
Chapter – II
Compliance Audit Paragraphs

1.1 Panchayat Raj and Rural Development Department

2.1 Misappropriation of receipts in Narayankhed Gram Panchayat

Non-compliance with Government rules and lack of internal controls resulted in possible misappropriation of ₹15.18 lakh and temporary misappropriation of ₹1.74 lakh.

Andhra Pradesh Treasury code¹ (Rule-7 of Part-I) stipulates that all moneys received by or tendered to Government servants in official capacity shall be paid in full into the treasury without undue delay and moneys received shall not be appropriated to meet departmental expenditure. As per Rules relating to Receipts and Expenditure of Gram Panchayats issued (June 1966) by State Government, all moneys received shall be brought into account as soon as they are received and no moneys received shall be utilised for its expenditure, without being brought into account and paid or remitted into the concerned treasury.

Scrutiny of records (July 2015) of Narayankhed GP, Medak district revealed that daily collections of various taxes and non-taxes amounting to ₹16.92 lakh² pertaining to 2012-15 were not remitted into treasury. It was noticed that

- i. An amount of ₹5.70 lakh was yet to be remitted into treasury as of August 2015.
- ii. An amount of ₹7.99 lakh was utilised towards GP expenditure without remitting into treasury.
- iii. An amount of ₹1.49 lakh out of ₹3.23 lakh was stated to have been remitted (July-August 2015) into treasury. However, there was no proof of remittance of this amount with the Gram Panchayat by way of supporting documents. There was delay in remittance of ₹1.74 lakh which indicated temporary misappropriation.

Gram Panchayat authorities accepted (August 2015) non-remittance of tax receipts into treasury and their utilisation.

Thus, non-compliance with Government rules and lack of internal controls to ensure compliance with rules resulted in possible misappropriation of ₹15.18 lakh³ and temporary misappropriation of ₹1.74 lakh.

¹ Applicable in relation to the State of Telangana also as per Andhra Pradesh Reorganisation Act, 2014

² ₹0.44 lakh 2012-13, ₹12.12 lakh 2013-14, ₹4.36 lakh 2014-15

³ ₹7.99 lakh, ₹5.70 lakh and ₹1.49 lakh (₹3.23 lakh - ₹1.74 lakh)

2.2 Delayed remittances resulted in avoidable expenditure

Failure of authorities of Society for Elimination of Rural Poverty (SERP) in remitting Provident Fund Contributions on time resulted in avoidable expenditure of ₹1.11 crore, and committed liability of ₹0.23 crore on pending damage charges and interest.

As per the provisions of Employees' Provident Funds and Miscellaneous Provisions Act 1952, the recoveries effected by the employer from the wages of employees on account of Provident Fund (PF) have to be remitted to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges ranging from 5 per cent (for delays less than two months) to 25 per cent (six months and above) along with interest at the rate of 12 per cent per annum.

Scrutiny (December 2014) of records of Society for Elimination of Rural Poverty⁴ (SERP), Telangana relating to recovery and remittance of PF contributions revealed that the Fund Commissioner issued (July 2012 to May 2014) notices amounting to ₹1.34 crore for delays in remittance of contributions as detailed in *Appendix 2.1*. As against the demand, an amount of ₹1.11 crore was paid (August 2012 to August 2015) to Fund Commissioner towards damage charges and interest.

Chief Executive Officer, SERP stated (August 2015) that damage charges were attracted due to decision (July 2009) of SERP Council to extend the Employees' Provident Fund (EPF) scheme to all the SERP employees at par with Fixed Tenure Employees (FTE) retrospectively from 01 January 2008 instead of 01 April 2008. Reply is not acceptable since SERP had defaulted in remitting recoveries for the period July 2002 to May 2014, which included period prior to 2008.

Thus, failure of authorities of SERP in remitting Provident Fund Contributions on time resulted in avoidable expenditure of ₹1.11 crore and committed liability of ₹0.23 crore on the pending damage charges and interest.

⁴ Established (2000) by the State Government as a sensitive support structure to facilitate poverty reduction through social mobilization and improvement of livelihoods of rural poor. District Project Monitoring Unit (DPMU) and Tribal Project Monitoring Unit (TPMU) implements the programmes of SERP in districts and tribal areas respectively

2.3 Unfruitful expenditure of ₹18.29 crore

Failure to pursue with HMWS&SB and non-identification of alternate source of supply of safe drinking water to the Chevella CPWSS project resulted in unfruitful expenditure of ₹18.29 crore.

State Government approved (July 2008) a Comprehensive Protected Water Supply Scheme (CPWSS) to 18 habitations of Chevella Mandal in Rangareddy district at an original estimated cost of ₹20 crore. Water (2114 KLD) for the scheme was proposed to be drawn from the Singapur Reservoir of Hyderabad Metropolitan Water Supply & Sewerage Board (HMWS&SB). The proposal for supply of the requisite quantity (2114 KLD) of water from Singapur Reservoir had been approved by HMWS&SB in 2005. The work was entrusted in June 2008 to a private agency viz., The Indian Hume Pipe Co. Ltd, Mumbai, through e-procurement tendering process. The target date of completion initially, fixed for June 2009, was extended from time to time and the work was eventually completed in all respects in August 2013 after incurring an expenditure of ₹18.29 crore.

Audit scrutiny (February 2015) of records of Rural Water Supply Division, Hyderabad revealed that the CPWSS was not operationalised even as of July 2015 due to the refusal of HMWS&SB to permit drawal of water from Singapur Reservoir. HMWS&SB expressed inability (July 2012) to provide the agreed quantum of water to this scheme in view of the increase in demand from Hyderabad city consequent to merger of municipal areas in the periphery of Hyderabad city with Greater Hyderabad Municipal Corporation.

Despite the lapse of six years from the original targeted date of completion (2009) of the scheme and two years after the completion of the work, the scheme remained a non-starter. The State Government neither pursued with HMWS&SB for drawal of water for these habitations nor did it identify an alternate source of water for the project/scheme. Consequently, not only had the expenditure of ₹18.29 crore proved to be infructuous, the inhabitants of the 18 habitations of Chevella Mandal continue to be deprived of safe drinking water facility.

Government replied (October 2015) that the scheme was under trial run and would be commissioned by the end of October 2015. Reply is not acceptable since HMWS&SB has reiterated (November 2015) that in the present circumstances they are unable to provide for water supply from the Singapur Reservoir for the Chevella Mandal.

