**Technical Guidance and Support (TGS) Report based on the Audit of Local Bodies for the year 2019-21**

**Introduction:**

The responsibility of providing Technical Guidance and Support (TGS) over the Audit of Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) has been entrusted to the Comptroller and Auditor General of India (CAG) under Section 20 (1) of the CAG’s (DPC) Act, 1971 read with G.O.Ms. No.613, Finance & Planning (Admn-II) Department, dated 24 August 2004. Accordingly, the office of the Accountant General (Audit) is providing Technical Guidance and Support(TGS) to the State Audit Department for the years 2019-21.

While the Director of State Audit (DSA) would remain the statutory auditor for Local Bodies under the State Audit Act by working under the administrative control of Finance Department, the scope of the TGS by the C&AG would be to give a report with suggestions and recommendations based on the Annual Audit Plan (AAP) and Inspection Reports.

Details of audits conducted by DSA, Telangana during the years2019-21 are as shown under:

|  |  |  |  |
| --- | --- | --- | --- |
| Sl.No. | Description | No. of units audited in 2019-20 | No. of units audited in 2020-21 |
| 1. | Panchayat Raj Institutions (PRIs) | 13247 | 13429 |
| 2. | Urban Local Bodies (ULBs) | 126 | 160 |

*The field audits of the LB units was affected drastically due to COVID 19 pandemic situation during the years 2019-20 and 2020-21. Hence this TGS note prepared for the period 2019-21 duly considering the inspection reports issued during the said period.*

**Audit of Panchayat Raj Institutions (PRIs):**

During the year 2019-21, audit of 4 Zilla Parishads *(ZPs)* (Medak, Nalgonda, Nizamabad and Rangareddy), 14 MPDOs and 48 Gram Panchayats were conducted and the Inspection Reports (IRs) were forwarded to the concerned DDOs and soft copies were mailed to the District Audit Officers (DAOs) of the State Government as part of TGS.

Some of the important observations pointed out in these IRs are given below

**Observations noticed during audit of Zilla Praja Parishads(ZPPs**)

1. **Non-adjustment of interest component by State Government**

Government of Telangana is required to pay interest on un-invested balances lying under the Deposits bearing interest. It was observed that the interest amount obligation was not being discharged by the State Government on deposits of ZPPs out of the provident fund contribution.

The Provident fund balances of Panchayat Raj employees were credited to Government Head 8338-104-014 and the interest accrued on the balances as per rates fixed by the Government from time to time was required to be released by the Government and credited to the PD Account in which the balances were credited. However, the amounts pending receipt from Government are shown as under:-

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl.No.** | **Name of the ZPP**  | **Amount****(**₹. **In crore)** | **Period for which the amount is pending** |
| 1 | Medak | 152.14 | 2009-10 to 2017-18 |
| 2 | Nalgonda | 204.11 | 2005-06 to 2017-18 |
| 3 | Nizamabad | 143.78 | 2003-04 to 2017-18 |
| 4. | Rangareddy | 76.59 | 2008-09 to 2017-18 |

1. **Transfer of Land without lease or sale – loss of revenue**

Land pertaining to ZPP, RR District in the ZPP office premises to the extent of 400 Sq.yards was proposed to be allotted to the erstwhile APCPDCL for construction of 33/11 KV Sub-station. However, no representation/request from the Chairman and Managing Director, APCPDCL was available with the ZPP before passing of the resolution of the ZPP. Government accorded permission to the CEO ZPP, to hand over advance possession of 400 Sq.yards of land to the Joint Managing Director, APCPDCL for construction of 33/11 KV Indoor Sub-Station in ZPP premises of Ranga Reddy District.

BSO 24 A deals with grant of lease of Government lands to individuals, registered company association or society and local bodies for specified period. As per the Standard notes under BSO 24 A, grant of Government land on lease for Industry and Trade purposes shall be 10% of the current market value of the lands per annum prevailing at the time of grant, subject to condition that the initial period of lease is only for 5 years and shall in no case the lease shall exceed twenty five years.

Due to non-entering of the Lease Agreement with Managing Director, TSCPDCL, Hyderabad loss of Rs. 94,75,310/- was incurred to the CEO, ZPP Rangareddy.

1. **Non-reimbursement of expenditure under Social Security cum Provident**

 **fund booster scheme**

The State Government vide GO MS.No.386 PR&RD(Accts-1) Department., dated 17-09-1996 extended the Social Security cum Provident Fund Booster scheme to the Employees of Panchayat Raj Institutions. Under the scheme, pro-rata positive incentive should be paid to all nominees of the deceased employee who subscribe to ZPPF. Further, GO Ms. No.386, PR&RD (Accts-1) Department. Dated.17-09-1996 had extended procedure for reimbursement of expenditure incurred by the Zilla Parishads concerned.

However huge amounts are still pending reimbursement from Government towards booster amounts paid to the deceased employees.

|  |  |  |  |
| --- | --- | --- | --- |
| **Sl.****No.** | **Name of the ZPP** | **Amount****(** ₹.**In lakh)** | **Period for which the amount is pending reimbursement** |
| 1 | Medak | 20.49 | 2009-10 to 2017-18 |
| 2 | Nalgonda | 104.00 | 2005-06 to 2017-18 |
| 3 | Nizamabad | 57.41 | 2003-04 to 2017-18 |

1. **Utilisation of Finance Commission grants**

The Government of India has been funding the Urban Local Bodies (ULBs) under 13th Finance Commission (2011-2015) for improvement of urban services with an objective and belief that the PRIs/ULBs would utilize the funds for planned growth of the town/city for improving the quality of life of citizens. The funds generally would be utilized for the following

1. Maintenance of hand pumps
2. Maintenance of MPP Buildings
3. Maintenance of E. Panchayat cell
4. Gap filling funds to schools
5. Gap filling funds to PHCs & sub centres
6. Gap filling funds to veterinary hospitals, PLUs &Gopalamitras
7. Gap filling funds to agriculture demonstrations

 As per Para 6.2 of the 13th Finance Commission guidelines, release of any installment of grant would be subject to production of utilization certificate for the previous installment.

Test check of records of Zilla Praja Parishad revealed that-

* Funds are being released though the utilisation certificates are not being submitted by the PRIs/ULBs.
* In addition, the transactions could not be verified in the absence of entries in the cash book also i.e. improper maintenance of both PD account Pass book and Cash book.
* Funds are being released and utilized even after completion of the award period of Finance Commission.
1. **Non/Short receipt of Grant**
2. **Per Capita Grant**

As per G.O.Ms.No.279 PR & RD dated 20-06-1998, the State Government has to release per capita grant every year to Zilla Praja Parishads (ZPP), Mandal Praja Parishads (MPP) and Gram Panchayats (GP) equal to a sum calculated at the rate of rupees four, eight and four respectively per person residing in the ZPP, MPP and GP concerned in the State according to the latest census figures.

The Per Capita grant which forms part of the General Fund of ZPP is utilised for various developmental activities viz., up-gradation, maintenance and restoration of existing assets, improvement of drinking water facilities etc. However, this amount was not being received from State Government in the test checked 4 ZPPs to an extent shown in Appendix- II.

1. **Short release of Seigniorage Fee Grant- Rs.36.98 crore**

As per the provisions of Sn.74 of Panchayat Raj Act, 1994 read with GO.Ms No.255/PR&RD/dated 02.08.2001, the Seigniorage fee collected on minor minerals shall be credited into Consolidated Fund and apportioned there after among the Panchayat Raj Bodies i.e., Gram Panchayats, Mandal Parishads, and Zilla Parishads in the ratio of 25:50:25 respectively. It was noticed that against the legitimate share of Rs.37.51 crore, **ZPP, Nalgonda** received Rs.52.85 lakh only as shown in appendix IV.

1. **a. Irregular retention of unutilised balances**

In GO.Rt.No. 899, PR & RD (Progs.III) department, dt.29.9.2014, Government prescribed fixed percentages for each sector for allocation and utilization of ZPP General Funds.

Accordingly, utilization of General funds requires earmarking and spending in the following manner:

|  |  |  |
| --- | --- | --- |
| Sl.No. | Allocation towards sector/programme | Percentage allocation |
| 1 |  Upgradation, maintenance and restoration of existing assets  | 30% |
| 2 |  welfare of Scheduled castes | 15% |
| 3 |  welfare of Scheduled tribes | 6% |
| 4 |  welfare of women development and child welfare | 15% |
| 5 |  drinking water in emergencies | 14% |
| 6 |  office management, office equipment establishment expenditure | 16% |
| 7 |  unforeseen contingencies such as activities of public welfare contribution of sports festival cultural programmes etc., | 4% |
|  | Total | 100% |

At the end of the financial year, unspent balances, if any, from the amounts kept for welfare activities are required to be credited to the respective Corporations/Institutions. Further any unspent balances are required to be refunded to the funding agency.

During the audit of ZPPs, it was observed that such unspent funds are not being credited to the accounts of respective Corporations/Funding agency at the end of the financial year as shown in appendix – I.

**b. Improper utilization of Grants**

As per the above G.O, (point a) the General Funds of the Zilla Parishad shall be earmarked and spent for the programs/sectors mentioned. However it was noticed that the ZPP, Rangareddy has sanctioned/executed some ineligible works under 16% (O & M) works component during the period 2017-18 to 2019-20.

Under the Operation and Maintenance component, only activities relating to Office management, Office equipment, Establishment Expenditure, have to be taken up. In contravention of this provision, the ZPP had taken up the works valuing Rs. 665.00 lakh during the period 2017-18 to 2019-20, which shows non-utilisation of grants for specific purpose and indicates ineffective Internal Control Mechanism.

1. **Non-refund of unspent balance of Election Fund**

Fund received for the purpose of conducting election is to be remitted back to the Funding agency. During the scrutiny of the Election Fund cash books and bank accounts for the years 2014-15 to 2018-19 of ZPP Medak it was observed that unspent balances were still lying in the bank accounts as detailed below:

|  |  |  |
| --- | --- | --- |
| Sl. No | Name of the Bank & Account No. | Amount  (₹. in Rs) |
| 1 | SBH (52127194031) | 63,79,567 |
| 2 | AXIS BANK (914010011390139) | 6,18,897 |
|  | Total | **69,98,464** |

1. **Non-remittance of funds into General Fund**

During scrutiny of records at the office of CEO ZPP Rangareddy it was noticed that vide proceeding No.C1/155/2017 dated 03.02.2017, an amount of Rs.20,00,000/- was paid from General funds of Zilla Praja Parishad, Ranga Reddy District towards making Open Defecation Free (ODF) construction of Individual Household Latrines (IHHLs) for houses at Thimmaipally village of the MPDO, Yalal Mandal subject to reimbursement of the amount soon after receipt of the Swatch Bharat Mission (SBM) grant.

After receipt of the grant, MPDO Yalal reimbursed the entire of Rs.20,00,000. However, on scrutiny of records it was noticed that the amount was kept in the Dy. Chief Executive Officer, ZPP RR SBI, instead of crediting to the General Funds of ZPP.

**7. Non- adherence of Government orders**

1. As per the G.O.Ms. No.733 PR & RD Department, dated 16.11.1992 Zilla Praja Parishads shall contribute Rs.5lakh every year from the Zilla Praja Parishad General fund towards Family Welfare programmes in the district by releasing the amount to the District Medical and Health Officer (DM & HO) of the District concerned and obtain Utilization Certificates. However, the same was not released by the **ZPP Nizamabad** during the years 2016-17 and 2017-18.
2. As per the provisions of GO.Ms.No.490 PR&RD Department, dated 01.8.1997, the ZP Chairman shall be provided with free Government Quarters or private accommodation on rent (as per rental certificate) subject to a maximum of Rs.2,000/- p.m. Further, as per GO.Ms.No.444, PR&RD Department dated 18.7.1994, financial powers are delegated to certain authorities to fix rent amount wherein only Government is authorized to sanction the rent exceeding Rs.5,000/- p.m. In this regard, Audit observed that rents were sanctioned and paid to the **ZP Chairman, Nizamabad** for providing private accommodation at rates in excess of limits of ZP prescribed by Government Order, without sanction from State Government.

**8. Non-recovery of House Building Advance**

With a view to benefit the staff of PRIs from State Funds, the Government releases funds towards HBA to the ZPPs as loan repayable in equal instalments. The loan amount carries the rate fixed by the Government from time to time on the diminishing balance method to be remitted to the Government.

 Scrutiny of DCB records relating to House Building Advances in respect of the ZPPs revealed that the following amounts are pending for recovery.

|  |  |
| --- | --- |
| Name of the ZPP | Amount pending(₹. In lakh) |
| Medak | 17.97  |
| Nizamabad | 47.31 |
| Rangareddy | 19.76 |

**Observations noticed during audit of Mandal Praja Parishads (MPPs)**

1. **Irregular retention of unutilised balances**

In GO.Rt.No. 899, PR & RD (Progs.III) department, dt.29.9.2014, Government prescribed fixed percentages for each sector for allocation and utilization of Zilla Praja Parishad General Funds.

Accordingly, utilization of general funds requires earmarking and spending in the following manner

|  |  |  |
| --- | --- | --- |
| **Sl.****No.** | **Allocation towards sector/programme** | **Percentage allocation** |
| 1 | upgradation, maintenance and restoration of existing assets  | 30% |
| 2. |  welfare of Scheduled castes | 15% |
| 3 |  welfare of Scheduled tribes | 6% |
| 4 | welfare of women development and child welfare | 15% |
| 5 |  drinking water in emergencies | 14% |
| 6. |  office management, office equipment establishment expenditure | 16% |
| 7. |  unforeseen contingencies such as activities of public welfare contribution of sports festival cultural programmes etc., | 4% |
|  | Total: | 100% |

At the end of the financial year, unspent balances, if any, from the amounts kept for welfare activities are required to be credited to the respective Corporations/Institutions at the end of the financial year. Further any unspent balances are required to be refunded to the funding agency.

It was observed during the audit of MPPs that such unspent funds are not being credited to the accounts of respective Corporations/Funding agency at the end of the financial as detailed in the appendix-I.

1. **Non-receipt of per capita grant**

As per G.O.Ms.No.279 PR & RD dated 20-06-1998, the State Government has to release per capita grant every year to Zilla Praja Parishads (ZPP), Mandal Praja Parishads (MPP) and Gram Panchayats (GP) equal to a sum calculated at the rate of rupees four, eight and four respectively per person residing in the ZPP, MPP and GP concerned in the State according to the latest census figures.

The Per Capita grant which forms part of the General Fund of ZPP was to be utilized for various developmental activities viz., up-gradation, maintenance and restoration of existing assets, improvement of drinking water facilities etc. However, this amount was not being received from State Government in the test checked 14 MPDOs to an extent as shown in the Appendix-II.

1. **Non-submission of utilization certificate under 13th Finance Commission Grant**

The Government of India has been funding the Local Bodies (LBs) under 13th Finance Commission for improvement of various services. The said funds were released during the years 2014-15 and 2015-16 with an objective and belief that the PRIs would utilize the funds for planned growth of the town / city for improving the quality of life of the citizens.

According to the guidelines issued in 13 Finance Commission and as per Telangana Financial Code , Volume I it is the responsibility of the Grant receiving Authority to send the Utilization Certificate to the Government duly getting the same certified by the District Audit Officer, State Audit**.**

 However, Utilisation Certificates were pending submission in respect of test checked 11 MPDOs as detailed in Appendix- III.

1. **Non-recovery of DMF Contributions**

As per the amendments made to Telangana State District Mineral Foundation (Trust) Rules, notified vide G.O.Ms.No.38 dt.31.05.2018, Industries and Commerce (Mines-I) Department, contribution towards District Mineral Foundation (DMF) shall be recovered @ 30% on the seigniorage fee deducted from the contractor’s bills, in the case of agreements concluded on or after 01.04.2018.

During scrutiny of records of Abdullapurmet and Maheshwaram MPDOs it was noticed that, though office was executing works, contribution towards District Mineral Fund was not recovered in respect of all the works executed during 2018-19 and 2019-20 in violation of aforementioned Government Orders. This resulted in non-recovery of DMF contribution of Rs.2,03,166/- (Rs.1,48,043 in Abdullapurmet MPDO and Rs.55,123 in Maheswaram MPDO)

1. **Other Observations**
2. **Shortage of Staff**

Panchayat Secretary post is a vital post in the Panchayat Raj Institutions and Executive Authority in GP who supervises the assessment and collection of taxes, implementation of development activities and other activities in the Panchayat.

During test check of the records pertaining to MPDOs relating to Sanctioned/cadre strength it was noticed that there were many vacancies which were not filled by the Department .The vacancies in key post hampers the smooth functioning of the Panchayat Raj Institutions.

|  |  |
| --- | --- |
| Name of MPDO | Panchayat Secretaries |
| Sanctioned strength | Men in position | Vacant posts |
| Balkonda (28 GPs under this MPDO) | 08 | 02 | 06 |
| Armoor | 18 | 0 | 18 |
| Bodhan | 32 | 05 | 27 |

1. **Non-compliance of observations made by State Audit department**

As per the Telangana State Audit Act,1989, the Chief Executive Officer(MPDO) shall rectify any defect or irregularity which might have been pointed out in the Report and shall place the Audit Report, together with a statement of action taken or proposed to be taken thereon along with an explanation before a meeting of the concerned Local Authority or other Authority specially convened for the purpose within a period of two months from the date of receipt of the Audit Report.

It was observed from the test check of the records of Kanagal, Kattangur, Narketpally, Shaligowraram, Maheshwaram and Abdullapurmet MPDOs that no action was taken on State Audit Reports.

1. **Non-maintenance/Improper maintenance of Asset Register**

Comprehensive Guidelines were issued by Government of Telangana for strengthening the asset management (including land) by various Government departments including local bodies.

As per the guidelines, all assets should be kept under watch and ward to safeguard them against thefts, damage etc. Custodians of the assets are required to maintain asset registers with up-to-date entries to know the actual owner ship and to prevent illegal occupation/utilization.

 A test check of the records of Kanagal, Kattangur, Abdullapurmet, Narketpally and MaheswaramMPDOs revealed that Asset register was either not being maintained or maintained improperly.

**Common observations noticed during audit of Gram Panchayats (GPs)**

1. **Non-Collection of Installation charges and Annual License Fee from Cell towers**

As per G.O.Ms.No.334 dt.09.10.2012 of PR&RD, the local authorities shall be the authority to accord permission to Cellular Companies for installation of towers. As per the orders an amount of Rs.15,000/- for Ground based towers and Rs.12,000/- for Roof Top towers should be collected towards Installation charges besides an Annual License Fee of Rs.1000/-. The order also states that initially an amount of Rs.1,000/- was to be collected and temporary permit needs to be issued for towers installed prior to the issue of the aforesaid orders. After producing ‘Certificate on Structural Strength’ by the operator, an amount of Rs.10,000/- needs to be collected for regularization in respect of towers installed prior to the issue of afore said orders.

During scrutiny of the records of 27 Grama Panchayats (Annexure-I) it was noticed that Installation Charges & Annual License Fee as indicated above were not collected from the cell tower companies resulting in non-collection of installation charges and annual license fee of Rs.14,59,000/-

1. **Short/Non-remittance of Library Cess to Zilla Grandhalaya Samstha**

According to G.O.Ms.No.391 Education Department dated 28-10-1994 and Section 1 (A) of Libraries Act 1960, Grama Panchayat should collect library cess @ Rs.0.08 on each rupee collected towards Property tax. The so collected amount is to be remitted to the respective head (Zilla Grandhalaya Samstha-ZGS) within 30 days of receipt of library cess.

During test check of records of 36 Grama Panchayats (Annexure-I), an amount of Rs.34 lakh collected towards library cess was not remitted to Zilla Grandhalaya Samstha (ZGS).

1. **Non- remittance of Statutory Deductions made from work bills to the respective departments**

As per the GO Ms No.11 Finance (W&P) F-8 Department dated 29-07-2005, the Panchayat Secretary should recover VAT/GST from the work bills and remit to the Commercial Taxes Department.

Further as per Section 194C of Income-Tax Act, 1961, the Panchayat Secretary should recover Income Tax from work bills at the applicable rates and remit the same to Income Tax Department.

Also as per the GO Ms No.217 of Industries and Commerce (M-1) department dated 29-09-2004, the recovered Seigniorage charges should be remitted to the concerned Department.

During verification of Measurement books and Cash books in the 16 test checked Grama Panchayats (Annexure-I) it was noticed that Statutory Deductions, viz., VAT/GST, Income Tax, Seigniorage charges and QC Charges were effected from the work bills but not remitted to the concerned departments, as detailed below:

|  |  |
| --- | --- |
| Statutory deductions | Amount (₹.) |
| VAT/GST | 18,47,015 |
| Income Tax | 1,96,576 |
| QC Charges | 1,61,813 |
| Seigniorage Charges | 4,30,157 |

1. **Short/Non-receipt of Per Capita Grant**

As per G.O.Ms.No.279 PR & RD dated 20-06-1998, the State Government has to release per capita grant every year to Zilla Praja Parishads (ZPP), Mandal Praja Parishads (MPP) and Gram Panchayats (GP) equal to a sum calculated at the rate of rupees four, eight and four respectively per person residing in the ZPP, MPP and GP concerned in the State according to the latest census figures.

Further, as per 3rd State Finance Commission recommendations, the Per Capita Grant was to be allocated to ZPP, MPP and GP concerned in the ratio of 8:16:8 which was accepted by the Government in principle.

During scrutiny of records of 32 test checked Grama Panchayats (Annexure-I) it was noticed that an amount of Rs.0.41 crore is due to be received towards per capital grant for the years 2014-15 to 2018-19.

1. **Non collection of outstanding dues of Property Tax in respect of Chronic defaulters:** In case of Chronic defaulters, initially demand notices are to be served on them and their names are to be displayed in the Panchayat Office. In case no satisfactory response is obtained, as per Sec 268 (1) and 2(xxvii) of PR Act, distraint warrant will be issued for recovery of tax dues along with distraint fee. During scrutiny of assessment files and records of 12 test checked Grama Panchayats (Annexure-I) it was noticed that an amount of Rs.1.20 crore was due from defaulters of Property Tax.
2. **Other observations:**
3. **Non-maintenance of Registers** : Non maintenance of important registers such as Building Permission Register, Assessment Register, Revision Register, Demand, Collection and Balance (DCB) Register, Stores and Stock registers was noticed in many Gram Panchayats.
4. **Pendency in current consumption charges**: Scrutiny of records pertaining to the payment of CC Charges in respect of 8 Gram panchayats (Annexure-I) revealed that there are arrears towards payment of electricity consumption charges to TSSPDCL.
5. **Delay in remittance of tax collections:**As per A.P.F.C. Vol-I, all tax collections made by Bill Collectors should be remitted to the Gram Panchayat General Fund maintained in bank on same day or next working day.

On Scrutiny of receipt books, Irsalnama/chitta and cash books, it was observed that with regard to the amount collected towards house tax, there was delay in remittance of collections into the bank.

1. **Non-receipt of Entertainment Tax:** As per GO. Ms No. 1644 Revenue (CT-IV) Department dated 8.11.2006, levy, assessment, collection and enforcement of Entertainment Tax (ET) on Cinema, Cable TV networks shall be vested with Commercial Tax Department (CTD). Section 4 of APET Act 1939 stipulates 90 per cent of the total proceeds of the Entertainment Tax collected shall be adjusted to the Grama Panchayat and Mandal Parishad by the CTD quarterly in the ratio of 60:40 respectively. Verification of annual accounts in respect of 12 test checked Gram Panchayats (Annexure-I) revealed that no proceeds were received towards entertainment tax.
2. **Non-verification of stores and stock**: As per Art 137 APFC, cent percent physical verification has to be done for each item of stores and stock at least once in a year before the close of the financial year. The executive authority has to authenticate in token of having conducted such physical verification of stock in the stock register.On Scrutiny of records of 15 Gram Panchayats (Annexure-I) it was seen that physical verification was not conducted.

**AUDIT OF URBAN LOCAL BODIES (ULBs):**

During the year 2019-21, audit of 3 Municipal Corporations (Nizamabad, Ramagundam and Meerpet) 3 Circles (Jubilee Hills, Hayathnagar and Saroornagar), one Zonal Office ie, LB Nagar under Greater Hyderabad Municipal Corporation, and 14 Municipalities, were conducted. Important and significant observations noticed during the course of audit of Municipal Corporations, Municipalities are as under:

**Municipal Corporations**

1. **a. Non- receipt of Entertainment tax/Professional tax**

As per Para 3.57 of Hand Book on Municipal Financial Accountability, Entertainment tax and Professional tax is levied and collected by Commercial Taxes Department (CTD) of State Government. The collection proceeds after deducting administrative charges are to be transferred to ULBs. However the following taxes collected by CTD, Nizamabad were not assigned to Nizamabad Municipal Corporation during the years 2017-18 & 2018-19.

|  |  |
| --- | --- |
| **Nature of tax** | **Amount**(₹. **In Lakh)** |
| Professional tax | 107 |
| Entertainment tax | 57.24 |

 **b. Non levy of Advertisement tax on cable Operators and Cinema Halls.**

As per Rule 3-A of the Advertisement Tax Rules-1967, proprietors of Cinema Houses are liable to pay Advertisement tax to Municipality on slides/trailor films shown in Cinema halls at the rates specified in entry 7-A of the Schedule to the Advertisement Tax Rules-1967.

 Further as per entry 7-B of the said schedule, advertisement tax on Electronic media including cable T.V. is leviable at the rate of 10% of rate charged by advertisers.

During scrutiny of records of Meerpet Municipal Corporation it was noticed that though there was one cinema hall under its jurisdiction, no such tax was levied. Further, no advertisement tax was levied on any cable operator.

1. **Non-receipt of Per Capita Grant**

As per section 172(6) of the A.P., PR Act, 1994, Government has to release Per Capita Grant at Rs.8/- per head per year to enable Local Bodies to take up development activities in its jurisdiction. However per Capita Grant was due to be received in respect of Nizamabad and Ramagundam Municipal Corporation to the extent shown in Appendix-II.

1. **Non/short collection of taxes**
2. **Arrears in Property tax**

One of the major revenue to the Municipalities is from Property tax. Municipality levies property tax on unit rate basis considering the location and usage on all buildings and lands. On scrutiny of records in test checked corporations it was observed that collection of the Property tax was meagre and arrears of property tax were due for collection as detailed below:

|  |  |
| --- | --- |
| Name of the Municipal corporation | Amount (₹ in. Crore) |
| GHMC Jubliee Hills | 281.25 |
| GHMC Hayatnagar | 95.81 |
| GHMC Saroornagar | 116.22 |
| Nizamabad Municipal corporation | 7.05 |
| Ramagundam Municipal corporation | 3.20 |
| Meerpet Municipal Corporation | 4.75 |

1. **Trade Licence fee Arrears**

GHMC is entitled to issue Trade Licenses to shops and establishments under Sections 521 and 622 of GHMC Act, 1956 and to collect ‘Trade License Fee’. These licenses are issued by GHMC with a validity of one year (April to March) and are to be got renewed every year by the traders concerned.

 Scrutiny of records revealed that there was arrears towards collection of trade license fee as detailed below:

|  |  |
| --- | --- |
| **Name of the Municipal corporation** | **Arrear Amount (₹. in Crore)** |
| GHMC Jubliee Hills | 26.81 |
| GHMC Saroornagar | 3.78  |

1. **Non –levy/transfer of Environment impact fee-**

As per G.O.Ms.No.34, Industries and Commerce (Mines.I) Department, 17 June 2015, Government of Telangana shall levy Environmental Impact Fee at Rs.3/- per square feet on buildings having built up area of more than 10000 square feet. The responsibility for levy and collection was devolved on the authority competent to approve building plans viz., the Commissioner, Greater Hyderabad Municipal Corporation, the HMDA in HMDA area and allCommissioners of Municipal Corporations and Municipalities, etc.

During scrutiny of records in respect of 3 Circle Offices under GHMC it was noticed that Environment impact fee was not levied as detailed below:

|  |  |
| --- | --- |
| Name of the Municipal corporation | Amount (₹. in Lakh) |
| GHMC L B Nagar | 78.19  |
| GHMC Hayatnagar | 0.33 |
| GHMC Saroornagar | 0.30 |

Further Environment impact fee collected shall be remitted to non-ferrous mining and metallurgical industry, however during scrutiny of records at the office of Meerpet Municipal Corporation it was noticed that fee of Rs. 1,76,855/- was not remitted to the concerned head of account.

1. **Vacant Land tax pending**

According to Section 212 (2) of GHMC Act, 1956 any vacant land not exceeding three times the plinth area of the building including its site or a vacant land to the extent of 1000 sq.mts whichever is less shall be deemed to be adjacent premises occupied by an appurtenant to the building and which is not exclusively used for agricultural purpose. The area if any in excess of the said limit is deemed to be land not occupied by or adjacent and appurtenant to such building is also to be taxed at the rate of 0.5 *per cent* of the estimated capital value of the land.

Government of Telangana in G.O Ms.No.151, Municipal Administration dated 02.11.2015 had issued orders for regularizing the plots that had come up in unapproved layouts. It was observed that the GHMC, Hayathnagar Circle had received 26512 LRS applications under the scheme as of 31-12-2016 for regularization. This indicated the presence of number of vacant lands which were not covered under the VLT and the GHMC, Hayathnagar Circle was not aware of the presence of such vacant lands. It is observed from the records,that GHMC, Hayathnagar Circle has not initiated any steps to identify the vacant lands and identify its owners for widening the tax base for generating revenue under this account.

Based on the data received from GHMC Head Office on registrations, which was obtained from Registration Department for assessment of VLT in respect of sale/ conveyance of vacant lands/ plots in Hayathnagar Circle jurisdiction limits it was noticed that vacant land tax amounting to Rs.19.29 crore is still pending collection.

1. **Arrears in collection of Water supply charges**

During the verification of water connections and supply records in respect of following Corporations it was noticed thatwater supply charges arepending for collection as detailed below:

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the corporation | Amount of water tax due (₹. in Crore) |
| 1. | Nizamabad Municipal corporation | 7.05 |
| 2. | Ramagundam Municipal corporation | 3.65 |

1. **Non-collection of monthly rents from the lessees of Municipal Shopping Complexes**

As per article 8 of Andhra Pradesh Financial Code, Volume I, every Government servant who is responsible for the collection of any moneys due to the Government should see that demands are made at once as payments become due and that effective steps are taken to ensure prompt realisation of all the amounts due. That proper record is kept to be shown in respect of all items of revenue, whether recurring or non-recurring, the assessments and demands made, the progress of recovery and the outstanding amounts due to the government. Every departmental controlling officer should watch closely the progress of the realization of revenues under his control and check the recoveries made against the demands.

During scrutiny of DCB Register of Rent, it was observed that Rent and Leases of Municipal Shopping Complexes under Nizamabad and Ramagundam Muncipal Corporation had thefollowing amount outstanding from the lessees as given below.

|  |  |
| --- | --- |
| Name of the Municipal corporation | Amount (₹. in Crore) |
| Nizamabad Municipal corporation | 5.12 |
| Ramagundam Municipal corporation | 0.39 |

1. **Non-utilization of amount collected towards construction of RWHS**

The Construction of Rain Water Harvesting Pits (RWHP) (Inkuduguntalu) has been recognized as an important measure for augmenting of Ground water table.  The construction of RWHP was made mandatory with effect from June, 2000 for all categories of buildings (existing and proposed for construction) within one year.  Government issued instructions vide [G.O.Ms](http://g.o.ms/). No. 422, MA&UD dated 31.07.1998 read with [GO.Ms.No](http://go.ms.no/). 62 MA&UD (MI) department dated 15.2.2005 which made it mandatory for construction of Rain Water Harvesting Pits/Structures in Plots measuring 200 Sqm. and above, failing which the Municipal authorities shall construct such pits and recover the cost along with penalty.

The ULB shall collect certain fees from the applicant   for RWHP along with the application for Building permissions towards construction of Rain Water Harvesting Pits in their respective Plots. The amounts so collected shall be refunded to the applicant concerned in case the owner of the property constructs the structure. If the owner fails, the ULB shall make arrangements for construction of RWHP.

During scrutiny of records of Nizamabad and Ramagundam Municipal Corporation it was observed that though the following amounts were collected, RWH structures were neither constructed by applicants nor by the Corporations. No separate account was maintained and entire amount received was deposited in the General Fund Account and the scheme was not implemented.

|  |  |  |
| --- | --- | --- |
|  Corporation | Amount collected(₹. in lakh) | Year |
| Nizamabad Municipal Corporation | 26.86 | 2018-19 |
| Ramagundam Municipal Corporation | 44.19 | 2016-17 to 06/2019 |
| Meerpet Municipal Corporation | 14.97 | 2016-2020 |

1. **Diversion of funds –**

 Government issued Guidelines for utilization of funds collected under BPS/LRS scheme vide G.O. Ms. No.190, MA & UD (M1) Department, dated 10-05-2010. As per the said G.O., in respect of Special Grade/Selection Grade Municipalities and Municipal Corporations 50% of amount has to be spent in Wards from where the BPS/LRS amount has been collected. Water supply, protection and development of open spaces, drainage and formation of new roads are the works to be taken in order of priority. Further only capital works and no repairs or reconstruction works are eligible to be taken up from these funds.

During scrutiny of Layout Regularization Scheme Funds (LRS Funds) /BRS cash book at Nizamabad Municipal Corporation, it was noticed that an amount of Rs.71 lakhwas diverted towards the Swatch Bharat Mission and remained un-recouped.

1. **Unfruitful/Avoidable expenditure**
2. **Avoidable payment due to non-investigation of site before preparing estimates**

To overcome the problem of rain/flood water inundating the colonies situated in the catchment area of Saroor Nagar lake, it was proposed to widen the existing nala. Accordingly, estimates were prepared and administrative sanction was accorded by Commissioner, GHMC in June 2016. Tenders were called for through e-procurement and the works were awarded to different contractors.

During the course of audit of office of Zonal Commissioner, LB Zone it was noticed that no site investigation was done by the department while preparing the estimates, as such it was found that construction was made in a private land and land owner objected for construction. Although the dispute was settled contractors did not come forward to complete the work as the rates increased due to delay of one year in land dispute which resulted in excess expenditure of Rs.49.73 lakh for the completion of work.

Had the site investigation been done before preparation of estimates and award of work to contractors the additional burden of 49.73 lakh (as per latest agreement) due to cost overrun could have been avoided

1. **Avoidable payment of penalty on electricity consumption charges**

During verification of demand notices at the office of the Commissioner, Ramagundam Municipal Corporation it was observed that in respect of HT electricity consumption charges for pumping of water supply reservoirs/ Filter beds issued by T.S.Northern Power Distribution Company of Telangana Limited (NPDCL)/ Operation Circle/ Nizamabad for five meters, that penalty of Rs.1,68,54,761/- was levied by TSNPDCL, Hanamkonda for non-payment of Electricity consumption charges. Non-payment of bills thus resulted in avoidable levying of penalty to the extent of Rs.1,68,54,761/-.

1. **Non-levy of Labour cess**

As per G.O.Ms.No.112 dated 15 December 2009 issued by Labour, Employment Training & Factories (Lab.II) Department, Government of Telangana, 1 per cent labour cess is leviable on the building and other construction works where the estimated cost of construction exceeds Rs.10 lakh.

For the purpose of estimated cost of constructiontherein it was advised to follow the structure value guidelines issued by C&IG(R&S) vide proceedings No.MV/5/12703/2007, dated 30 July 2007 and subsequent amendments thereto.

During the test check of Building Permission files in respect of following units it was noticed that Labour Cess in certain cases was either short/non-collected.

|  |  |
| --- | --- |
| **Name of the Corporation** | **Amount****(₹. in Crore)** |
| GHMC L B Nagar | 5.79 |
| GHMC Hayatnagar | 1.11 |
| GHMC Saroornagar | 0.58 |
| Nizamabad Municipal Corporation | 0.02 |

1. **Observations in execution of works**
2. **The following observations were noticed in execution of works mentioned in Appendix – V**
* Delay in execution of work
* Irregular conclusion of Supplemental Agreement
* Irregular execution of work, non-achievement of intended objective
* Non-commencement of work during agreement period
* Non-signing of complete agreement document
* Non-incorporation of milestones and non-levy of Liquidated Damages. Work order issued before concluding the agreement
* Slow progress of work
* Non- levy of Liquidated damages
* Non obtaining of EOAT
* Excess payment of Labour Cess
* Incorrect/Short recovery of Seignioragee charges
1. **Excess payment of GST**

As per notification No.39/2017 dt.13-10-2017 issued under Sec 119 of the GST Act, supply of works involving predominantly earth work i.e. constituting more than 75% of the value of the work in the contract provided to the central, state, union territory and local authority, a Govt. authority or a Govt. Entity, GST is applicable @5%.

During scrutiny of works file (bund work of Sandhana cheruvu**)**at Meerpet Municipal Corporation, it was noticed that 12% GST was added to the final bill resulting in excess payment of Rs.2,57,547/- (7% excess GST) was paid to contractor.

1. **Incorrect payment of GST**

Supply of water through tankers is exempt from payment of GST vide notification No.12/2017-Central Tax (Rate) dt.28-6-2017 chapter 99. During scrutiny of work files at Meerpet Municipal Corporation it was seen that administrative sanction was accorded for supply of water through hired private tankers which was against above GST notification which resulted in incorrect payment of GST of Rs.71,170/-.

1. **Other observations**
2. **Short collection of District Mineral Foundation (DMF) contribution**

As per the amendments made to Telangana State District Mineral Foundation (Trust) Rules, notified vide G.O.Ms.No.38, Industries and Commerce (Mines-I) Department, dated.31.05.2018, contribution towards District Mineral Foundation (DMF) shall be recovered @30% on the seigniorage fee collected from the contractor bills where the agreements concluded after 01.04.2018. However, DMF contribution was recovered @10% instead of the enhanced rate resulted in short collection as under:

|  |  |
| --- | --- |
| **Name of the Corporation** | **Amount( in Rs.)** |
| GHMC Hayatnagar | 26,826 |
| GHMC Saroornagar | 47,966 |
| Meerpet Municipal Corporation | 1,79,414 |

1. **Non-revision of Property Tax**

As per Municipal Corporation Act, it is mandatory on the part of every ULB to revise the property tax once in five years. In this regard Govt., has also issued orders vide G.O.Ms.No.117 MA&UD dated 30-3-.2011 to remove the limit of increase to be effected as was earlier stipulated.

Government had also constituted the “Property Tax Board” to assist the ULBs in revising the PT as stipulated in the Act. However during scrutiny of records at the office of Municipal Corporation of Nizamabad it was noticed that Property Tax was not revised since 2002 on residential properties and from 2007 in respect of non-residential properties.

1. **Differences in Receipts and Withdrawals figures of the Department and Bank Statements**

During scrutiny of cash book with bank pass book at the office of Deputy Commissioner, Jubilee Hills circle it was noticed that there were differences in deposits as per cash book and deposits as per bank statement. Further instrument numbers and corresponding figures of withdrawals were not found to be tallying with cash books in respect of test checked months.

1. Non-registration of sanitation vehicles and non-renewal of insurance for the municipal vehicles was noticed in Meerpet Municipal Corportion.
2. Non-remittance of Employees State Insurance (ESI) and Employees Provident Fund (EPF) contributions in the respective institutions.

**Observations noticed in Municipalities**

1. **Non/short remittance of Library Cess**

 As per G.O.Ms. No. 68 dated: 12.9.2009, under section 85 (2) of the TS Municipality Act read with section 20 of Libraries Act 1960, the Municipal Council is required to levy and collect the amount of library cess @8 paise for every rupee on the Property Tax collected and transfer the same to Zilla Grandhalaya Samstha (ZGS) concerned to provide library services to public. Further, as per Municipal Administration circular No.003/DEBAS/MAARC /TS/C&DMA/2014 dated 25.06.2016, 15% of the Library Cess(LC) collected in the Municipality was to be retained in their P.D. Account and balance amount should be remitted to the ZGS head of account at the end of every month.

During scrutiny of records at the following Municipalities it was noticed that Library cess was either not or short remitted to ZGS as detailed below

|  |  |  |
| --- | --- | --- |
| Name of Municipality | Amount (in Lakh) | Year |
| Bollaram | 92.91 | 2014-15 to 2017-18 |
| Nirmal | 50.48 | 2014-15 to 2018-19 |
| Peddamberpet | 57.37 | 2015-16 to 2018-19 |
| Vikarabad | 37.27 | 2016-17 to 2018-19 |
| Suryapet | 129.88 | * 1. to 2018-19
 |
| Medchal | 129.99 | 2014-15 to 2019-20 |
| Shadnagar | 45.28 | 2017-18 to 2019-20 |

1. **Non-remittances of statutory deductions**

As per statutory requirements deductions towards income tax (IT), Central GST (CGST), State GST (SGST), Labour Cess (LC), National Academy of Construction (NAC), Quality Control (QC), Seigniorage Charge, Scrutiny charges are to be done and remitted to the respective departments like Income Tax Department, Commercial Tax Department, Labour Department, NAC, Chief Engineer (QC), Department of Industries and Commerce and respective Engineering Divisions without delay.

During scrutiny of works bills in respect of following Municipalities it was observed that the Municipality made the said deductions but these deductions were not remitted to the respective Departments as detailed below:

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the Municipality | Amount deducted but not remitted (in lakh) |
| 1. | Bollarum Municipality, Sangareddy Dist | 5.57 |
| 2. | Bhainsa Municipality, Nirmal Dist | 5.47 |
| 3. | Shadnagar Municipality | 15.39 |

1. **Non – receipt of per capita grant**

As per para 3.58 of Hand Book on Municipal Financial Accountability, the Municipality has to receive per capita grant at the rate of Rs.8 per head of population (as per 2011 census), from the State Government, to utilize for ordinary expenditure and to meet financial requirements and to enable the local bodies to take up the developmental activities in its jurisdiction.

During scrutiny of records in respect of Bollarum, Mancherial, Nagarkurnool, Nirmal, Medchal, Shadnagar and Peddamberpet Municipalites it was noticed that per capita grant to the extent mentioned in Appendix-II was not received.

1. **Arrears in collection of shop rents situated in Municipal Shopping Complexes**

As per article 8 of Andhra Pradesh Financial Code, Volume I, every Govt. Servant who is responsible for the collection of any moneys due to the Govt. Should see that demands are raised at once of payments become due and that effective steps are taken to ensure prompt realisation of all the amounts due. Proper record is to be maintained, to show in respect of all items of revenue, whether recurring or non-recurring, the assessments and demands made, the progress of recovery and the outstanding amounts due.

It was observed from the Arrear, Demand, Collection records of rental and Leases of Municipal Shopping Complexes of the following Municipalities that there was arrears in collection of shop rents as detailed below:

|  |  |
| --- | --- |
| **Name of the municipality** | **Amount( in Rs. Lakh)****Rental Arrers** |
| Siddipet | 17.94 |
| Suryapet | 38.24 |
| Nirmal | 18.81 |
| Shadnagar | 20.45 |

1. **Non-utilisation of Grants and non-submission of Utilisation Certificates (UCs)**

The Government of India has been funding the Urban Local Bodies (ULBs) under State, 13th and 14th Finance Commission Grants for improvement of Urban Services with an objective and belief that the PRIs/ULBs would utilize the funds for planned growth of the town/city for improving the quality of life of the citizens

Municipal Commissioners are directed to utilise the grants immediately on priority basis and send UCs year-wise, component-wise and voucherwise for the release smade in the prescribed proforma.

During scrutiny of grant records in the following Municipalities it was noticed that grants remained unutilised or lapsed:

|  |  |  |
| --- | --- | --- |
| **Name of Municipality** | **Type of Grant**  | **Amount****(₹. in lakh)** |
| Bollarum | 14th Finance Commission | 157.99 |
| Mancherial | SFC  | 46.69 |
| Peddamberpet | 14th Finance CommissionSFC  | 563.16105.0 |
| Medchal | SFC14th Finance Commission | 158.04 111.48 |
| Shadnagar | 14th Finance CommissionSFC | 886360 |

Further according to guidelines Utilization Certificates (UCs) are required to be submitted to the higher authorities, however it was noticed that Ucs were not submitted.

1. **Arrears in collection of property tax**

Property tax is the significant source of revenue to the Municipality. Property tax consists of tax on Private properties (Residential, Non-Residential and partly Residential/Non-Residential (mixed); Government Properties (State Government, State Government Under takings, Central Government, Central Government Under-takings);

As per Section 91 of Telangana Municipalities Act 1965, the Property Tax shall be levied every half year and shall be paid by the owner of the assessed premises within 30 days after commencement of the half year. In case of failure to pay Property Tax within the due date, simple interest @2*per cent* per month shall be charged. In case of further delay in payment, the Municipal Commissioner is vested with the power to disconnect essential services to the premises and the arrears of property tax shall be liable to be recovered as if they were arrears of land revenue.

During scrutiny of demand, collection and balance register of the following Municipalities it was noticed that huge amount of property tax was due for collection as detailed below:

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the Municipality | Amount of property tax due (₹. in lakh) |
| 1. | Bollaram Municipality, Sangareddy Dist | 193.59 |
| 2. | Mancherial | 170.50 |
| 3. | Nagarkarnool | 33.77 |
| 4. | Nirmal  | 158 |
| 5. | Peddamberpet | 236 |
| 6. | Vikarabad | 113 |
| 7. | Siddipet | 197.57 |
| 8. | Medchal | 242.58 |
| 9. | Shadnagar | 84.16 |

1. **Non-collection of water supply charges**

During the verification of water connections and supply records in respect of following Municipalities it was noticed thatthere was huge amount of water supply charges pending for collection as detailed below:

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the Municipality | Amount of water tax due (₹. in Crore) |
| 1. | Nirmal  | 1.41 |
| 2. | Peddamberpet | 3.00 |
| 3. | Vikarabad | 1.33 |
| 4. | Shadnagar | 1.42 |

1. **Non-construction of RWHP-amount lying unutilised**

The Construction of Rain Water Harvesting Pits (RWHP) (Inkuduguntalu) has been recognized as an important measure for augmenting of Ground water table.  The construction of RWHP was made mandatory with effect from June, 2000 for all categories of buildings (existing and proposed for construction) within one year.  Government issued instructions vide [G.O.Ms](http://g.o.ms/). No. 422, MA&UD dated 31.07.1998 read with [GO.Ms.No](http://go.ms.no/). 62 MA&UD (MI) department dated 15.2.2005 which made it mandatory for construction of Rain Water Harvesting Pits/Structures in Plots admeasuring 200 Sqm. and above, failing which the Municipal authorities shall construct such pits and recover the cost along with penalty.

ULB shall collect certain fees from the applicant   for RWHP along with the application for Building permissions towards construction of Rain Water Harvesting Pits in their respective Plots. The amounts so collected shall be refunded to the applicant concerned in case the owner of the property constructs the structure. If the owner fails, the ULB shall make arrangements for construction of RWHP.

During scrutiny of records of following Municipalities it was noticed that though the following amounts were collected, RWH structures were constructed neither by applicants nor by the Corporations. No separate account was maintained and entire amount received was deposited in the General Fund Account and the scheme was not at all implemented.

|  |  |  |
| --- | --- | --- |
| Name of the Municipality | Amount collected in (₹. in Lakh) | Year |
| Mancherial | 47.42 | 2016-17 to 2018-19 |
| Suryapet | 29.41 | 2014-15 to 2017-18 |
| Vikarabad | 20 | 2014-15 to 2018-19 |
| Peddamberpet | 4.43 | 2015-16 to 2018-19 |
| Medchal | 11.22 | 2014-15 to 2019-20 |
| Siddipet | 56.26 | 2018-19 to 2020-21 |
| Shadnagar | - | 2017-18 to 2020-21 |

1. **Diversion of LRS funds**

As per Circular No.1152/2017-B3 dated 13.11.2017 of CDMA Hyderabad read with circular no.2345/2017/B3, dated 07.2.2018 BPS and LRS amounts of III grade Municipalities can be spent on works meant for either local area (ward wise) or for overall city. Further the amount collected under LRS is to be kept in a separate escrow account and to be utilized only for improvement of amenities in the area.

 During test check of the records of the following Municipalities it was noticed that amounts were diverted to Municipal General Fund (MGF), Swachh Bharat Account, payment of salaries of workers and in some cases directly debited by Bank authorities from LRS Account towards EPF damages and Interest charges.

|  |  |  |
| --- | --- | --- |
| **Name of the Municipality** | **Amount****(₹. in lakh)** | **Year** |
| Mancherial | 138.56 | 2015-16 to 2019-20 |
| Nirmal  | 97.43 | 2014-15 to 2019-20 |

1. **Unfruitful/Avoidable expenditure**
2. **Penal damages and interest on delayed remittance of EPF Contributions**

Under section 17 of Employees Provident Fund and Miscellaneous Provision Act,1952 the recoveries affected by the Municipality from the wage bills of contract labour on account of PF have to be remitted to the Fund Commissioner within 15days after the end of the month. Failure to do so attracts damage charges ranging from 17percent (for delays less than 2 months) to 37 percent (six months and above).

Scrutiny of records relating to recovery and remittance of EPF contributions in respect of following Municipalities were not remitted within stipulated time thus violating the Act provisions. Due to delay in payment of EPF and ESI contributions by the Municipality resulting in avoidable expenditure in the form of penal charges.

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the Municipality | Amount(₹. in lakh) |
| 1 | Nirmal | 117 |
| 2 | Suryapet | 16.87 |

1. **Unfruitful expenditure on Community Resource Centre**

Construction of Community Resource Centre (Mahila Swasakthi Bhawan) with a seating capacity of 200 members at Vikarabad Municipality” under UWEP component of SJSRY at an estimated cost of Rs.25 lakh was administratively sanctioned.. After commencement, the work was stopped midway after a period of 3 years. By the time the work stopped, the value of work done and paid was Rs.9,23,113/-. Mission Director, MEPMA suggested that the balance work may be taken up by meeting the expenditure from the General fund or any other scheme funds. However, no action was initiated by the Municipality in this regarddue to poor financial position of municipal general funds. The objective of providing accommodation for 200 members of Slum Level Federations (SLF) for their congregation, training activities, etc., was not achieved.

Not only the intended objective was achieved, but the works abandoned half way through had resulted in unfruitful expenditure.

1. **Procurement of another vehicle though there was a vehicle of similar nature was in possession:**

A tractor fitted with dozer and loader was purchased under 12th Finance Commission Grants by incurring an expenditure of Rs.12,89,981/-. The same was orally stated to be used for desilting drains, lifting garbage and levelling ground at dumping yard and other open spaces.

It is further noticed that it was decided to procure JCB for cleaning up the illegally dumped material in the mining affected areas and implementation of SWM activities in the Vikarabad Municipality. The same was procured at a cost of Rs.29,49,278/-.

Procuring JCB when the Municipality was in possession of tractor fitted with dozer and loader could have been avoided.

1. **Avoidable Expenditure on Interest on Arrears and Late Payment Charges for Water Bill of HMWSSB**

The Bollaram Municipality is taking water from Hyderabad Metropolitan Water Supply and Sewerage Board (HMWSSB) for supply to the Municipal area on payment of water bill to HMWSSB. The consumer (i.e. the Municipality or erstwhile Gram Panchayat) has to pay the bill within 15 days of generation of bill, as was evident from the bill sent by HMWSSB. If not paid within 15 days, the Board charges late payment fee. If there remain arrears of demand the Board also charges interest on arrears.

During scrutiny of bills related to payments history of the Municipality and erstwhile GP show that the Municipality paid total amount of Rs.5,69,650/- as interest on arrears and late payment charges. Had there been regular payment of water bill on time, this expenditure could have been avoided.

While conducting test check of records audit noticed that the following expenditure was unfruitful/avoidable by the department.

1. **Accumulation of huge arrears towards Current Consumption Charges
(CC charges)**

During test check of records of the following Municipalities, it was noticed that these Municipalities were having HT/LT power connections for supply of drinking water and Street lighting facilities. However pending arrears towards these consumption charges were noticed as detailed below

|  |  |
| --- | --- |
| **Name of the Municipality** | **Amount****(₹. in Crore)** |
| Bollaram | 1.58 |
| Nagarkarnool | 6.49 |
| Nirmal | 5.90 |
| Siddipet | 12.58 |
| Medchal | 0.11 |

1. **Other observations**
	1. **Parking of funds outside the Government account –**

Commissioner and Director of Municipal Administration, Hyderabad vide Lr.Roc No. 3211/2018/B3, 08 February 2018 directed the Municipal Commissioners of all ULBs in the State (except GHMC) to maintain only three PD Accounts i.e. 8448-102-03-001, 8448-102-03-002 and 8448-102-03-003 as per Rules in force and close all other Bank Accounts immediately (except ICICI Bank and HDFC Bank Account which are opened under DPMS and Swachh Bharat Account). During scrutiny of records of the following Municipalities it was observed that multiple bank accounts were being maintained with crore of rupees kept outside the Government account.

|  |  |  |
| --- | --- | --- |
| Sl.No. | Name of the Municipality | Amount (₹. in Crore) |
| 1. | Mancherial  | 22.60 |
| 2. | Medchal | 4.31 |
| 3. | Siddipet | -- |
| 4. | Shadnagar | 5.20 |

* 1. **Solid waste management**

Solid Waste Management (SWM) is an important function of Urban Local Body. Local bodies are required to ensure that solid waste generated in city/town is managed in accordance with the provisions of the **Solid Waste Management (SWM) Rules, 2016 .** During scrutiny of records at the office of Medchal Municipality it was noticed that neither bye-laws on SWM were framed nor action plan on SWM prepared.

* 1. **Non-levy/transfer of Environment Impact Fee**

As per G.O.Ms.No.34, Industries and Commerce (Mines.I) Department, 17 June 2015, Government of Telangana shall levy Environmental Impact Fee at ₹.3/- per square feet on buildings having built up area of more than 10000 square feet.

Fee collected shall be remitted to the Head of Account 0853-Non-Ferrous Mining and Metallurgical Industry, 102-Mineral Concessions, fee, rent, royalties etc., SH(03)-Royalty on Environment Impact fee. During the verification of the Town Planning records, of Siddipet Municipality an amount of ₹.23,16,471/- collected towards Environment Impact Fee was not remitted. Further during verification of records of Shadnagar Municipality Environment Impact Fee of ₹ 2,11,742/- was not levied at all.

**Appendix- I**

**Irregular retention of funds**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Observation | Name of the PRI/ULB | Amount to be remitted (₹) | Period for which the amount relates | Receiving pattern | To whom the amount should be remitted back |
| Non-remittance of unspent balance of earmarked funds to women and child welfare corporation | ZPP Nizamabad | 8,33,000 | 2016-17 & 2017-18 | 15% of earmarked funds allocated from Z.P. General funds | Women and Child Welfare Finance Corporation Ltd |
|  | ZPP Rangareddy | 12,00,26,418 | 2017-18 to 2019-20 | -do- | -do- |
|  | MPDO, Armoor | 7,40,000 | 2014-15 to 2018-19 | 15% of the MPPs General Funds | -do- |
|  | MPDO, Balkonda | 4,90,000 | -do- | -do- | -do- |
|  | MPDO, Bodhan | 6,14,000 | -do- | -do- | -do- |
|  | MPDO, Chegunta | 6,21,000 | -do- | -do- | -do- |
|  | MPDO, Kattangur | 2,17,271 | -do- | -do- | -do- |
|  | MPDO, Nizamabad | 22,53,000 | -do- | -do- | -do- |
|  | MPDO, Shivampet | 4,68,000 | -do- | -do- | -do- |
|  | MPDO, Yeldurthy | 4,05,000 | -do- | -do- | -do- |
|  | MPDO Abdullapurmet | 79,44,765 | 2017-18 to 2019-20 | -do- | -do- |
|  | MPDO Maheswaram | 86,05,400 | 2014-15 to 2019-20 |  |  |
|  |  |  |  |  |  |
| Non-remittance of unspent balance of earmarked funds to SC/ST Finance Corporation | MPDO, Armoor | 5,30,000 | 2014-15 to 2018-19 | 15% of the MPPs General Funds | SC/ST Finance corporation |
|  | MPDO, Balkonda | 4,68,000 | -do- | -do- | -do- |
|  | MPDO, Bodhan | 7,34,000 | -do- | -do- | -do- |
|  | MPDO, Chegunta | 1,45,000 | -do- | -do- | -do- |
|  | MPDO, Nizamabad | 11,81,000 | -do- | -do- | -do- |
|  | MPDO, Shivampet | 2,07,000 | -do- | -do- | -do- |
|  | MPDO, Yeldurthy | 3,15,000 | -do- | -do- | -do- |
|  | MPDO Maheswaram | 53,64,214 | 2014-15 to 2019-20 | -do- | -do- |
|  | MPDO Abdullapurmet | 49,65,223 | 2017-18 to 2019-20 | -do- | -do- |

**Appendix-II**

**Non/short receipt of Per-capita grant**

|  |  |  |
| --- | --- | --- |
| **Name of Unit** | **Amount (₹. in Crore)** | **Period for which the amount is related** |
| ZPP Nizamabad | 9.11 | 2011-12 to 2017-18 |
| ZPP Nalgonda | 6.23 | 2016-17 to 2018-19 |
| ZPP Medak | 0.50 | 2017-18 |
| ZPP Rangareddy | 2.26 | 2017-18 to 2019-20 |
| MPDO Armoor | 0.41 | 2014-15 to 2017-18 |
| MPDO Balkonda | 0.43 | 2014-15 to 2017-18 |
| MPDO Bodhan | 0.32 | 2014-15 to 2017-18 |
| MPDO Chegunta | 0.18  | 2014-15 to 2018-19 |
| MPDO Kanagal | 0.13 | 2014-15 to 2018-19 |
| MPDO Kattangur | 0.11 | 2014-15 to 2017-18 |
| MPDO Narketpally | 0.14 | 2015-16 to 2018-19 |
| MPDO Nizamabad | 0.54 | 2014-15 to 2017-18 |
| MPDO Shaligowraram | 0.34 | 2014-15 to 2018-19 |
| MPDO Shankarampet | 0.09 | 2014-15 to 2017-18 |
| MPDO Shivampet | 0.10 | 2014-15 to 2018-19 |
| MPDO Yeldurthy | 0.13 | 2014-15 to 2018-19 |
| MPDO Abdullapurmet | 0.06 | 2017-18 to 2019-20 |
| MPDO Maheswaram | 0.15 | 2015-16 to 2019-20 |
| Ramagundam Municipal Corporation | 0.36  | 2017-18 & 2018-19 |
| Nizamabad Municipal Corporation | 0.25 | 2018-19 |
| Bollaram Municipality | 0.13 | 2014-15 to 2018-19 |
| Mancherial Municipality | 0.52 | 2014-15 to 2018-19 |
| Nagarkarnool Municipality | 0.05 | 2017-18 to 2019-20 |
| Nirmal Municipality | 0.35 | 2014-15 to 2018-19 |
| Peddambarpet Municipality | 11.12 | 2015-16 to 2018-19 |
| Medchal Municipality | 0.30 | 2014-15 to 2018-19 |
| Shadnagar Municipality | 0.13 | 2017-18 to 2019-20 |

**Appendix – III**

**13th Finance Commission Grants**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| PRI/ULB | Amount available including Opening Balance₹ | Amount incurred₹ | Utilisation certificate pending for an amount of ₹ | Balance left in PD account₹ | Remarks |
| MPDO, Balkonda | 17,87,502  | 17,87,502 | 17,87,502 | No Treasury pass book is being maintained. Hence details could not be checked. |
| MPDO, Bodhan | 37,50,423 | 37,66,921 | 37,66,921 | NilExcess amount of Rs.16,498 incurred. |
| MPDO, Chegunta | 38,82,556  | 38,82,556 | 38,82,556 | 176127 |  |
| MPDO, Kanagal | 32,17,596 | 31,29,603 | 27,69,000 | 87,993 |  |
| MPDO, Kattangur | 27,25,631 | 27,19,290 | 22,49,536 | 6,341Action plans are not prepared for incurring the expenditure. |
| MPDO, Narketpally | 33,83,088 | 33,36,759 | 24,43,255 | 46,329Action plans are not prepared for incurring the expenditure. |
| MPDO, Nizamabad | 56,79,936 | 54,69,185 | 54,69,185 | 2,10,751 |  |
| MPDO, Shaligowraram | 26,47,234 | 26,40,159 | 22,61,232 | 7,075Action plans are not prepared for incurring the expenditure. |
| MPDO, Shankarampet | 25,35,009 | 24,67,233 | 24,67,233 | 1,39,783PD account pass book and cash book entries were not updated after 04/2016 and 11/2018 respectively. |
| MPDO, Shivampet | 25,31,738 | 23,91,844 | 23,91,844 | 1,39,892 |  |
| MPDO, Yeldurthy | 27,22,590 | 26,85,541 | 26,85,541 | 37,049 | -- |

**Appendix-IV**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **Seigniorage Fee collected from the district and credited to Government by Mines and Geology Department** | **Seigniorage Fee grant to be received by ZP****(in ₹)** | **Seigniorage Fee actually received****(in ₹)** | **Short release****(in ₹)** |
| 2016-17 | 345680153 | 86420038 | 0 | 86420038 |
| 2017-18 | 611626121 | 152906530 | 3779200 | 149127330 |
| 2018-19 | 543133307 | 135783327 | 1505800 | 134277527 |
| Total | 1500439581 | 375109895 | 5285000 | 369824895 |

**Appendix - V**

|  |  |
| --- | --- |
| **Name of the Municipal Corporation** | **Title of work** |
| **GHMC Hayatnagar** | **1**. Remodeling UGD pipe line from Tirumala Hotel to E/T and Chintalkunta Check post to Rock ceramics at Saraswathi Nagar in Ward no.12 (Work Code: D211800114):**2**.Laying of CC Road and restoration of CC from Ep no.1514062067/013 to H.No.4-9-264 and H.No.4-9-212/1 to H.No.4-9-221 at LIC Colony in Ward no.12 (Work Code: D211800228)**3**. Laying 450mm dia RCC np3 sewer line in ward no.12 Mansoorabad-non-compliance of agreement conditions |
| **GHMC Saroornagar** | Laying of Roads at 1-1-289/7 to 1-1-306 Road no. 6 at Balaji Nagar, Lalitha residency to 1-1-682 Road no.3 at Gayathripuram, Road No.2, 3-13-485 to 3-13-508 at Bharath Nagar, Road no.6, 2-4-17/1 to 2-4-21/1/ER at Snehapuri Colony .etc.’ (WIN Code: D261800069) |
| **Ramagundam Municipal Corporation** | Construction of Under Ground Drainage and construction of septic tank in Annapoorna Colony in Div. no:3 of RMC under CSR funds |

Annexure – I

|  |  |  |
| --- | --- | --- |
| Sl.No. | Jist of the Para | Name of the Grama Panchayats |
| 1. | Non-Collection of Installation charges and Annual License Fee from Cell towers | Aitipamula, Akaram, Chithloor, Dhonthi, Ammnbol, Eduluru, Ghanpur, Gomaram, Gothimukala, Govindpet, Yedavally, Yeldurthy, Gundaram, Kanagal, Kattangur, Kisan Nagar, Kukunoor, Macherla, Manepally, Masaipet, Nakrekal, Narsingi, Saloora, Musapet, Vallala, Vannel & Vellemla |
| 2. | Non-short/remittance of Library Cess to Zilla Grandhalaya Samstha | Malkapur, Aloor, Ankapur, Chepur, Deagaon, Domakonda, Dhonthi, Eduluru, Ghanpur, Gomaram, Gottimukkala, Govindpet, Balkonda, Shankarampet(A), Yavapur, Yeldurthy, Gundaram, Husna, Kaldoorki, Kisan Nagar, Kukunoor, Macerla, Manepally,, Masaipet, Lakshmipur, Musapet, Narketpally, Narsingi, Nawabpet, Ootpally, Peddagottimukkala, Pipri, Saloora, Uthloor, Vallala, Veellemla |
| 3. | Non- remittance of Statutory Deductions made from work bills to the respective departments | Malkapur, Ankapoor, Appajipet, Degaon, Dhonthi, Eduluru, Govindpet, Balkonda, Yeldurthy, Kukunoor, Madhavaram, Manepally, Ootpally, Vallala, Vannel & Vellemla |
| 4. | Non-short/receipt of Per Capita Grant  | Malkapur, Aitipamula, Akaram, Aloor, Amnbol, Ankapur, Apaajipet, Chithaloor, Degaon, Dhonthi, Eduluru, Ghanpur, Gomaram, Gottimukkala, Shankarmpet(A), Yavapur, Yedavally, Yeldurthy, Gundaram, Husna, Kaldoorki, Kanegal, Katangur, Kukunoor, Madhavaram, Manepally, Masaipet, Musapet, Nakrekal, Narsingi, Saloora, Mathkal Lakshmapur |
| 5. | Non collection of outstanding dues of Property Tax in respect of Chronic defaulters | Akaram, Chepur, Chittaloor, Deagon, Govindpet, Kaldoorki, Macherla, Nakrekal, Narketpally, Ootpally, Saloora, Vannel |
| 6. | (b) Pendency in current consumption charges | Appajipet, Degaon, Dhonthi, Gomaram, Yeldurthy, Madhavaram, Masaipet, Narsingi,  |
|  | (d) Non-receipt of Entertainment Tax | Ankapur, Chepur, Ghanpur, Gottimukkala, Govindpet, Balkonda, Mahcerla, Musapet, Nakrekal, Narsingi, Pipri, Vallala |
|  | (e)Non-verification of stores and stock | Ankapur, Appajipet, Chepur, Chithaloor, Gottimukkala, Govindpet, Balkonda, Yavapur, Kanagal, Kattangur, Kisan Nagar, Macherla, Kukunoor, Madhavaram, Masaipet |

Senior Audit Officer/LB Coordn.