	11	88	NIL
89	11	89	754207
90	11	90	464971
91	11	91	7166543
92	11	92	NIL
93	12	93	14650
94	16	94	NIL
95	18	95	NIL
96	18	96	NIL
97	18	97	NIL
98	18	98	NIL
99	18	99	NIL
100	18	100	NIL
101	18	101	NIL
102	18	102	NIL
103	18	103	NIL
104	18	104	NIL
105	18	105	NIL
106	18	106	NIL
107	18	107	NIL
108	18	108	NIL
109	18	109	NIL
TOTAL		109	13976220-00

Assistant Audit Officer
State Audit (TW)Machilipatnam

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WORK DONE STATEMENT
GUDIVADA MUNICIPAL COUNCIL FOR THE YEAR 2016-17

S NO	NAME OF THE AUDITOR	DEIGNATION	NAME OF WORK DONE	SIGNATURE
1	K.N.Venkateswara rao	A.A.O	In view of the audit work done by auditors	
2	K.Lakshmi	SA	Establishment	
3	N.ramakrishna	SA	13 FC Grant	
4	A.Balasubrahmanyeswari	SA	Rvenue Section	
5	M.Sambasivaiah	SA	14 FC Grant	
6	N.Raghuram	SA	Schemes	
7	P.Rama devi	SA	Vpucher Tracing	
8	G.Srinivasa rao	SA	Town Planning & GF Works	
9	K.V.S.S.A.J.Raju	SA	Public health	

Assistant Audit Officer
State Audit (TW)Machilipatnam