

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 and three paragraphs on the audit of financial transactions of some of these institutions. Section B comprises three chapters containing observations on the Accounts and Finances of Urban Local Bodies, two Information Technology Reviews and nine paragraphs on audit of financial transactions of some of these bodies. A summary of the main audit findings is presented in this overview.

1 Accounts and Finances of Panchayati Raj Institutions

The allocation to Panchayati Raj Institutions showed a declining trend and was less than 10 *per cent* of the total budget of the State as against the recommendation of 40 *per cent* by the second State Finance Commission during the period 2002-03 to 2004-05.

State Government has devolved 139 schemes pertaining to 12 functions to the PRIs. Adequate staff of various departments to perform these functions is yet to be transferred.

The Village Panchayats did not receive any funds for implementation of schemes relating to irrigation, agriculture and social welfare, indicating that the schemes remained with the Zilla Parishads.

None of the 33 Zilla Parishads had finalised their accounts for 2005-06 and the arrears of their accounts and certification by the Chief Auditor, Local Fund Accounts ranged from two to five years. Information regarding the status of publication of the Zilla Parishads' accounts was not readily available with the State Government. The Government had so far not implemented the revised accounting format prescribed by the Comptroller and Auditor General of India as the Zilla Parishads and Panchayat Samitis Accounts Code was not suitably amended. The Maharashtra Zilla Parishad and Panchayat Samitis Act, 1961 was also yet to be amended to incorporate Technical Guidance and Supervision parameters.

A sum of Rs 17.30 crore, out of the Eleventh Finance Commission grants, meant for development of a database on the finances of the Panchayati Raj Institutions, was utilised for implementation of schemes.

There were instances of non reconciliation of cash book balances with bank pass book balances, unspent balances not credited to the Government account, lapsed deposits not credited to the revenue heads, inadequate contribution towards depreciation funds, pending misappropriation cases *etc.*, indicating that the internal control mechanism in the Zilla Parishads was weak.

2 Implementation of Rural Water Supply Schemes in Pune District

Prior to 1999-2000, rural water supply schemes in Maharashtra were supply driven. The schemes were designed and executed by the Government for end users. However, due to poor operation and maintenance of such schemes, the approach of the Rural Water Supply Programme(RWSP) was transformed from supply driven to demand driven, under which the users could get the services they desired while paying for the same. Audit scrutiny of RWSP implemented by the Zilla Parishad, Pune revealed deficiencies in implementation of the rural water supply schemes due to inadequate planning, absence of yearwise targets for coverage of rural habitations and improper survey of water sources by the Ground Water Survey and Development Agency (GSDA). Further, the members of the Village Water Supply and Sanitation Committees(VWSSCs) were generally ignorant of the prescribed procedures for implementing the scheme. The participation of non-government organisations(NGOs) and women in the planning process was negligible. The arrears in mandatory and social audit were indicative of weak monitoring of the schemes. Many schemes remained incomplete as the Government did not release funds to VWSSCs as the latter were not able to comply with the condition of making the villages 100 *per cent* free from open defecation. Further, non-payment of due amounts of popular contribution by beneficiaries and the reluctance on the part of the contractors to take up works at old rates resulted in non-implementation of the projects and funds of Rs 13.46 crore remaining unspent.

(Paragraph 2.1)

3 Accounts and Finances of the Urban Local Bodies

Property tax receipts of municipal corporations were less than 10 *per cent* of total receipts, indicating ineffective tax collection mechanism, properties remaining unassessed and irrational computation of rateable values. As of March 2005, property tax of Rs 169.40 crore remained unrecovered.

Non-revision of water charges forced the corporations to divert their own funds to make up for the losses. The diverted funds could have been used for developmental works.

Out of Rs 19.46 lakh ear-marked from Eleventh Finance Commission grants for creation of a data base on finances of Urban Local Bodies, Rs 19 lakh was spent on miscellaneous items. Therefore, the grants could not be used for creation of data base.

The corporations had not adopted the revised accounts formats prescribed by the Comptroller and Auditor General of India as envisaged in the 74th Constitutional Amendment.

There were instances of diversion of funds, non-reconciliation of cash book balances with bank pass books, unutilised grants, unclaimed deposits, *etc*

indicating that the internal control mechanisms in the municipal corporations was weak.

4 Information Technology (IT) Audit of Property Tax application in Navi Mumbai Municipal Corporation

The general objective of computerization of property tax functions was to reap the benefits of information technology to improve operational performance besides providing error-free and better services to the tax payers. However, even after nine years of computerization, Navi Mumbai Municipal Corporation (NMMC) could not evolve an error-free application. NMMC did not maintain proper input records to support data entry relating to assessments. Lack of sufficient input controls along with inadequate monitoring resulted in an incomplete and incorrect database. This led to irregular fixation of rateable values and non-adherence to the conditions of minimum rateable value, resulting in short levy of Rs 8.84 crore. MIS reports in respect of demand and recovery were not designed in the application and receipts entered in the system were not reconciled with manually reported totals received from banks/ward offices indicating poor management controls. Poor security controls and lack of audit trails made the system vulnerable to unauthorized manipulation.

(Paragraph 5.1)

5 Information Technology (IT) Audit of the Water billing application in Navi Mumbai Municipal Corporation

The general objective of computerization of the water billing system in NMMC was to reap the benefits of information technology to improve operational performance besides providing error-free and faster services to the consumers. However, even after four years of computerization of the system, NMMC could not evolve an error-free system. Non-incorporation of business rules coupled with manual intervention resulted in under charging of penalty of Rs 1.05 crore. Further, modification of data without audit trail resulted in non charging of DPC in respect of water charges amounting to Rs 3.94 crore from village consumers. Manual intervention in the calculation of quantities of water consumed and data entry impacted the collection of revenue. Absence of MIS reports in respect of demand and recovery of water charges, reconciliation of receipts, number of meters not functioning *etc* were not available in the application indicating deficient management control. The absence of audit trails coupled with lack of a security policy made the system highly vulnerable.

(Paragraph 5.2)

6 Transaction Audit findings – Panchayati Raj Institutions/ Urban Local Bodies

Audit of financial transactions, subjected to test-check, in various Panchayati Raj Institutions/Urban Local Bodies revealed instances of loss of revenue, outstanding advances, irregular utilization of Eleventh Finance Commission

grants, delay in completion of works, blocking of funds, avoidable expenditure etc. of over Rs 455.33 crore as mentioned below :

- Personal and departmental advances amounting to Rs 14.27 crore paid to employees were not recovered. Pendency of outstanding dues indicated that Zilla Parishads had not taken effective steps to recover the dues. The possibility of recovery seemed remote and misappropriation of funds could also not be ruled out.

(Paragraph 3.1)

- Non-recovery of rent from 68 shops of Zilla Parishads and 232 shops of Village Panchayats resulted in loss of revenue of Rs 52.03 lakh to the Zilla Parishads and Village Panchayats. Failure to recover the outstanding dues from the occupants indicated lack of effective management of assets.

(Paragraph 3.2)

- Failure of two Zilla Parishads to transfer completed irrigation schemes to the Village Panchayats/water users' societies resulted not only in loss of royalty of Rs 52.49 lakh but also defeated the objective of participation of beneficiaries in implementation of these schemes.

(Paragraph 3.3)

- Failure to prepare a time-bound action plan for segregation of municipal solid waste and its disposal by Jalgaon Municipal Corporation resulted in violation of Municipal Solid Waste (Management and Handling) (MSW(M&H)) Rules, 2000 besides exposing people to the dangers of environmental pollution and health hazards.

(Paragraph 6.1)

- Contrary to EFC guidelines, Jalgaon Municipal Corporation paid electricity and water bills amounting to Rs 80.81 lakh.

(Paragraph 6.2)

- The Brihan Mumbai Municipal Corporation abandoned three sewerage projects due to non-clearance of encroachments, litigations and non-payment of contractor's dues. The delay in commissioning two completed projects for two to three years resulted in blocking of funds of Rs 61.83 lakh and wasteful expenditure of Rs 1.12 crore.

(Paragraph 6.3)

- There was avoidable payment of electricity duty of Rs 6.31 crore by five Municipal Corporation viz. Nashik, Kolhapur, Navi Mumbai, Solapur and Kalyan-Dombivli.

(Paragraph 6.4)

- Non-adherence to the prescribed provisions of Municipal Acts resulted in non-recovery/non-adjustment of departmental advances amounting to Rs 412.51 crore.

(Paragraph 6.5)

- Delay in finalisation of tenders by Nagpur Municipal Corporation within the validity period of tender offer resulted in extra avoidable expenditure of Rs 37 lakh.
(Paragraph 6.6)
- Laxity on the part of Nagpur Municipal Corporation in timely processing claims relating to National Malaria and Filariasis Eradication Programme resulted in non-reimbursement of Rs 15.29 crore.
(Paragraph 6.7)
- Excess sanction of mobilisation advance and non levy of interest thereon by Amravati Municipal Corporation resulted in undue benefit of Rs 28.14 lakh to the contractor.
(Paragraph 6.8)
- Non-observance of provisions of Gunthewari Development Act by Akola Municipal Corporation resulted in irregular expenditure of development charges of Rs 2.71 crore.
(Paragraph 6.9)