

## Overview

The Report comprises six chapters under two sections. Section A includes three chapters containing observations on the Accounts and Finances of Panchayati Raj Institutions, one performance audit on 'Transfer of functions, funds and functionaries to Panchayati Raj Institutions' and eight transaction audit paragraphs. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, one Information Technology Audit on the 'Accounts module of the e-Governance project of Kalyan Dombivli Municipal Corporation' and eleven transaction audit paragraphs. A summary of the major audit findings is presented in this overview.

### 1 Accounts and Finances of Panchayati Raj Institutions

*The allocation from total revenue of the state to Panchayati Raj Institutions showed a declining trend from 20.15 per cent in 2003-04 to 15.37 per cent in 2006-07 as against 40 per cent recommended by the Second Maharashtra State Finance Commission.*

*As per the Economic Survey of Maharashtra, the total expenditure of Zilla Parishads during 2006-07 was Rs 10475 crore (inclusive of capital expenditure of Rs 2314 crore). However as per information collected from 32 Zilla Parishads during 2006-07, these Zilla Parishads had incurred an expenditure of Rs 1354 crore on their own schemes and another Rs 10028 crore on transferred/agency schemes indicating that the figures adopted by the State Government in its Economic Survey was not realistic.*

*None of the 33 Zilla Parishads had finalised (May 2008) their accounts for 2006-07 although the same should have been finalised by 30 June 2007 and the arrears of their accounts and certification by the Chief Auditor, Local Fund Accounts ranged between two and five years. The State Government had so far not implemented the revised accounting format prescribed by the Comptroller and Auditor General of India.*

*Although an amount of Rs 28.30 crore was allocated for maintenance of database on the finances of Panchayati Raj Institutions out of the first instalment of Twelfth Finance Commission grant, the same was not utilised for the aforesaid purpose. The State Government redistributed the grant to all the Panchayati Raj Institutions for implementation of different schemes.*

*While assessment of grants has not been done in six departments, an amount of Rs 738.73 crore is pending for recovery/regularisation from Zilla Parishads in respect of six departments where assessment had been completed upto 2006-07.*

*While 11926 paragraphs of Inspection Report issued by Principal Accountant General for the period upto 2006-07 were pending settlement, the outstanding*

paragraphs in respect of CALFA Report for the year upto 2005-06 was 137925.

**(Paragraph 1.1 to 1.14)**

## **2 Performance Audit on Transfer of Functions, Funds and Functionaries to Panchayati Raj Institutions**

*In accordance with the 73<sup>rd</sup> Amendment, 29 functions listed in the Eleventh Schedule under Article 243G of the Constitution were required to be transferred to Panchayati Raj Institutions. The Government of Maharashtra has so far transferred only 214 schemes relating to 15 functions.*

*The activity mapping as specified by Central Task Force, for devolution of powers and functions among the three tiers of Panchayati Raj Institutions, had not been completed.*

*While the State Government incurred expenditure on schemes already transferred to Zilla Parishads viz grant-in-aid for cultural activities and organisation of State drama, schemes like Hostel for Economically Backward Classes and Scheduled Caste Boys and Girls were taken back by Government.*

*In eight Zilla Parishads, funds amounting to Rs 142.13 crore could not be drawn and utilized due to non receipt of release orders from Administrative Departments before closing of the financial years.*

*Transfer of posts of the Agriculture Department to PRIs was not implemented which resulted in non-transfer of agriculture-related functions to Panchayati Raj Institutions.*

**(Paragraph 2.1 to 2.10)**

## **3 Transaction Audit findings - Panchayati Raj Institutions**

*Failure of the ZPs in ensuring the quality of machines supplied resulted in excess payment of Rs 2.01 crore to the supplier.*

**(Paragraph 3.1)**

*Failure to maintain the power factor at the required levels resulted in avoidable expenditure of Rs 38.53 lakh in Pune, Ratnagiri and Sangli Zilla Parishads.*

**(Paragraph 3.2)**

*Incorrect interpretation of Government orders resulted in overpayment of incentive allowance of Rs 3.03 crore in Block Development Office, Aheri, 13 offices under five naxalite affected districts and five Panchayat Samities in Gadchiroli District.*

**(Paragraph 3.3)**

*Non-observance of Government orders resulted in irregular retention of service charges of Rs 79.12 lakh by the Animal Husbandry Department of Zilla Parishad, Latur.*

**(Paragraph 3.4)**

*Non-observance of Government instructions resulted in excess payment of transport allowance of Rs 21.02 lakh to the teaching staff of Zilla Parishad, Wardha and Gadchiroli.*

**(Paragraph 3.5)**

*Failure of Zilla Parishad, Akola to initiate action to arrest leakage of water resulted in unproductive expenditure of Rs 35 lakh and deprival of intended irrigation benefit for over eight years.*

**(Paragraph 3.7)**

### **Release and utilisation of Twelfth Finance Commission grants by Panchayati Raj Institutions**

*Although the Twelfth Finance Commission guidelines stipulated transfer of Twelfth Finance Commission grants to Panchayati Raj Institutions within 15 days of its receipt, there were delays ranging from 19 to 132 days in issue of release orders by Rural Development Department and further delay of 7 to 119 days in actual drawal of funds by eight Zilla Parishads test checked.*

*Out of the Twelfth Finance Commission grants of Rs 991.50 crore received for the period from 2005-06 to 2007-08, the unspent balance at the end of June 2008 was Rs 305.72 crore.*

*Zilla Parishad Ahmednagar kept Rs 2.50 crore in fixed deposit from February 2006 to June 2007 and issued utilization certificate for the entire amount of grant received.*

*Fund amounting to Rs 15.05 crore were utilised for purposes other than those specified in the TFC guidelines by 13 PRIs and Rural Development Department.*

*In Jalna district, scrutiny of records of 10 Gram Panchayats revealed that basic records such as cash books, vouchers and measurement books were either incomplete or missing, indicating lack of monitoring and control.*

**(Paragraph 3.8)**

## **4 Accounts and Finances of the Urban Local Bodies**

*The total receipts of all Municipal Corporations in the State during 2006-07 was Rs 16217 crore and were higher by 25 per cent over previous year. The major contribution in total receipts was from rent, taxes etc., (69 per cent) and Other Income (22 per cent).*

*During 2006-07 the total expenditure of all Municipal corporations increased by 20 per cent over the expenditure of previous year. Although the share of establishment increased from Rs 3703 crore (34 per cent) in 2004-05 to Rs 4677 crore (38 per cent) in 2005-06, it decreased to Rs 4265 crore (29 per cent) in 2006-07.*

*The Government of Maharashtra adopted National Municipal Accounts Manual (NMAM) for implementation from 2005-06. However, only five corporations have implemented double entry accounting system from April 2008.*

*Except Mumbai and Solapur Municipal Corporations, the audit of annual accounts is not being done for the past seven years by Municipal Chief Auditor indicating weak internal controls.*

**(Paragraph 4.1 to 4.10)**

<b>5</b>	<b>Information Technology Audit of the Accounts module of the e-Governance project of Kalyan Dombivli Municipal Corporation</b>
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*Neither a documented IT plan nor the 'Acceptance Criteria Document' containing details of deliverables was available with the Corporation.*

*Inadequate monitoring of the development and implementation of the modules resulted in non-implementation of important modules like engineering module.*

*Deficient User Requirement Specifications paved way for non utilisation of bank reconciliation module and needed manual intervention and duplication of data entry.*

*Critical business rules relating to daily closure of cash book were not mapped into the system.*

*Effect of bounced cheques were not made against the respective receipts in the functional modules.*

*The system did not ensure automatic carry over of closing balances in the cash book and manual intervention made the system prone to fraud and misappropriations.*

*Lack of validation checks in the system paved way for the entry of transactions on later dates.*

*Lack of controls in the system facilitated generation of internal receipts for adjustment in excess of the advances to the tune of Rs 2.11 lakh.*

*The information security policy prepared in 2005 is yet to be implemented.*

*System allowed deletion of 477 receipt numbers and 1029 voucher numbers in 2006 -07 without leaving any audit trails.*

**(Paragraph 5.1 to 5.13)**

## **6 Transaction Audit findings - Urban Local Bodies**

*Commencement of work of underground drainage system without proper assessment of finance by Amravati Municipal Corporation resulted in unfruitful expenditure of Rs 33.78 crore.*

**(Paragraph 6.1)**

*Failure of the Aurangabad Municipal Corporation in availing exemption from payment of electricity duty resulted in avoidable payment of Rs 8.60 crore.*

**(Paragraph 6.2)**

*Non-recovery of advances paid to Ward Officer by Brihanmumbai Municipal Corporation for demolition of unauthorized structures/removal of unsafe buildings led to accumulation of arrears of Rs 9.00 crore.*

**(Paragraph 6.3)**

*In Brihanmumbai Municipal Corporation, undue benefit of Rs 1.05 crore was extended to a contractor due to non enforcement of contractual conditions relating to duty exemption.*

**(Paragraph 6.4)**

*Dhule Municipal Corporation failed to frame octroi rules in time as per the Acts in force resulting in loss of revenue of Rs 3.70 crore.*

**(Paragraph 6.5)**

*Failure to maintain the power factor at the required levels resulted in avoidable expenditure of Rs 56.01 lakh in Dhule and Malegaon Municipal Corporations.*

**(Paragraph 6.6)**

*Jalgaon Municipal Corporation had taken up the development of an aerodrome, which was neither an obligatory nor a discretionary duty under the BPMC Act and that too without Director General of Civil Aviation's approval resulting in abandonment of work and wasteful expenditure of Rs 3.22 crore besides undischarged liability of Rs 8.71 crore.*

**(Paragraph 6.7)**

*Pimpri-Chinchwad Municipal Corporation failed to recover the octroi in time resulting in short realization/loss of revenue of Rs 22.91 crore and interest of Rs 6 crore.*

**(Paragraph 6.8)**

*In Nagpur Municipal Corporation, non-observance of Government instructions regarding assessment of teaching staff resulted in avoidable*

*expenditure of Rs 20.43 crore on pay and allowances of teaching staff during 2002-03 to 2006-07.*

**(Paragraph 6.9)**

*Ulhasnagar Municipal Corporation failed to revise rates of water charges despite instruction from State Government, leading to accumulation of water charges payable to suppliers. This resulted in avoidable loss of Rs 24 crore per annum in addition to accumulated arrears of Rs 140.64 crore.*

**(Paragraph 6.10)**

### **Release and utilisation of Twelfth Finance Commission grants by Urban Local Bodies**

*Although the Twelfth Finance Commission guidelines stipulated transfer of Twelfth Finance Commission grants to Urban Local Bodies within 15 days of its receipt, there were delays of two to five months in drawal of the fund by the Director of Municipal Administration, controlling officer for distribution of grants.*

*Out of the Twelfth Finance Commission grants of Rs 316.40 crore received for the period from 2005-06 to 2006-07, the unspent balance at the end of June 2008 was Rs 86.72 crore.*

*Malegaon Municipal Corporation and Sangamner and Latur Municipal Councils utilised Rs 4.42 crore out of Twelfth Finance Commission grants for payment of labour contract bills engaged in transportation of solid waste although the grants were to be utilised for creation of durable assets for solid waste management.*

*Director of Municipal Administration deposited Twelfth Finance Commission grants of Rs 16 crore in fixed deposits in ICICI Bank in violation of Twelfth Finance Commission guidelines.*

*The Director of Municipal Administration was to supply computers to Municipal Councils alongwith customised software to enable them to maintain their accounts in double entry system. However, non development of State specific accounting manual and related software rendered the hardware procured in October/November 2006 at a cost of Rs 91.08 lakh idle for the last 17 months.*

**(Paragraph 6.11)**