

## CHAPTER II

### Audit of the Accounts of Panchayat Raj Institutions

**Introduction:** The Constitution (Seventy third Amendment) Act 1992 which came into force w.e.f 24-4-93 was enacted by Parliament with a view mainly to strengthen and revitalize the Panchayat Raj Bodies. It envisaged certain broad guidelines in regard to the constitution; composition, powers and functions of a three tier P.R. set up i.e. Panchayats at village, intermediate and district levels.

There was a three-tier P.R. setup in the State of Andhra Pradesh; Gram Panchayat at village level, Mandal Praja Parishad at Mandal level and Zilla Praja Parishad at district level. In exercise of the powers conferred by sub-section 1 of Section 4, sub-section –1 of Section-148 and sub-section-1 of Section-177 of the Andhra Pradesh Panchayat Raj Act 1994, all the Gram Panchayats, Mandal Praja Parishads and Zilla Praja Parishads existing on 29-5-94 were deemed to have been constituted as Gram Panchayats, Mandal Parishads and Zilla Parishads respectively w.e.f. 30-5-94 vide G.O.Ms.No 304 PR, RD and Relief (MDL-1) Dept Dated 24-5-94.

### PART- I Audit of Gram Panchayat Accounts

#### **1. General**

All the Gram Panchayats in the state of Andhra Pradesh other than those already notified have been notified by the Commissioner Panchayat Raj under Sub-section (1) of section.30 of Andhra Pradesh Panchayat Act 1994 for the purpose of appointment of a whole time Executive Officer designated as Panchayat secretary vide Proceedings No.29455/ CPR-B2/S2001 dated 22-12-2001 of the Commissioner of Panchayat Raj..

#### **2. Scope of Audit**

According to Rule 4(1) of the Andhra Pradesh State Audit Rules 2000 issued in G.O.M.S.No.130 Finance and Planning (Finance wing- Administration II) department Dated 8-9-2000, the procedure for conduct of audit of the accounts of Gram Panchayat is post audit which means conducting of detailed audit locally after transactions are completed. The transactions during a financial year are audited after the closure of the financial year.

The local audit of the Vouchers should be conducted with reference to the original registers and accounts and with regard to receipt portion all the items of receipts shown in the accounts should also be checked with the concerned registers and connected files.

Before the audit for a year is commenced, the auditor should go through the latest administrative report, the budget of the year, the previous years Audit report with special reference to general defects in accounts and registers and attitude to disposal of objections.

The rules relating to Levy of House Tax and Receipts and Expenditure issued under the AP GP Act, 1964, with G.O.Ms.No. 282 PR Dated 12-03-1965 and G.O.Ms.No. 496 PR Dated 11-06-1966 respectively have not been reissued. Hence the rules issued under the above Government Orders, as amended, have to be followed.

#### **3. Budget**

It should be seen

- a) that budget is sanctioned by the Gram Panchayat or Divisional Panchayat officers as per the Andhra Pradesh Gram Panchayat preparation and submission of Budget Rules 2000, issued with G.O.Ms.No 69 PR and R.D (Rules), dated 29-2-2000,
- b) that budget, an extract thereof, is prepared in the form specified by Government from time to time,
- c) that due provision has been made for performing the obligatory functions as detailed below

1) Establishment	30% of normal income of Gram Panchayat.
2) Sanitation	15% of normal income of Gram Panchayat
3) Street Lighting	15% of normal income of Gram Panchayat
4) Water supply	15% of normal income of Gram Panchayat
5) Roads & Buildings	20% of normal income of Gram Panchayat
6) Miscellaneous	5% of normal income of Gram Panchayat

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100%  
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- d) that provision has been made for the discharge of liabilities in respect of loans taken by Gram Panchayats and all other commitments,
- e) that all variations between the figures of Budget year and those of the previous year have been adequately explained,
- f) that the working balance is not less than 5% of the estimated receipts during the year excluding those from endowments, State grants and departmental grants,
- g) that all the items of expenditure are included in the Budget and that any amount of expenditure made without Budget allotment shall be surcharged on the persons responsible severally and jointly,
- h) that sanction of Government or any other authority required under the rules for incurring expenditure, though the provision is made for such expenditure in the budget, has been obtained.
- i) that no part of allotment remaining unexpended at the end of the year shall be reserved or appropriated by transfer to deposits or any other head of department in advance in order to avoid lapse of funds and disbursement after the end of the year,
- j) that other rules/instructions issued there on are followed wherever required.

#### **4. Lodging of funds**

The rules are laid down in Part II of the rules issued with G.O.Ms.No.30 Panchayat Raj, Rural development and Relief department dated, 20-1-95.

- 1) All the moneys received by the Gram Panchayat should be lodged in the nearest Government Treasury.

**Note:** All the moneys received by way of collection of taxes and other dues from the Public should be lodged in the nearest Government treasury on the same day. Non-compliance of the instructions will be considered as temporary misappropriation of Gram Panchayat funds. (Commissioner circular Memo No.1326/CPR.J5\2000 dated 14-02-2000).

- 2) The amounts received as funds under Jawahar Rozgar Yojana, Employment Assurance Scheme or other Wage Employment Schemes should be lodged in nearby Nationalized Banks or Co-operative Banks or Post Offices in such manner as may be prescribed (Proviso under Section 74 of the Act).
- 3) A Gram Panchayat may invest sums not required for immediate use, in fixed deposits for a period upto 3 years in the State cooperative Banks and District Central Cooperative Banks approved by the Registrar of cooperative societies for the purpose or in any other manner prescribed.
- 4) A Gram panchayat may invest any surplus in the earmarked funds either in Government Securities or in any other manner prescribed by Government.
- 5) All orders or cheques against the gram Panchayat fund shall be signed by the Sarpanch of the Gram panchayat.

#### **5. Process of Audit**

The audit comprises of the following detailed processes:

- i) Verification of the outstanding items of revenue.
- ii) Verification the writes-off and remissions.
- iii) Check of collections.
- iv) Verification of the Demand, Collection and Balance.
- v) Check of Revenue leased out.
- vi) Check of Revenue managed departmentally.
- vii) Check of fluctuation items of Revenue.
- viii) Audit of paid vouchers.
- ix) Review of advances and deposits.
- x) Check of expenditure against Budget allotment.
- xi) Review of the general financial position.
- xii) Examination of several accounts and registers.
- xiii) Preparation of the annual accounts and the statements to be attached to the audit reports.
- xiv) Verification of the cash book balance with that shown in the passbook as at credit of the Gram Panchayat in the treasury or bank.

## **6. Receipts**

### **6.1 General Instructions**

The Auditor should ensure that the following instructions are followed by the G.P scrupulously and any deviation should be brought to the notice of the competent authority and make a note of the deviations in the Audit report.

- 1) All moneys received should be paid in to the Gram Panchayat Office daily.
- 2) The moneys received should be first brought into account and remitted into Treasury and utilized for its expenditure.
- 3) The capital receipts, such as sale proceeds of land, buildings or machinery should not be applied to ordinary expenditure without the previous sanction of the District Collector.
- 4) Every servant of GP or the village headman entrusted with the collection of GP revenues on bills previously issued in the GP Office should be supplied with a collection book.
- 5) Collection of taxes and revenues made by bill collectors or other outdoor subordinates or village headman should be remitted into GP Office through a collection register maintained in the GP Office.
- 6) Receipts in the prescribed form signed by the executive authority should be given for all the moneys received from the public in the GP Office.

### **6.2 Details of Receipts**

#### **(A) Taxes - Mandatory**

- a) House tax
- b) Library cess
- c) Kolagaram or Katarusum
- d) Tax on advertisements
- e) Users charges

#### **(B) Taxes - Optional**

- a) Tax on Agricultural Land for a specific purpose
- b) Land cess on vacant land

#### **(C) Non-Taxes Receipts – Fees for Licences and Permissions.**

- a) License fees for use of public places
- b) Fees for granting permission for layout and construction of buildings
- c) Fees on encroachments/ projections and erections
- d) Fees on cattle stalled in the community cattle sheds
- e) License for pigs and dogs
- f) Fees on water taps
- g) Fees on cable TV
- h) Warrant/Distrait Fees
- i) Penalties
- j) Fees on animals brought for sale into or sold in public markets
- k) Fees for issue of certificates

#### **(D) Others**

##### **1. Remunerative enterprises**

- a) Income from leasing of public halting places, cart stands etc
- b) Share of income derived from markets
- c) Share of income from fairs and festivals
- d) Income from lease of road wises vested in Gram Panchayat
- e) Income from management of ferries
- f) Income from sale of usufruct and trees
- g) Income of endowments and trusts
- h) Auctions-Parking places, Fish Tanks, Sand
- i) Shop Rents/Leases

##### **2. Assigned Revenues**

- a) Surcharge on stamp duty
- b) Profession Tax
- c) Seigniorage fees

- d) Entertainment Tax
- e) Magisterial Fines
- f) Mineral Cess

#### **(E) Income from grants**

##### **1. State government Grants**

- a) Rs. 4/- Per capita Grant
- b) Salary Grant
- c) Grant towards honorarium of Sarpanch, G.P.
- d) Best Gram Panchayat Award
- e) State Finance Commission Grants

##### **2. Central government Grants**

- a) Central Finance Commission Grants
- b) Sampoorna Grameen Rozgar Yojana (SGRY) Grant

#### **(F) Deposits and advances**

- a) Deposits for water taps
- b) Earnest Money Deposits
- c) Security Deposits
- d) Election Deposits
- e) Peoples' Contributions
- f) Lapsed Deposits and other forfeitures
- g) Sale proceeds of tools, plant, sweepings, old stores and materials

### **6.3 Categorization of receipts and audit checks**

The receipts of the GP may be divided into the following main categories for purpose of check.

- (A) Revenue having fixed demand i.e., Taxes, Fees, etc., for which demand is fixed and bills are issued such as House Tax, Warrant Fee, Tax on Animals, etc.
- (B) Revenue leased out.
- (C) Revenue managed departmentally.
- (D) Fluctuating items of revenue.

The process of check to be applied in each case is as described below:

#### **(A) Revenue having fixed demand**

##### **a) Verification of outstanding items of revenue**

Before the commencement of the verification of outstanding items at the time of the annual audits all the bill books should be collected from all the bill collectors and secured in a box or almirah in the Gram Panchayat office.

In the course of the verification of the outstanding bills the following points should be kept in view: -

- (i) Whether a certificate of verification of the outstanding bills with the corresponding bill and warrant receipts (if issued), has been recorded on the Current Demand Register and Arrear Demand Registers by the Executive Authority,
- (ii) Whether in the case of amounts shown as outstanding for which receipts are missing, the memorandum at the beginning of the bill books had shown any dates of collection and credit. The credits in such cases should be verified with the chalan registers and if traceable in the latter, the date of credit should be noted in the Arrear Demand Register. If the credits are not traceable and the bill collector cannot satisfactorily account for the items, they should be treated as short credits and dealt with in the manner laid down in General Principles of Audit in Chapter I. When mention of the matter is made in the report, the total of each class of tax should be given in detail of years. Whenever loose bill receipts are produced in support of the outstanding items during audit or it is noticed that receipts had been removed from the bill book, but subsequently pasted on to it, such cases should be detailed in the audit report. Special report about this should be made to the executive authority of the GP concerned and he should also be required to make enquiries and report if the moneys in all such cases have not been realized,

**(Note: -** Bill collectors generally explain in cases of this nature that the collected amounts are with them pending remittance into the gram panchayat office. To guard against such cases, they should be asked as soon as audit commences to prepare a list of all items, the collections which have been made but not remitted into the gram panchayat office, and if the items above referred to are traceable in these lists, they need not be noted by

the auditor unless there has been any undue delay in their remittance. In any case, the bill collectors should be asked to remit at once all the collections with them)

- (iii) Whether the total number of bills outstanding in each bill agrees with that shown in the account of realizations in the memorandum at the beginning of the bill books,

**Note:-** This check need be applied only in about ten bill books, the object being to see that the account of realizations in the memorandum of bill books has been properly written up as an evidence of scrutiny over collections by the gram panchayat office.

- iv) Whether there are any outstanding bills or warrants the amounts of which are not traceable in the demand or Arrear Demand Registers,

**Note:** - In such cases, the original Demand Register should be referred to, and if the items are not shown therein as collected, remitted, etc., it should be brought into the Arrear Demand Register either in its proper place, or at the end of the register as may be convenient. All the entries of this nature should be initialed by the auditor and a note of the omissions made in a separate list. If, on the other hand, the date of credit, or remission, etc., is noted in the original Demand Register against the item, the facts should be verified with connected records; and if there appears to be no doubt that the item was either collected or remitted, the bill and warrant receipts should be cancelled under the initials of the auditor, with a note thereon as to the reasons for cancellation.

- v) Whether any item not really outstanding is shown as such in the Demand Register or Arrear Demand Register,

**Note:** - Items of this nature usually fall under one or other of the following heads, and the auditor, after satisfying himself of the facts with reference to the connected records should take such action as the circumstances require. The items concerned should also be noted in a separate list.

- a) Collected
- b) Exempted or remitted
- c) Cancelled
- d) Written-off

- (vi) Whether all blank bills or warrants are intact and forthcoming.

**Note:** - All such bills or warrants which may not be required for use in the year must be cancelled and the signature portion clipped off.

The outstanding items should be completely verified in the above manner during the audit of the accounts for March.

The total demand on account of arrears as shown in the demand and Arrear Demand Registers should then be checked after allowing for the corrections made by the auditor, and the figures compared with those appearing in the demand, collection and balance statement as well as with those shown as balance in the abstracts prepared in the original demand, or in the Arrear Demand Register. In case where the differences, if any, between the different sets of figures are not accounted for by the mistakes noticed during the course of the audit, they should be traced as far as possible, unless the amount is very trifling, and the correct balances recorded in the Demand Registers, as well as in the demand, collections and balance statements.

**Note:** - In the case of petty differences of Rs. 2or 3 for which particulars cannot be traced with out much loss of time, the amounts may be adjusted-

- (a) by transferring an equivalent portion of tax collections to "other receipts," if the totals of the outstanding in the demand and Arrear Demand Registers are in excess of those in the demand, collection and balance statement,
- (b) by introducing a new assessment number "X" in the Arrear Demand Register, in cases where the total thereof is less than that of the demand, collection and balance statement, and entering against it in the money column the amount of the difference,
- (c) Instructions should at the same time be given to recover or write off the amount concerned unless details thereof could be traced.

**During the check of outstanding bills and of collections the following points also should be borne in mind: -**

- i) Whether the demand notices for the property taxes are issued without delay,

- ii) Whether bill collectors are not entrusted with bill books for more than 150 % of the amount of security furnished by each at the same time for collection,
- iii) Whether the issue of the bill books to the bill collector, their return and re-issue have been noted and his initials obtained in the register of bills issued maintained by the tax clerk,  
(Note: - It is some times explained by the tax clerks that the bills had not been written up in respect of cases in which bills are found wanting during audit. The accuracy of the statement should be carefully verified.)
- iv) Whether the tax clerk exercises the scrutiny over the collections required of him, viz., whether the bills are counted and noted in the memorandum whenever the bill collector presents the book to the clerk with the collections,
- v) Whether there is any evidence of outstanding bills having been scrutinized by the Executive Authority,
- vi) Whether there is evidence of the Executive Authority having checked the prescribed percentage of the receipts granted to parties by the bill collectors with the dates of collections and credits as well as the amount noted in the memorandum of collections.
- vii) Whether all issues of bill books shown in the stock account are acknowledged by the tax clerk and are shown in the register of bills issued and are forthcoming,
- viii) Whether the bill books taken from stock and not used, are returned to stock immediately,
- ix) Whether the bill books are issued only to the concerned tax clerk and not to any one else,
- x) Whether collections are improperly made on miscellaneous bills or temporary receipts printed locally or on hand receipts issued by bill collectors on their own authority,
- xi) Whether in respect of collections made in office, miscellaneous receipts are issued if the parties could not wait till formal receipt from the bill book is issued, and whether in such cases the miscellaneous receipts are got back and pasted to the counterfoil and formal receipts issued or that the bills in the bill books are cancelled.

#### **b) Verification of Writes-off and Remissions**

A Gram Panchayat is empowered to write off of amounts irrecoverable under Section 73 of the Act read with the rules issued with G.O.Ms.No. 448 PR & RD(Pts-III) Dept. Dt.01-11-1996. It should be seen whether the relevant rules on the subject have been followed before write off of the amounts and the grant of vacancy and other remissions. It should also be seen that bills and warrant receipts are forthcoming in all cases as proof that the amounts have not been collected. The bills etc., should then be destroyed by the auditor leaving that portion of the bill, which contains the assessment number and the machine number with his initials thereon. If any such receipts are missing, they should be detailed in the objection statement or the audit report. The entries of register of Writes-off, Remissions etc., should be initialed by the auditor. The totals of the amounts written-off and remitted should also be verified with those in the demand and Arrear Demand Register. The Registers of writes off and remissions have to be checked.

#### **c) Check of collection**

In the case of items of fixed demand, such as house, land, lighting, water and drainage, the auditor will check at random about three entries of credit in the memorandum at the beginning of each bill book with the entries in the demand and challans registers. In the case of warrant fee and rent of market stalls, etc., for which bills are prepared in foil and counterfoil, the comparison should be made with the counterfoils and miscellaneous challan register.

The following are the chief points to be looked into:-

- i) that the demand entered in the memorandum or counterfoil agrees with the figure in the Demand Register,
- ii) that the amounts realized have been brought to account without delay;  
(Note: - If any excess collections are noticed, it should be seen that they have been either transferred to " Deposits" if there is reasonable chance of their being claimed afterwards, or credited as miscellaneous receipts if there is no such chance or if the details are not known. If such transfers have not been made already, the auditor should himself make them.)
- iii) that the postings of credits in the Demand Registers have been correctly made and the dates shown correspond with those of the credits in challans registers.  
(Note:- It would be sufficient if 20 items of credit in each month of the Demand Register are checked with the entries in the challans register.)
- iv) that the total collection in the Demand Register agrees with the progressive figure in the posting register and the monthly account, and

**d) Verification of Demand, Collection and Balance Statement**

After the above processes of check have been completed, it should be seen in the case of house tax:

- (i) whether the alterations in the demand ordered during the year with reference to assessment books, revision petitions, appeals etc., have been carried out in the Demand Register,
- (ii) whether a memorandum showing the demand for the year is arrived at from the demand for the previous year with a hike of 5% on the existing tax and after allowing for the alterations as per assessment books and agreed with the total of the abstract of page war totals in the demand register and is certified by the executive authority,
- (iii) whether the reductions granted on appeals have been noted in the Demand Register in the case of profession and servants taxes,
- (iv) whether the total demand has been certified to by the executive authority,
- (v) whether the page wise totals of the several money columns in the Demand Registers have been made in ink and carried forward correctly to the abstract prepared at the end of the registers

**(Note: -** Totals in about 5 pages of each register should be checked to verify their correctness. If numerous mistakes are noticed, such further check should be exercised, as the auditor may consider necessary.)

- (vi) whether the total collection agrees with the progressive total of the challan registers and the posting register,
- (vii) whether the balances have been correctly carried forward to the Arrear Demand Registers,  
(Note: - (a) All the items need not be traced into the Arrear Demand Register. It would suffice if 5 items on each page of the demand entries newly brought on the Arrear Demand Registers are checked and the totals of abstracts prepared at the end of the Demand Register are agreed with those in the Arrear Demand Register.  
(b) In respect of items of demand covered by suits, necessary reference to the corresponding entry in the audit register should have been given against the connected item in the Demand Registers.)

- (viii) whether the total amount of writes off and remissions agrees with the total in the register of writes and remissions,
- (ix) whether the balance as arrived at by deducting the total collection and writes off and remissions from the demand agrees with the total of the balance in the abstract in the demand and Arrear Demand Register; and
- (x) Whether the balances have not been allowed to become barred by limitation of time without any action having been taken for their realization.

**(Note: -** (a) Arrears should be analyzed year wise. The period of limitation for the filing of a suit is three years from 30<sup>th</sup> April in the case of house tax. The service of a demand notice is not also a condition precedent to the taking of proceedings in the court. The period of limitation for the recovery of a tax by prosecution is ordinarily three years from the date on which distraint or a sufficient distraint was found impracticable. Arrears which have become time-barrred and which are not recovered by prosecution or suit should be listed out and made mention of in the audit report.

(b) Assistant Audit Officers and Auditors deputed for doing audits independently should see that in regard to items of taxes and other items of revenue which would normally have become time-barrred in the course of the period of audit, the relevant papers showing whether any legal steps were actually taken for their recovery are called for and specially scrutinized by them personally together with the bill and suit registers to ensure that no item is omitted to be pointed out in the audit report for the year.)

**(B) (I) Revenue leased out**

Fees from ferries, Markets, cart-stands, slaughterhouses fisheries: -  
It should be seen: -

- (i) that when the collection of revenue is farmed out , the right has been sold in public auction and that a notice setting forth the conditions of the sale and terms of lease has been published by beat of drums and otherwise,
- (ii) (a) that the sale is conducted by the executive authority and that earnest money deposits have been taken from intending bidders  
(b) that no person who is in arrears to Gram panchayat is permitted to bid at the auction. (G.O.Ms.No.496, Panchayat Raj dated 11-6-1966).  
**Note:-** The earnest money deposits of unsuccessful bidders shall be refunded only after acceptance of the bid by the competent authority
- (iii) (a) that solvency has been ascertained in respect of the successful bidder,  
(b) that the upset price for conducting the bid is approved by the Divisional panchayat officer.

(G.O.Ms.No. 496 Panchayat Raj dated 11-6-66 as amended in G.O.Ms.No. 244 Panchayat Raj dated 7-5-1974)

- (iv) that the sale has been approved by the gram panchayat and the sale list is authenticated by the Extension Officer (PR & RD) and where the bid accepted is not the highest bid, the reasons for rejecting a bid or bids higher than the one accepted have been recorded in writing,
- (v) that necessary lease deed setting forth the conditions subject to which the lease is granted, is executed before the lessee is allowed to enter upon his right,  
**Note:** - that no lease of immovable property vested in the Gram Panchayats for a period exceeding one year is made without the previous approval of the District Collector.
- (vi) that the lease deed specifies;
  - (a) the duration of the lease;
  - (b) the amount of each installment of the rent and the date on or before which it is payable;
  - (c) the compensation payable in case of payment of any installment after the due date;
  - (d) the liability of the lessee to make good any loss caused to Gram Panchayat on resale or through departmental management and resale owing to default on the part of the lessee to fulfill the terms of contract.
  - (e) The rates of the fees to be levied by the lessee in the market landing places, halting places, cart-stands, slaughter house, fisheries and ferries;
  - (f) An express condition that the lessee shall be liable to pay such ground rent as the collector may fix from time to time (G.O.Ms.No.496 panchayat dated Raj 11-6-66).
- (vii) that the lease deed is stamped according to the Indian Stamp Act and is signed by the executive authority and lessee in the presence of witnesses and is also registered, where the period of the lease exceeds one year.
- (viii) that when expenditure is incurred from Gram Panchayat funds on sanitary arrangements in connection with fairs and festivals in the village, the village sites belonging to the government and assessed and unassessed waste lands at the disposal of the Government have been leased out or fees collected departmentally, after obtaining the previous permission of the Tahsildar and proceeds credited to the gram panchayat funds.( G.O.Ms.No 5676 Public health dated 3-12-1940).

**Note: -**

(1) Government land when alienated in favour of Gram Panchayats and panchayat samithis (now Mandal Parishads) for remunerative as well as non- remunerative public purpose should be alienated free of market value, but subject to the other usual condition of alienation under B.S.O.24 (G.O.Ms.No.402 Revenue (Q) Department dated 23-2-78).

(2) In the case of lands and buildings the Gram Panchayats may with the sanction of the District Collector dispense with public auction and the lease renewed in favour of the person to whom it was originally granted, when it is advantageous to Gram Panchayat.

(3) Adequate security for due fulfillment of terms of a lease for the produce of usufruct of trees or of the right to collect the fees in respect of markets, cart-stands, landing places or halting places, slaughter houses, fisheries or of any other similar right should be taken from the lessee and the security taken should not be repaid to the lessee until the terms of lease are satisfactorily complied with. The amount of security deposit may be adjusted towards the last instalment due under the lease (G.O.Ms.No.496 panchayat Raj dated 11-6-1966).

(4) the holding of a resale just because a petition offering the higher amount is received after the sale should be defeating the very object of sale by auction .A resale can be held only if the panchayat refuses to accept any of the bids at the original auction sale and direct that a resale should be held.

(5) A sum due to a Gram Panchayat under a contract cannot be regarded as due to it within the meaning of section 135 of the act. The period of limitation prescribed therein will not, therefore, apply to sums due to panchayats under contracts, which are governed by Article 116 of the schedule-I to the Limitation Act. Such sums may, if the contracts have been registered be recovered by a suit instituted within 6 years from the date on which the cause for action arose

**The following points should be examined in auditing the receipts from leases and accounts maintained in connection therewith.**

- (i) that the lease amount, amount of security taken, the date of agreement, the amount of instalment of Kist due, the due date of payment and the rate of penal interest are noted in the Miscellaneous Demand Register.
- (ii) that the collections are posted from the counterfoils of miscellaneous receipts and recoveries from bills, if any, payable to the lessee;
- (iii) that penal interest is calculated and recovered or written off with the sanction of competent authority;
- (iv) that the amount of security deposit noted in the miscellaneous Demand Register agrees with that shown in the deposit register against the lessee concerned;

- (v) that the security deposit has been adjusted towards last three instalment of kists or towards any instalment of the lease amount overdue from the lessee and towards loss sustained by resale or departmental management;
- (vi) that when a resale is conducted or when a lease is terminated on account of the default of the lessee necessary legal steps are taken for recovery of the loss from the original lessee
- (vii) that if any instalment due under lease is not paid within one month of the date on which it is payable, the executive authority has forthwith reported the matter to the Gram Panchayat which should terminate the lease and order its management departmentally at the risk of the lessee till it is resold if a resale is ordered,
- (viii) that balances outstanding at the close of the year are carried forward to the subsequent years' registers.
- (ix) that the demand, collection and balance both under arrears and current agree with the statement received in the audit Office.
- (x) that the register bears evidence of scrutiny at the hands of Executive Authority along with the review of the monthly demand collection and balance statement;
- (xi) that in respect of the lease amounts remaining uncollected for three years suits are instituted for the recovery before they became barred by limitation of time; and
- (xii) that the amounts decreed towards kists costs etc noted in the Miscellaneous Demand Register and the recovery watched.

**B) (II) Sales by auction** (Rule 12 and 13 of the Rules Relating to Receipts and Expenditure of Gram Panchayats issued with G.O.Ms.No.496 PR dated 11-6-1966.)

- 1) All sales of
  - a) The produce of usufruct trees
  - b) Wind fallen and withered trees
  - c) Sweepings
  - d) Tools and plants
  - e) Old Stores and materials

2) Lease of buildings and lands belonging to Gram Panchayat

should be effected by public auction. It should be seen

- i) That the public auction is conducted by the executive authority or by a person duly authorised by him.
- ii) That full publicity is given
- iii) That the bids at the auction are placed by the executive authority before Gram panchayat.
- iv) That the G.P. has accepted the highest bid and where the bid accepted is not highest bid the reasons for rejecting a bid or bids higher than the one accepted are recorded in writing.

**Note-** 1. Gram panchayat may with the previous sanction of District collector, dispense with public auction in the case of lease of lands and buildings when it is advantageous to renew the lease in favour of the person to whom it was originally granted.

2. Gram Panchayat may dispense with public auction in regard to the sale of usufruct of the coconut trees situated in localities inhabited by S.Cs and S.Ts and permit the SC and ST families residing in the locality to enjoy the said usufruct on payment of Rs.30 per tree per annum to the GP. The amount so derived in the area should be utilized for the welfare of the SC/ST community in the village.

3. 15% of the shops and stalls constructed by the Gram Panchayat should be leased out to the members of S.Cs recommended by the District Social Welfare officer concerned in consultation with the District Collectors, on payment of market rate or rent paid by the neighboring shops, without the normal channel of public auction.

- v) That adequate security has been taken, which should not be repaid unless and until the lessee has satisfactorily complied with the terms of lease, but the amount may be adjusted towards the last instalment due under the lease
- vi) The articles sold are not allowed to be taken possession of by the successful bidder until he has paid the full amount payable by him.
- vii) That all sales are shown in the register of miscellaneous sales and that all realizations of amounts are entered therein.

**B) (III) Sale of usufruct and trees vested in Gram Panchayat.**

(Section-58 of the APPR Act 1994 read with the Rules issued with G.O.Ms.No.76 PR&RD (Rules) Dept dated 13-3-2001)

-It should be seen

- i) That the GP has maintained a register of all locations, areas or spaces, where trees are planted and the date of plantation on the public lands.
- ii) That the upset price for the usufruct trees in the GP and the upset price for selling mature silviculture plantations is arrived at by fixing 70% of the market value of such usufruct or timber or fuel wood in the market and got approval of the District Panchayat Officer.
- iii) That after approval of the upset price, a notice of auction-cum-tender is published as required in Rule-6 of the Rules.
- iv) That the persons who have produced solvency certificate upto one and half times of upset price are allowed to participate both in auction and tender.
- v) That the participants have deposited 25% of the upset price in the form of Demand Draft or cash.
- vi) That defaulters to GP or Forest Department are not allowed to participate

**Note:** - The following Departmental Officers should be present during auction proceedings

- a) Extension Officer where upset price is less than Rs 25000/-
- b) Divisional Panchayat Officer where the upset price is not below Rs.25000/- but not exceeding Rs.One Lakh
- c) District Panchayat Officer Where the upset price is more than Rupees One Lakh

- vii) That the auction is conducted in the presence of Sarpanch.
- viii) That the participants have paid the security deposit that the highest bidder is confirmed by the GP
- ix) That the lessee has paid the balance of amount of 75% before entering into the property to cut the trees.

**Note:** - 1) In case of usufruct the lessee has the right to enjoy the produce for a period of one year from taking possession of the property.

- 2) In case of usufruct of trees, the Panchayat can renew the lease for a further period of two years at an annual increase of 7-½ %

### **(C) Revenue managed departmentally**

In case where the collection of revenue such as market fees, cart-stand fees etc, is managed departmentally the following checks should be exercised: -

- (i) Receipts having fixed value printed on them have been issued for departmental collections. The total number of each kind of receipts issued should be ascertained and the amounts realized arrived at by multiplying the number of receipts by the rate thereof. An abstract should then be made of the several totals and agreed with the amounts shown in the posting register.
- (ii) The counterfoils of receipts issued should be examined for one month completely and for two days in each of the remaining months with a view to ascertaining whether there are any credits or delays in credit etc., If in the course of test audit, any serious irregularities are noticed, such further detailed check as the auditor may consider should be exercised.
- (iii) It should also be seen;
  - (a) whether a proper account in Parts I and II as prescribed kept of the receipts, issues and balances of the printed receipt books,

A register in two parts should be maintained in the office of the gram panchayat in respect of the tickets. The first part should be stock register for catering the receipt and issue of ticket books and the second part should be a personal ledger account for each Officer entrusted with the collection of revenue by means of these tickets.

**Note:** - The bills or invoices forwarded by the printers should be obtained and examined for the purpose of testing the entry relating to the receipt of books in the account. The issue should be checked with the number of books as receipts in Part II of the register referred to above, while as regards balances, the number of books both in hand and in use should be verified. If any of them are not forthcoming, the matter should at once be brought to the notice of the Executive Authority and in the absence of satisfactory explanation, the same should be pointed out in the audit report.)

- (b) whether the books have been machine numbered and stamped with the common seal of the Gram Panchayat in the presence of the executive authority or any persons authorized by him in this behalf,
- (c) whether the remittances shown as made by them have been brought into account in the Gram Panchayat Office,

- (d) whether proper collection registers are maintained by the officers entrusted with the collections,
- (e) Whether the Gram Panchayat office has exercised proper check over the realizations,
- (f) Whether the daily collections by each kind of ticket have been entered in personal ledger account and the balance struck at the end of every day,
- (g) Whether the balance of books in office has been verified at regular intervals by the executive authority or any officer authorized by him, who should certify each verification,
- (h) Whether adequate security has been taken from the persons entrusted with collection work.

The collections for any two months of the period under audit should be traced from the subordinates account into the chitta through the collection register to see that the collections have been remitted fully and punctually.

#### **(D) Fluctuating items of revenue**

Fluctuating items of revenue are those not falling under the heads referred to above and are generally the following:

- i) Land-cess,
- ii) Shares of income derived from markets in the GP areas apportioned,
- iii) Income derived from fairs and festivals apportioned,
- iv) Income from ferries apportioned,
- v) Income from endowments and trusts,
- vi) Magisterial fines,
- vii) Seignorage fees,
- viii) Grants received from State Government and Central Government,
- ix) Unclaimed deposits and other forfeitures, etc.,
- x) Fees on Licenses and permissions,
- xi) Share of entertainment tax.

A complete check of all the items of such revenue appearing in various Demand Registers of the previous year with the registers of the year under audit has to be done in audit.

It should be seen:

- i) Whether any item of such revenue received in the previous year has not been received during the year in full,
- ii) Whether action is taken by the executive authority by addressing the concerned administrative authority regarding non-receipt or part receipt of the item,
- iii) that an objection is raised in the audit report about the non receipt of such items of revenue during the year under audit.

#### **6.4 Levy, Assessment and Collection of taxes, Grant of Licences and collection of fees, Assigned revenues, Items of revenue realized through leases, collected departmentally, grants received from Govt etc., and audit checks are detailed hereunder.**

##### **(A) Taxes - Mandatory**

(a) Assessment and Collection of taxes other than those specified in Section-71 (Rules issued under Section 268 for the Act with GO MS No.30 PR&RD and Relief Dept dt: 20-1-95 as amended.)

##### **General:**

- i) It should be seen whether the Executive Authority has levied all the taxes ordered to be levied under this Act.
- ii) The Executive Authority has determined the Tax to which each person or property is liable.
- iii) In the case of taxes payable by executive authority, the assessment is made by the Gram Panchayat.
- iv) After the tax payable by a person is determined for the first time under this Act, a notice in the prescribed manner has been served to the person.
- v) In case of inadequate assessment, or omission from the assessment book relating to any tax or in case of clerical or arithmetical error in the books, the said books are amended by the executive authority on the directions of the Gram Panchayat, after giving a special notice to person where it involves an increase in the assessment.

**Note:-** Such amendment shall be deemed to have taken effect on the earliest date, either in the current year or in the two years immediately preceding it, on which the circumstances justifying the amendment existed.

- vi) The executive authority has given to every person making payment of a tax, a receipt thereof containing the following details signed by him or by some person duly authorized by him in that behalf
- 1) The date of payment of Tax,
  - 2) The name of the person by whom the tax is payable,
  - 3) The tax in respect of which the payment has been made,
  - 4) The period for which payment has been made,
  - 5) The amount paid.

**(b) House Tax**

House-tax shall be levied every year under Section-61 of the Andhra Pradesh Panchayat Raj Act 1994 read with the rules issued with G.O.MS.No.30 PR and RD and Relief dated 20-1-95 as amended. With regard to the manner of Assessments, Vacancy Remissions and Exemptions, the Rules Relating to Levy of Taxes Issued with G.O.Ms.No. 282 PR dt. 12-03-1965 as amended have to be followed.

**Assessment of House tax**

When the Gram panchayat has resolved to assess houses for the purpose of house tax, it should be seen

- i) whether it has been resolved to levy tax on annual rental value or capital value of the houses or such other basis as may be prescribed.  
**Note:** - The rates fixed by gram panchayat may either be proportionate to the value of the houses or may advance in systematic progression with the value of the house, but it shall in no case decrease as the value of the house increases and if any classification is made in either of the methods as per Rule-5 of the rules, the number of classes shall in no case be less than six.
- ii. that it is levied at such rate as may be fixed by the Gram panchayat not being less than the minimum rates and not exceeding the maximum rates prescribed in regard to the basis of levy adopted by gram panchayat.
- iii. whether the executive authority has requisitioned the Village Administrative Officer having jurisdiction over any area comprised in the village to prepare and furnish the list of all houses within such area and entered in the list the names of owners and occupiers of such houses.
- iv. That the assessment books have been prepared on receipt of the above said list of houses, with distinct columns, the name of the owner and occupier of each house, the class, if any, under which such house is taxed, the amount of the tax due and the date on which the tax is payable.
- v. whether public notice has been given by beat of drum in the village, and the place or places where the books may be inspected with an opportunity to raise objection through a petition by sending it to the executive authority so as to reach him within 15 days from the date of such public notice and such petition has been disposed of within a period of thirty days from the date of receipt of such petition.
- vi. when the executive authority has amended the assessment books between one general revision and another by inserting any house there on removing any house there from or by altering the valuation or classification of any house or the amount of tax payable in respect thereof, by substituting therein for the name of the owner of any house, the name of any other person who has succeeded by transfer or otherwise to the ownership of the house, that the amendment is given effect from the first day of the year in which it is made.
- vii. that where the amendment is made in any year after expiration of date on which payment of the tax is due, it is given effect from the succeeding year.
- viii. that where the amendment is made due to fixation of fair rent, it is given effect to from the date on which the fair rent is fixed.  
a. Note:- The decision of the executive authority in disputed case of transfer of ownership of a house shall not give the transferee a legal title to the house.
- ix) whether special notice has been given to the owner or occupier of the house in every case of assessment of any house for the first time or increase in the assessment, otherwise than in consequence of general enhancement of the rate between one general revision and another intimating him that a petition for revising the assessment will be considered, if it reaches the gram panchayat office within sixty days from the date of service of such notice in the case of State or Central Govt. or a Company and within 30 days from the date of service of such notice in other cases.  
Note:- The amendment of assessment books at any time between one assessment year and another is applicable only to the new constructions and the extension of old constructions.

- x) whether the petitioner or his authorized agent has been informed orally or in writing of the orders passed on his revision petition to reduce the tax to which he is liable for the forthcoming year on the ground that the annual or capital value as the case may be, of the house in respect of which tax is imposed has decreased since the assessment of the house was last made or revised, and has been directed to pay the amount fixed on revision within fifteen days after the date of receipt of such intimation or if the amount is not yet due, within fifteen days from the date on which it becomes due and cause the assessment books amended.
- xi)
  - a) The executive authority shall not be bound to cause new lists or assessment books to be prepared every year, but may adopt those of the preceding year with such amendments as have been made or may be made for the preceding year.
  - b) The general assessment shall be deemed to have taken effect on the first day of the year.
- xii) The executive authority shall subject to the provision of Rule-9, maintain the assessment books in accordance with an yearly hike of 5% on the existing tax.

### Appeal

An appeal shall lie to the Gram panchayat in respect of the assessment and imposition of the following taxes.

- a) The assessment and imposition of house tax under Rule-7 and the orders of the executive authority under Rule-11 upon a revision petition.
- b) The imposition by the executive authority of a tax on any vehicle.
- c) The assessment of a tax on agricultural land, the levy of which has been sanctioned by the commissioner under this Act.

No appeal to a Gram Panchayat shall be heard

- i) Unless it reaches the office of the Gram panchayat before the date fixed for the payment of tax complained of and
- ii) unless, except when the executive authority otherwise directs on the ground of poverty, the tax in respect of which the appeal is presented has been paid or deposited at the office of the Gram Panchayat before the date referred to in clause (i)
  - Note:-(1) The amount of tax demanded has to be paid within fifteen days from the service of the bill or the giving of the direction referred to in Rule 11 or notice under Rule 14 or prefer an appeal.
  - Note:-(2) Gram Panchayat may admit an appeal within fifteen days after the date fixed for payment of tax, if cause is shown to its satisfaction for not preferring before the said date.
- iii) No appeal lies to the Gram Panchayat where house tax is revised every year by a yearly hike of 5% on the existing house tax.

### Other Rules

Rule 21&22 deal with the powers of Gram Panchayat to cancel or modify any order passed by the executive authority reducing or remitting a tax and correction of assessment books.

Rule 23 deals with the revisionary powers of government.

Rule 24 deals with the Appointment of special officer by the Commissioner of Panchayat Raj to exercise the powers of the gram panchayat and executive authority under Rule 2,19&21.

### Collection of taxes

The house tax, subject to prior payment of the land revenue if any, due to the Govt. in respect of the site of the house be a first charge upon the house and upon the movable property if any, found within or upon the same and belonging to the person liable to pay such tax.

- i) The executive authority has to serve upon the person from whom a house tax is due, a bill for the sum due and such person has to pay the amount of tax within 15 days from the service of the bill or giving of the direction referred to in Rule 11.
- ii) If the person from whom tax is due has not shown the cause to the satisfaction the executive authority, why it should not be paid, the executive authority by enforcing the provisions of Rule 26 may recover by distraint under his warrant and the sale of movable property of the defaulter wherever it may be found within the area of the Gram panchayat, the amount due on account of the tax together with the warrant fee and the distraint fee and the charges that will be incurred in connection with the detention and sale of property so distrained.
- iii) If for any reason the distraint or a sufficient distraint of the defaulter's property is impracticable, the executive authority may prosecute the defaulter.

- iv) The officer charged with the execution of warrant shall before making the distraint, demand payment of tax due and warrant fee and if the tax and fee are paid, no distraint shall be made.
- v) If the distraint is made, a period of seven days shall be allowed for paying the amounts due and redeeming the property.
- vi) If the amounts due are not paid within the period of seven days the property seized or sufficient portion thereof shall be sold by public auction under the orders of the executive authority and the proceeds of the sale be applied to the payment of amount due on account of tax, the warrant fee and the distraint fee and expenses incidental to the detention and the sale of the property.
- vii) If the tax remains unpaid in whole or in part within fifteen days as mentioned above, executive authority may if the said tax has remained unpaid for more than twelve months, require the occupier for the time being of such building to pay the amount within a specified period not being less than fifteen days and if the occupier fails to comply with such requisition, the executive authority may distraint the property and recover the amounts due as per the provisions of the rule in the foregoing paras.
- viii) If any tax due from any person remains unpaid in whole or in part and if such person has left India and cannot be found, the amount due and all sums payable in connection therewith shall be recoverable as if it were an arrear of land revenue.
- ix) 1) The person who is prosecuted on proof to the satisfaction of the court that he willfully omitted to pay the amount due by him or that he willfully prevented distraint or a sufficient distraint, to pay a fine not exceeding twice the amount due by him on account of
  - a) the tax and warrant fee if any, and
  - b) if distraint has taken place, the distraint fee and the expenses incidental to the detention and sale if any, of the property distrained.
 2) Whenever any person is convicted of an offence mentioned above, the court shall in addition to any fine which may be imposed, recover summarily and pay over to the Gram Panchayat the amounts due specified at (a) & (b) above and may at their discretion also recover summarily and pay Gram Panchayats such amount, if any, as may be fixed by them as the costs of the prosecution.
- x) Neither the executive authority nor any officer or servant of the Gram Panchayat shall directly or indirectly purchase any property at any sale of distrained property held under the rules.
- xi) No distraint shall be made, no prosecution shall be commenced in respect of any tax or other amount due to a Gram Panchayat under this Act or any rule, by-law, regulation or order made under it after the expiration of a period of three years from the date on which distraint might first have been made, a suit might first have been instituted, or prosecution might have been commenced, as the case may be, in respect of such tax amount. (Section 135)
- xii) In respect of House tax at the closure of the financial year, the list of defaulters/arrears Demand Register has to be maintained.

#### Buildings exempt from house tax

- 1) The classes of houses listed in Rule 5 of the rules vide G.O.Ms.No. 282 PR Dated 12-03-1965, as amended, are exempt from House Tax.
- 2) Houses belonging to Ex-Servicemen, widows of Ex-Servicemen and also serving Army personnel, subject to the condition that
  - i) the houses should be occupied by him/her and in case of serving Army personnel, the house should be occupied by members of his family when he is on duty
  - ii) only one house/ property whichever the Ex-Servicemen/ widow/ serving Army Personnel chooses alone shall be considered for exemption. This exemption is ordered from the date of issue of this order pending amendments to the Andhra Pradesh panchayat Act 1994, and rules and regulations issued thereunder.  
(G.O.MS. No: 371 Panchayat Raj (Panchayat III) dated 20-11-03)
- 3) No tax shall be levied on poultry sheds and annexes thereto, which are essential for running farms.  
(According to Proviso under clause(c) under sub- section- (1) of section-61 of Andhra Pradesh Panchayat Raj Act 1994 and clarified in Memo No.10870/Panchayats iii /A/90-20 Panchayat Raj, Rural Development and Relief dated 14-9-94)
- 4) Govt. direct all the Collectors (Panchayats) to issue instructions to all Gram Panchayats under them to exempt the Non-gazetted officers/Teachers' Association Homes, commercial complexes with shopping complexes from payment of property tax from the date of issue of these instructions, pending issue of rules under Andhra Pradesh panchayat Raj act.1994.  
(Memo no.71113/pts iii/A1/94-1 dated 18-11-94)

**(c) Library cess**

Under Section-20 of the Andhra Pradesh Public Libraries Act 1960, levy of library cess by Gram Panchayat is obligatory and the Library cess has to be collected as a surcharge on the House tax at the rate of Eight paise for every rupee. It should be collected with the house tax and remitted into the treasury to the credit of the Local Library Authority at the end of every month. Buildings belonging to the Central Government and Railways are not liable for the payment of Library Cess. But buildings belonging to the State Government are not exempt from the levy of library cess. (Government memo No 1286/pts iii/73/1 dated 10-9-1973, G.O.Ms.No 1217 Education department dated 28-10-1981)

**(d) Kolagaram or Katarusum**

Kolagaram or Katarusum means tax on the village produce sold in the village by weight, measurement or number.

This tax is levied under Section 60 of the Act.

It should be seen that

- i. It has been resolved in the Gram Sabha and Gram Panchayat before levy of this tax
- ii. It is levied on those who sell in the village the crops produced in the village only
- iii. A receipt is issued to every person in respect of the tax collected from him.
- iv. A register showing the name of vendor, the commodity sold by him, its weight or measurement or number and the amount of tax collected from him, is maintained.

**(e) Tax on advertisement**

This tax is levied under Section-63 read with the Rules relating to levy of Tax on Advertisements issued with G.O.Ms.No. 326 PR &RD (pts iii) Department dated 3-9-97

This tax is collected from the person on every Advertisement, which is erected, exhibited, fixed, retained or displayed by him to public view.

It should be seen that

- i) It has been resolved in the Gram Panchayat to levy the tax and the rate at which it has been levied and has been approved by Grama sabha
- ii) the approval of the Zilla Parishad has been obtained for levy of the tax
- iii) the rates are within the maximum and minimum prescribed by the Government.

**Note:-** The maximum rates of tax on advertisement other than the advertisements published in the news papers are specified in the schedule to the G.O.Ms.No. 326 PR &RD (pts iii) Department dated 3-9-97

- iv) this tax shall not be levied on any advertisement or a notice of the nature under the proviso to Section 63 of the Act.

**(f) User charges**

User Charges levied under Section 71 of the Act read with the Andhra Pradesh Gram Panchayat (Levy of user charges) Rules 2002 issued with G.O.Ms No. 97 PR & RD (Panchayats iii) department dated 14-3-2002. Every Gram Panchayat may levy user charges annually to meet the operation and maintenance of the common civic amenities.

It should be seen that

- i) the user charges have been arrived at for collection, only after the gram sabha passed a resolution, and after considering the statement showing the receipts and charges under various heads of accounts for the three years preceding the year in which the proposal is made, the budget estimate for the year in which the proposal is made and the cost of the works in respect of which the tax is proposed to be levied and the amount of tax likely to be realized per year
- ii) the Gram Panchayat in consultation with the Gram sabha has passed a resolution in a meeting specially convened for the purpose and supported by not less than one half of the sanctioned strength of the GP specifying the purpose for which, the rate at which and the period for which the user charge is to be collected.
- iii) The receipts out of these user charges are earmarked and used for the purpose for which the user charges are levied.
- iv) A special account in a separate register showing the proceeds out of the user charges and the expenditure and the net balances available at the close of the financial year has been maintained.

- v) A separate demand has been issued for the purpose of collecting the user charges as decided by the Gram Panchayat.
- vi) The demand for the year has been arrived at
- vii) A penalty of not less than Rs.50/- has been imposed on the persons who tried to avoid payment of tax.

**(B) Taxes - optional**

**(a) Tax on Agricultural land for a specific purpose**

This tax may be levied under Sub-Section 3(ii) of Section-60 read with the Rules relating to 'Levy of Tax on Agricultural Land for a Specific purpose' issued with G.O.Ms.No.64 PR RD and Relief (Pts.III) dept. dt. 5-2-96.

It should be seen that

- i) the sanction of District Collector has been obtained to levy the Tax duly submitting the proposal to the District Collector through Mandal Parishad with a resolution of the Gram Panchayat and Gram Sabha, Statement of receipts & charges for the preceding three years, the Budget for the year and the particulars of the approximate or estimated cost of the work in respect of which the tax is proposed to be levied and the amount of tax likely to be realized in year,
- ii) the rate at which and the period for which the tax shall be levied is specified in the Sanction Order,
- iii) that the rate of Tax has been fixed on the basis of the extent of land but Gram Panchayat may adopt different rates, one for the wet land and the other for dry land commensurate with the value of land,
- iv) that the rules issued in G.O.Ms.No. 30 PR, RD&R(Pts.III) Dept..dt.20-1-95 and such other rules as may be made under Section 268(2)(xiii) of the Act regarding the assessment and realization of tax shall apply mutadis-mutandis to the assessment and realization of this tax,
- v) that the proceeds of the tax have been credited to a separate head earmarked for the purpose for which it is levied and a separate account is maintained for the transactions relating to the proceeds.

**(b) Land Cess (Section- 60(3)(iii))**

A land Cess may be levied at the rate of two paise in the rupee on the annual rental value of all occupied lands, which are not occupied by or adjacent and appurtenant to buildings.

**(C) Non-Tax Receipts**

**Fees for License and Permissions**

- i) The fee payable in respect of every such licence or permission should be collected in advance when application for the licence or permission is presented.
- ii) A person who is a barber, washerman, medari or kummari or other village artisan by profession is not liable to pay any fees in relation to the licence granted to him for use of any place in the Gram Panchayat for exercising his profession or transacting his business as such.( Section 127 )
- iii) Demand Register has to be maintained and demand certified.
- iv) Demand Notices have to be served to those who are exercising profession or carrying business without obtaining license or renewing the license and if license is not obtained even after issue of Demand notices, suit has to be filed in court after conducting panchanama.
- v) Collection of License Fees will become time-barred after closure of the financial year.
- vi) The particulars relating to the collection of fee and to the grant of such licence and permission be entered consecutively in the Register of Licence and Permission.
- vii) As these collections represent advance collections they may be treated in the account as deposits and the total of these amounts received in each month may at the end of the month be shown as one entry in the deposit register and the total compared with the total in the account and transferring the amounts to licence fees of the year to which they relate.

**a) Licence fees for use of places for specified purposes**

1. Under Section 119 of the APPR Act 1994, no place within the limits of the village should be used for any one or more of the purposes specified in the rules made in this behalf without license issued by the executive authority.

2. This may be levied under Sub-Section (1) of Section-268 read with Sections 119 and 120 of the APPR Act 1994 and also read with the Rules relating to Levy of Licence Fees for Grant of permission and Licence for in respect of machinery or manufacturing plants driven by electrical power/steam, water or mechanical power issued with G.O.Ms.No. 16 PR, RD & Relief (Pts. III) Dept.. dt. 10-1-96.

It should be seen that –

- i) when the Gram Panchayat notifies for the first time that the places within the limits of the village should not be used for certain specified purposes without a licence issued by the Executive Authority, due publicity is given to it by displaying it in the Notice Board of the Gram Panchayat and also in three important places in the village and the effect of the notification is given effect only after expiry of sixty days from the date of notification,
- ii) that the fee is charged and collected for a period of upto three years not exceeding the maximum specified in the schedule annexed to the Rules,
- iii) Permission of the Gram Panchayat has been obtained in the prescribed manner for construction, establishment or installation of a factory, workshop or work place in which it is proposed to employ steam power, water power or other mechanical power or electrical power or to install in any premises, any machinery or manufacturing plant driven by steam, water or other power.

**(b) Fees for granting permission for layout and construction of building**

This fee may be levied under Section-121 of the Act read with the APGP Land Development (Layout and Building) Rules 2002 issued with G.O.Ms.No. 67 PR & RD (Pts.iv) dept. dt.1-5-02. The above rules apply to Gram Panchayat areas to the extent of Levy of fees under Sub-rules (3) and (4) of Rule i.e., Application scrutiny fees and other charges levied by the Executive Authority and other charges viz, development charges and betterment charges for grant of permission for layouts, construction and reconstruction of buildings, in accordance with the norms laid down therein on payment of the fees and charges as prescribed in the schedule to Rule-27 of the rules.

**(c) Fees on cattle stalled in the community cattle sheds (Section- 46(xiii) of the Act read with the Rules issued in G.O.Ms.No. 29 PR&RD dept.Dt.28-1-97)**

It should be seen that in cases where the community cattle sheds are provided by the Gram Panchayat, the fees are collected from the owners of the cattle subject to the maximum and minimum rates specified under Rule-9 of the Rules as shown below:

SI No.	Nature of cattle	Maximum per month (Rs.)	Minimum per month (Rs.)
1.	For each cow, bullock, buffalo or horse	8-00	3-00
2.	For each sheep, goat or donkey	4-00	1-00

**(d) Issue of licence with penalty to unlicensed pigs and dogs (Section- 92 read with the Rules issued with G.O.Ms.No. 345 PR&RD & Relief (Pts.III) dept. Dt. 14-8-96)**

Every year, the owners of the pigs and dogs should apply and obtain licence for their pigs and dogs from the Executive Authority. In case licences are not obtained and when a pig or dog is seized, the Executive Authority shall intimate the owner of its detention and the period within which it should be removed on issue of licence, if not already issued, with a penalty of Rs.1/- and Rs.5/- respectively for every twenty-four hours of its detention or part thereof. In default of such payment within the specified period, the Executive Authority shall sell the pig or dog in public auction duly following the procedure prescribed in the rules and the sale proceeds credited to the Gram Panchayat fund. If no price could be secured for any pig or dog in such auction sale, the Executive Authority shall cause the pig or dog to be destroyed duly following procedure in the rules.

It should be seen that –

- i) Every licence granted under Rule1 has been entered in a register opened for the purpose and it shall contain the name and address of the person who owns or is incharge of the pig or dog and other particulars of the animal, the number and date of issue of the licence and the amount collected by way of penalty or other charges mentioned in the foregoing paras.

- ii) A separate register has been maintained showing the description of the pig or dog seized, the time of its seizure, the name and address of the person who owns or is incharge of the animal, the penalties and other charges collected, if any, date of such collection and the date of release of the pig or dog.

**(e) Fees on Tap connection**

The Gram Panchayat collects fees every month for water connection secured by the house owners under the protected water supply scheme.

**(f) Entertainment Tax on Cable TV networks operated by Cable TV operators**

In G.O.Ms.No.708 Rev (CT.III) dt.18-12-2000, the Executive officers/Panchayat Secretaries have been appointed under Section- 20 of the Andhra Pradesh Entertainment Tax Act 1939 read with the clause (i) of Rule-3 of the Andhra Pradesh Entertainment Tax Rules 1939, as Entertainment Tax Officers to exercise the powers in respect of collection of tax on entertainment on Cable TV net works operated by the Cable TV operators within their jurisdiction.

It should be seen in audit that the tax is collected by the Panchayat Secretary at appropriate rates.

**Note: - The above orders have been withdrawn and the powers of “Entertainment Tax Officer” are conferred on the officials of Commercial Taxes Department in G.O.Ms.No. 1644 Rev (CT.IV) Dept Dt. 8-11-2006.**

**(g) Warrant/distrain fees**

The Executive Authority has to enforce the provisions of issue of warrant and distrain the property of the house owner who does not pay the House Tax, vide Rules 26 to 33 of the Rules relating to Taxes other than those specified in Section- 71 issued in G.O.Ms.No. 30 PR, RD & Relief dt. 20-1-95 as amended. In such cases, the fees for warrant issued and distrain fees together with the expenses incidental to detention and sale of property and any fine imposed by courts in cases convicted if any for willful omission to pay the tax or prevention to distrain or sufficient distrain are collected and remitted to the Gram Panchayat funds.

**(h) Penalties**

Gram Panchayat is vested with powers and functions to take steps for the welfare of the people vide Sections-82 to 144 of the Act. If the Gram Panchayat is prevented from exercising its powers and functions, Gram Panchayat is empowered under the relevant rules to impose fines and penalties enlisted in schedule III and IV to Section- 271 of the Act. It shall be seen in audit that the fines and penalties imposed are collected and credited to the funds of the Gram Panchayat.

**(i) Fees on Animals brought for sale into or sold in public markets. (Section- 104 of the Act read with the Rules issued with G.O.Ms.No. 668 Pts.III Dt. 16-10-95)**

It should be seen that the following fee is collected in respect of every animal brought for sale into or sold in public market:

- |     |                                                                 |         |
|-----|-----------------------------------------------------------------|---------|
| i)  | horse, bull, bullock, cow<br>and buffalo                        | Rs.5-00 |
| ii) | sheep, goat, pig and other<br>domesticated small-size<br>animal | Rs.2-00 |

**Note:** Facilities such as shelter, water etc. and medicines for the treatment of such animals as are sick, shall be provided in public markets at the cost of Gram Panchayat. The Gram Panchayat shall make necessary arrangement for supply on payment, fodder for animals in such public markets.

**(j) Licence fee for Private Markets (Section- 106 of the Act read with the Rules issued with G.O.Ms.No. 58 PR&RD Dt.18-2-2000)**

It should be seen –

- i) that when a licence granted under Section104 permits the levy of any fees of the nature specified in Sub-Section 2 of Section104, a fee not exceeding fifteen percent of the gross

- income of the owner from the market in the preceding year has been charged by the Gram Panchayat for such licence,
- ii) that the owners/occupiers of private market have been issued tickets for collection made daily for use of such market and receipts for collection made periodically,
  - iii) that the receipt books and ticket books are printed in Forms I & II respectively given in Appendix to the rules,
  - iv) that the rates to be charged have to be displayed boldly at conspicuous place of the market at the main entrance in Telugu or Urdu language,
  - v) that the ticket books are printed separately for each rate of fees charged in Telugu or Urdu,
  - vi) that a register of collections and disbursements is maintained in Form-III given in the Appendix to the Rules,
  - vii) that the registers, tickets and receipt books are checked by the Executive Authority once in every month and the Executive Authority has recorded his remarks therein about the correctness of the accounts maintained,
  - viii) that a statement of the receipts and charges relating to the markets for the previous year has been furnished with the application for renewal of licence to keep open the market.

**Note:** This dept. is competent under Section 6 of the Andhra Pradesh State Audit Act 1989 to inspect the accounts maintained by the Management of private markets including its receipts and expenditure and certify about the correctness of the dues fixed (basing on the percentage of gross revenue) and the timely payment of instalments and penalties leviable in terms of lease agreement.

**(k) Licence fee for private cart stands (Section 116 of the Act)**

No person shall open a new private cart-stand or continue to keep a private cart-stand unless he obtains from the Gram Panchayat a licence to do so or renews the licence every year. Gram Panchayat may levy a fee not exceeding two hundred rupees for grant or renewal of the licence.

**(l) Fees and Rent for use of public slaughter house (Section- 117 of the Act read with the Rules issued with G.O.Ms.No. 65 PR, RD and Relief (Pts.III) Dept.. dt. 5-2-96)**

Every Gram Panchayat may provide places for use as public slaughter houses and charge rents and fees at such rates as may be fixed by the Gram Panchayat.

**(m) Fees on erections or projections and pandals (Section 99 of the Act read with the Rules issued vide G.O.Ms.No. 88 PR&RD (Rules) Dept.. dt. 13-3-2000)**

The Gram Panchayat shall grant licence for twelve months or renew it for temporary erection of pandal and other structures in a public road vested in the Gram Panchayat or in any public place the control of which is vested in the Gram Panchayat and to put up verandahs, balconies, sunshades, weather frames and the like to project over a public road vested in such Gram Panchayat or to construct any steps or drainage necessary for access to the building, subject to certain conditions laid down in the rules.

It should be seen: -

That annual licence fee levied is paid to the Gram Panchayat in advance so long as the licence is in force.

**Note:** The procedure to be followed for levy and collection of fees on such erections or projections and pandals is the same as followed in the case of licence fees on Dangerous and Offensive trades. (From the Manual of Gram Panchayat Accounts published by Government in 2000)

**(n) Fees on each head of cattle stalled in the community cattle sheds (under Section-268 of the Act read with G.O.Ms.No.29 PR&RD dept. Dt. 28-1-97)**

It should be seen whether the Gram Panchayat has levied fees, as it deems fit, on each head of cattle stalled in the community cattle-sheds subject to the rates as prescribed from time to time.

**(o) Fees for issue of certificates**

The inhabitants of Gram Panchayats are provided with many services and the certificates of value of property, Marriage Registration certificates, Birth and Death certificates. The Gram Panchayat may collect fees for issue of the above said certificates at the prescribed rates.

**(D) Others****1. Remunerative Enterprises - Income from leases and rents****a) Income from leasing of public-halting places, cart-stands etc.(Section- 115 of the Act read with the Rules issued with G.O.Ms.No. 67 PR,RD and Relief(Pts.III) Dept.. dt. 7-2-96)**

The Gram Panchayat may provide public landing places, halting places and cart stands and levy fees for their use. It shall be open to the Gram Panchayat to permit any person to compound such fees by paying in lieu thereof such lumpsum amount as may be fixed by the Gram Panchayat.

It should be seen: -

- i) that sanction of District Collector of the Dist. concerned has been obtained to provide a public-halting place or cart stand,
- ii) that the provision of a public-halting place or cart-standing with the sanction of Dist.Collector has been published in the village and District Gazette concerned with the information of the place and rates payable for its use, a notice with the above information and also the name of the person authorized to collect the fees and the prohibited distance for use of the same purpose by any person has been displayed on the notice board in a conspicuous place in such public-halting place or cart stand,
- iii) that the fees is levied at the rates prescribed from time to time

The Gram Panchayat may auction under Sub-rule (2) of Rule-4, the public-halting places or cart-stands to any private person authorizing him to collect the fees as specified in Rule-5 as amended from time to time.

**(b) Share of income derived from Markets in Gram Panchayat areas (Section 112 of the Act read with the G.O.Ms.No. 628 PR,RD and Relief(Pts.III) Dept.. dt. 23-9-1995)**

The share of income derived from the private markets classified by Government as Mandal Markets and Gram Panchayat Markets, is apportioned to the Gram Panchayat as follows:

S.no.	Description	Share of Gram Panchayat
1.	In respect of the Gram Panchayat Markets	Entire amount
2.	In case of Mandal Parishad Markets	65% of the net income
3.	In case of Zilla Parishad Markets	37.5% of the net income

It should be seen in audit that the share of the abovementioned income is watched through M.D.R. and is credited to Gram Panchayat funds every year.

**(c) Share of income derived from Fairs and Festivals (Section- 114 of the Act read with the G.O.Ms.No. 127 PR,RD and Relief(Pts.III) Dept.dt. 14-3-1996)**

The share of the income derived from the fairs and festivals classified by the commissioner as appertaining to the Gram Panchayats, Mandal Parishads and Zilla Parishad is apportioned as follows..

Sl. No.	Description	Share of Gram Panchayat
1.	In case of fairs and festivals appertaining to the Gram Panchayat	Entire amount
2.	In case of fairs and festivals appertaining to Mandal Parishad	50% of the net income
3.	In case of the fairs and festivals appertaining to Zilla Parishad	25% of the net income

It should be seen in audit that the share of the Gram Panchayat is credited to Gram Panchayat funds every year.

**(d) Income from lease of road wises vested in Gram Panchayat**

The Executive Authority is empowered with the approval of the Gram Panchayat to lease the road wises vested in Gram Panchayat for occupation, on certain terms and conditions for such period, as the Gram Panchayat may fix according to Rule 8 of the Rules issued under Section 99 of the Act.

It should be seen that the collection of lease amounts is watched through the Miscellaneous Demand Register.

**(e) Income from management of ferries (Section 57 of the Act read with the Rules issued vide G.O.Ms.No. 87 PR&RD (Rules) Dept.. dt. 13-3-2000)**

- i) The income realized by a Gram Panchayat from any ferry under its management shall form part of its funds.
- ii) The income realized by Joint Committee or by a Zilla Parishad from a ferry under its management shall be apportioned in equal shares between the local authorities and the amount so apportioned shall form part of the funds of such local authorities.

**(f) Income from sale of usufruct and trees vested in Gram Panchayat (Section- 58 of the Act read with the Rules issued vide G.O.Ms.No. 76 PR&RD (Rules) dept. Dt. 13-3-01)**

The Porambokes viz, grazing grounds, threshing floors, burning and burial grounds, cattle-stands and topes which are at the disposal of the Government and are not required by them for any specific purpose vest in the Gram Panchayat subject to such restriction and control as may be prescribed. The Gram Panchayat has power to regulate the use of any other poramboke at the disposal of Government if authorized by Government. The Gram Panchayat may plant trees on any of such poramboke.

It should be seen in audit

- i) that a register of all locations, areas or spaces where trees are planted and the date of plantation on the public land by obtaining the particulars from Revenue, Forest and Irrigation Departments is maintained,
- ii) that the plantations got inspected by an officer not below the rank of a Forest Range Officer and his advice obtained about the growth of the species and the month in which sale of usufruct may be conducted, the cost of manure, selviculture trees in market and market value of usufruct.  
Note:
  - 1) The Gram Panchayat shall have the right to sell the usufruct trees on the road margins of National Highway and State Highways.
  - 2) The Gram Panchayat shall also have the right to sell withered trees, trees which cause obstruction etc.
- iii) whether upset price for usufruct and the upset price for selling matured selviculture plantations as required in Sub-rule-6 of the rules has been arrived at,
- iv) the sale is done by conducting auction as per Rules 6 to 10.

It should be seen that the realization of receipts from the sale of the produce or usufruct of the trees is watched through the Register of Revenue Yielding Properties and MDR.

**(g) Income from Endowments and Trusts**

All properties, endowments and funds belonging to the institutions transferred under Section 49 of the Act read with Rule 3 of the AP PR (Transfer of Institutions or Works to Panchayats) Rules 1999 issued with G.O.Ms.No. 440 PR & RD (Pts. III) dept. Dt. 17-7-99 to the Gram Panchayat shall be held by the Gram Panchayat in trust for the purpose for which such property, endowments and funds were lawfully applicable at the time of such transfer.

It should be seen

- i) that the Gram Panchayat has maintained separate set of income and expenditure account in respect of such institutions or execution or maintenance of any work for a period of two years and the accounts shall be placed in every meeting of the Gram Panchayat,
- ii) that upto date record of every endowment or trust managed by the GP is maintained,
- iii) that a register of endowments and trusts showing in separate pages the yearly transactions relating to each such endowment or trust.

## **2. Assigned Revenues**

### **(a) Surcharge on stamp duty (Section 69)**

The duty on transfers of property is levied by Government in the form of a surcharge on duty imposed by the Indian Stamp Act 1899 as in force for the time being in the State, on the instruments of the descriptions specified in the table in Section 69 relating to whole or part of immovable property as the case may be situated in the area under the jurisdiction of a Gram Panchayat.

The Government have fixed the rate as not exceeding five percent, i.e. 3% for transfer of properties and 2% for transfer of flats/apartments in Panchayat area w.e.f. 1-7-2005 in G.O.Ms.No. 239 PR&RD (Pts. III) dept. Dt. 30-6-05.

The duty levied is apportioned by Government among the Gram Panchayat, Mandal Parishad, and the Zilla Parishad concerned in the ratio of 3:1:1 respectively, and it is allocated for every three months by the concerned Sub-Registrar.

It should be seen

- i) that the intimations of quarterly allocations are entered separately in the Miscellaneous Demand Register and got adjusted to the GP funds.
- ii) that adequate action has been taken for adjustment of amounts, which are not adjusted in time and balance, if any, brought forward to the next year MDR.

### **(b) Seigniorage fees (Section- 74(XV))**

The seigniorage fee collected on minor minerals and credited to the consolidated Fund of the State is apportioned among the Gram Panchayat, Mandal Parishad, and Zilla Parishad in the ratio of 25%, 50% and 25% respectively as ordered in G.O.Ms.No. 255 PR & RD (Pts. III) Dept. Dt. 2-8-01.

It should be seen in audit that the allocation of the share of the seigniorage charges is watched through MDR and got credited to the funds of Gram Panchayat every year and the balance, if any, brought forward to the MDR of next year.

### **(c) Entertainment Tax (Section- 74(vi) of the Act) (Section- 13 of Andhra Pradesh Entertainment Tax Act, 1939)**

The Entertainment Tax collected in respect of entertainments held within the limits of any local authority has to be apportioned as follows:

3% to be credited to the State Government.

90% to be paid to the local authority.

7% to be expended for the purposes of promoting the cinematography, films, and Art.

The share of the local authority is distributed to Gram Panchayat and Mandal Parishad in the ratio of 60:40.

It should be seen

- i) that the adjustment of the share of the GP is watched through MDR and got credited to the funds of GP,
- ii) that the balance, if any, not adjusted brought forward to MDR of next year.

### **(d) Magisterial Fines**

Fines are imposed by Magistrates in respect of offences committed in the village under this Act or any rule or by-law made thereunder or any other provision of law which is prescribed in this behalf. A sum equivalent to one-tenth of the gross income derived by the Government every year from the above-said fines is adjusted to the funds of the Gram Panchayats by the District and Sessions Judge.

It should be seen

- i) that the adjustment of the amount in this regard is watched through the MDR,

- ii) that action has been taken for the amounts not adjusted and the balance, if any, not adjusted brought forward to the MDR of next year.

**(E) Income from Grants**

**1. Grants Released By State Government**

**(a) Rs.4/- per capita Grant (Section 74 read with G.O.Ms.No. 277 PR & RD (Mandal-1) dt.20-6-98**

A sum calculated at the rate of four rupees per person residing in the Gram Panchayat concerned in the State put together according to the latest census figures has to be paid every year by the Government to Gram Panchayats.

**Note:-** Govt may deduct sums, as may be found necessary from time to time, from the amount payable to the Gram Panchayat, which is due by the Gram Panchayats to the Government or to any other authorized institutions.

**(b) Salary Grant for provincialised staff of Gram Panchayat:** Government releases quarterly grant towards pay and allowances of provincialised full-time employees working in Gram Panchayats.

**(c) Grant towards Honorarium of Sarpanch, Gram Panchayat:**

Government releases grant towards Honorarium of Sarpanch, Gram Panchayats to the extent of 50% of the Honorarium admissible.

**(d) Profession Tax**

- i) Government has withdrawn Profession Tax on washerman, barber etc., in the jurisdiction of Gram Panchayats. Government releases Grant to compensate the resultant loss to Gram Panchayat.
- ii) Government allocates nearly 90% of the Profession Tax collected from the jurisdiction of the Gram Panchayats, to the Gram Panchayats on the basis of population.

**(e) Best Gram Panchayat Award**

Government introduced the scheme of giving awards to Best Gram Panchayat to create competitive spirit for improving performance and accelerate development. The performance of the Gram Panchayats in implementing several programmes is considered for selection to the award by a committee constituted for the purpose.

The incentive cash awards are as follows: (in Rs.)

State level Best Gram Panchayat: 10,000/-

Dist. Level Best Gram Panchayat: 5,000/-

Mandal level Best Gram Panchayat: 2,000/-

(G.O.Ms.No. 155 PR&RD(Pts. III) Dept.. dt. 31-3-95)

**2. Central Government Grants**

**(a) Central Finance Commission Grants**

The Central Finance Commission constituted by Central Government allocates funds every year on the basis of population of Gram Panchayat. It should be seen in audit that these funds are utilized as per the guidelines thereof.

**(b) Centrally sponsored schemes / Grants**

Central Government sanction from time to time Grants – in – aid towards creation of infrastructure, creation of employment potential etc. such as JNNURM etc. The primary objective of the schemes are to provide additional wage employment in all rural areas and thereby provide food security and improve nutritional levels and also to create durable community, social and economic assets and infrastructural development in rural urban areas. It should be seen in audit that:-

1. these funds are utilized as per the guidelines thereof
2. the funds are utilized for the purpose for which they are sanctioned
3. the amounts are spent within the time limits
4. Unspent balances, if any, are refunded and
5. U.Cs. are furnished to the Grant sanctioning Authorities.

**(F) Deposits and Advances**

**(a) Deposits / Donations for water taps**

The house owners in the Gram Panchayats who wish to have individual taps have to remit amounts in the form of Deposit or donation to the Gram Panchayat. The Gram Panchayats have to incorporate in the by-laws whether the amounts collected have to be in the form of Deposits or donations. Those who take private taps under Protected water supply scheme have to pay deposit as decided by the Gram Panchayat.

**(b) Earnest Money Deposit**

The persons who file their tenders for execution of works have to pay EMD @ 2½% i.e. 1½% of the estimate value with tender documents and the balance 1% at the time of entering into agreement by the successful bidder.

**(c) Security Deposits**

The persons/firms who take the buildings such as shopping complexes of the Gram Panchayat on rental basis have to pay Security Deposit. Security Deposits are collected from the staff who are entrusted with the work of revenue collections.

**(d) Election Deposits**

The candidates, who contest the Gram Panchayat Elections, have to pay deposits at the time of filing nominations. The deposit will be refunded to the candidates who have not succeeded but polled more than 8% of the total votes polled. The deposits of the unsuccessful candidates who have not polled required percentage of votes as above is the property of Gram Panchayat.

**(e) People's contribution**

The people within the jurisdiction of the Gram Panchayat may contribute for the developmental activities being carried out by the Gram Panchayat. The NRIs may send contributions for the development of the Gram Panchayat out of love for their native village.

**(f) Lapsed Deposits and other forfeiture**

The deposits, which are not claimed for more than three years lapse to the General Funds with the approval of Gram Panchayat. Such amounts have to be transferred from Deposit Account to General Fund Account by passing a Transfer Entry Voucher.

**g) Sale proceeds of tools and plants, sweepings, old stores and materials**

It should be seen

- i) that the orders of the GP are obtained for disposal of the unserviceable tools and plants, sweepings, old stores and materials,
- ii) that they are sold in public auction as ordered by the GP,
- iii) that the receipts of the sales are shown in the register of miscellaneous sales.

**6.5** The following Registers connected with Tax and Non-Tax Receipts have to be maintained in Gram Panchayat.

- 1) Demand Register
- 2) DCB Register
- 3) Arrear Demand Register
- 4) Register of Revision Petitions
- 5) Register of Vacancy Remissions
- 6) Register of Writes off and Remissions
- 7) Bill Books
- 8) Register of Bills Issued
- 9) Collection Register(Irsulnama Register)

- 10) Register of Warrants
- 11) Inventory and Register of Distraigned Property
- 12) Register of Licences and Permissions issued
- 13) Register of Building Permissions
- 14) Miscellaneous Demand Register
- 15) Register of Revenue Yielding Properties
- 16) Register of Miscellaneous Sales
- 17) Chitta
- 18) Register of Encroachments
- 19) Register of Prosecutions
- 20) Register of Tap Donations / Deposits
- 21) Demand Register of Monthly Water Cess
- 22) Register of Money Orders Received
- 23) Register of DDs / Cheques Received
- 24) Register of Grants
- 25) Register of Miscellaneous Receipts Books

The important points to be looked into in the course of examination of the above registers are detailed in the Appendix to this Chapter

## **7. EXPENDITURE**

### **7.1 General**

- (a) The purposes for which Gram Panchayat Fund has to be applied are laid down in Section 75 of the APPR Act 1994.
- (b) The Gram Panchayat should not without the previous sanction of the District Collector divert even temporarily any of the following special funds for any purpose other than that for which they are collected as per Section 45 read with the AP GPs (Earmarking of Funds) Rules 2000 issued in G.O.Ms.No. PR & RD (Rules) Dt. 3-7-2000.
  - i) The proceeds of Water Tax under Section- 25 of the Andhra Pradesh (Andhra Area) Public Health Act, 1989.
  - ii) The proceeds of the Special Tax on agriculture lands levied under Section- 60(3)(ii) of the Act for certain specific purposes mentioned in the Rules issued in G.O.Ms.No. 64 PR,RD and Relief(Pts.III) deptt. dt. 5-2-96.
  - iii) The proceeds of the Special Tax (User charges) on houses levied under Section- 71 for the purposes mentioned in the Rules issued in G.O.Ms.No. 97 PR&RD (Pts. III) deptt. dt. 14-3-2002.
  - iv) Loan Funds.
  - v) Special State grant sanctioned for specific purpose.
  - vi) Receipts derived from the sale of capital assets.
  - vii) Income from endowments and trusts.
  - viii) Deposits.
  - ix) Earmarked Funds for S.Cs, S.Ts and women.

### **7.2 The General Funds of the GP have to be allocated as mentioned below and spent**

1)	Establishment	30%	
2)	Sanitation		15%
3)	Street Lighting	15%	
4)	Water-supply		15%
5)	Roads & Drains	20%	
6)	Miscellaneous	5%	

### **7.3 General checks of Expenditure**

The purposes for which the general funds of the Gram Panchayats to be applied have been indicated above. The following important checks have to be exercised in the course of audit of charges:

- i) that the vouchers are prepared in printed form and in accordance with the rules,
- ii) that the vouchers are numbered serially,
- iii) that the charge is admissible and arithmetically accurate,
- iv) that details work up to the totals and the totals are entered in words as well as in figures,
- v) that the mode of payment "paid by cheque" or "paid by adjustment" has been noted on the voucher,

- vi) that there are no erasures and that any alterations in the total are attested by the officer concerned as many times as they are made,
- vii) that the charge stands the test of propriety,
- viii) that the bills have been passed by the authority empowered i.e., Sarpanch of the Gram Panchayat,  
Note: - The Sarpanch should not draw any more money than is absolutely necessary and immediately required.
- ix) that the items of expenditure are covered by the Budget provision or by reappropriation from another head as the case may be, and a certificate to that effect is furnished on the voucher,
- x) that the totals of the amounts in vouchers are noted in figures as well as in words,
- xi) that the cheques drawn in favour of Sarpanch himself for disbursement of salaries and allowances to the staff and authorized advances in cash, the sums are noted in the Petty Cash Book,
- xii) that separate acknowledgements (stamped where necessary) have been taken (where disbursements are in the Mandal Parishad Office) in the last column of the bills and in other cases in the acquittance register from each officer or any servant to whom any salary or allowance is paid,
- xiii) that where any item of expenditure requires the sanction of any authority higher than the officer or servant drawing the bill, such sanction has been obtained, quoted on the bill and a copy of the order has been enclosed to the voucher,
- xiv) that expenditure sanctioned has been drawn within one year or on specific renewal,  
**Note:-** The sanction does not lapse in certain cases as specified in sub-rules 4 & 5 of Rule 20 of the Rules,
- xv) that a bill presented after six months and also after more than one year from the date on which the claim became due has not been admitted without the orders of the Sarpanch of the Gram Panchayat,  
**Note:-** The above restriction does not apply to the claims of officers and servants of the Gram Panchayat in respect of payment of arrears of pay and allowances which are governed by separate rules (Rule-21 of the Rules).
- xvi) that stamped acknowledgements wherever necessary are available in support of payments,
- xvii) that acknowledgements by marks/thumb impressions are duly attested by witnesses,
- xviii) that payments to contractors and suppliers are made only by cheques drawn on the government treasury except for the incurring of petty contingent expenditure from the permanent advance,
- xix) that loss by theft or otherwise of other property, the value of which is more than rupees fifty, has been reported to the audit, and further action taken,
- xx) that all bills of expenditure incurred in a month with or without the sanction of Gram Panchayat have been placed before the Gram Panchayat for being passed.

#### **7.4 Establishment --General**

The salaries, allowances, leave allowances, pension and contributions if any, towards Provident Fund or Pension-cum-Provident Fund of the officers and other employees of Gram Panchayat should be paid from the consolidated Fund of the State according to Section- 36(2) of the APPR Act 1994.

The pay and allowances of the non-provincialised employees of the GP have to be paid from the funds of the GP.

The classification and methods of recruitment, conditions of service pay and allowances and discipline and conduct of the officers and employees should be regulated in accordance with such Rules as may be made under the Proviso to Article 309 of the Constitution. The provisions of the APPE (Regulation of Age of superannuation) Act 1984 and the AP (Regulation of Appointments to Public Services and Rationalization of Staff Pattern and Pay Structure) Act 1994 are, therefore, applicable to the appointments to the posts in the Gram Panchayat.

The officers and employees of the Gram Panchayats are also governed by the Fundamental Rules, APTA Rules, the AP Leave Rules 1933 or the leave rules in regard to their pay, allowances, leave and leave salary.

**7.5** The audit checks of the following establishment vouchers are detailed in Appendix II to Chapter I

- 1) Establishment vouchers,
- 2) Traveling Allowance Bills of Panchayat Secretary and other staff members,
- 3) Leave Travel Concessions Bills,
- 4) Surrender of Earned Leave Bills,
- 5) Education Fee Reimbursement bills.

- 6) Medical Reimbursement Bills,
- 7) Loans and Advances to Officers and Employees.

### **7.6 TA and DA to Sarpanch, Upa-Sarpanch and Members of Gram Panchayat**

The Sarpanch, Upa-Sarpanch and Members of Gram Panchayat are eligible for TA and DA according to the provisions of the APPR Sarpanch, Upa-Sarpanch and Members of Gram Panchayat (TA & DA) Rules 2000 issued with G.O.Ms.No. 141 PR&RD(Rules) dt.18-4-2000.

It should be seen –

- i) that if the tours undertaken are within the Mandals, no TA and DA are allowed,
- ii) that the Sarpanch has drawn sitting fees for attending Mandal Parishad meetings at the rates admissible under the relevant rules from Mandal Parishad Funds only,
- iii) that if the Sarpanch does not utilize the Government vehicle for journeys outside Mandal Parishad jurisdiction, the TA is allowed at the rates relevant to the mode of journey prescribed in Rule 2(c) of the Rules,
- iv) that where the places are connected by train, the journey was performed by train and where the Sarpanch, Upa-Sarpanch or Member performs journey by motor cycle or car between such places meeting the propulsion charges for himself, the claim is limited to the train fare entitled or the propulsion charges whichever is less,
- v)
  - a) that prior permission of Extension Officer (PR&RD) was obtained for journeys outside Mandal jurisdiction but within District,
  - b) that prior approval of Collector (Panchayats) was obtained for journeys outside the District,
  - c) that prior approval of Commissioner, PR, was obtained for journeys outside the State.
- vi) that the claim was preferred within three months from the last date of the journey,
- vii) that the TA Bills were admitted for payment only after they were scrutinized and countersigned by E.O.(Panchayats),

**Note:**

- 1) One Daily allowance is admissible for the absence of 12 hours and more and ½ DA for the absence of six hours and more and no DA for absence of less than six hours,
- 2) The Commissioner of PR is the final authority in regard to the regulation of any matter arising out of application of these rules.

### **7.7 Honorarium to Sarpanches**

The Sarpanches have to be paid honorarium as indicated below:

Sarpanches of Minor Gram Panchayats	Rs.600/- PM
Sarpanches of Major Gram Panchayats	Rs.1000/- PM

The expenditure towards the honorarium is borne by State Government and Gram Panchayat at 50:50 ratio. The share of GP has to be met from General Funds. (G.O.Ms.No. 154 PR dt. 31-3-99)

**7.8** The following Registers connected with Establishment matters have to be maintained in Gram Panchayat.

- 1. Establishment Audit Register
- 2. Register of Increments
- 3. Register of Service Registers
- 4. Service Registers
- 5. Registers of Probationers
- 6. Registers of Securities
- 7. Register of TA Bills of Officers and Employees
- 8. Register of Temporary Advances Recoverable
- 9. Register of Endowments and Trusts

The important points to be looked into in the course of examination of the above registers are detailed in Appendix to this Chapter.

## **8. Contingent Audit**

### **8.1 General nature of Contingent Audit:**

The responsibility of the effective control of expenditure rests primarily with the heads of offices and departments. Audit merely examines the fulfillment of that responsibility by its audit of such expenditure, the extent of which varies greatly with the different classes of contingent charges.

The main checks that should be exercised in the audit of contingent expenditure are as under

- i) that it is a proper charge and is covered by budget allotment,
- ii) that it has been incurred by the competent authority,
- iii) that there are no items of expenditure which are positively objectionable or doubtful propriety and that reasonable explanation is forthcoming for extravagant rates, prices or amounts in respect of charges otherwise unobjectionable in character,
- iv) that in the case of payments to suppliers for articles such as medicines, stationery, furniture etc, payees' receipts stamped wherever necessary are attached to the bills and the actual receipt of the articles paid for and their entry in the respective stock accounts have been certified to by the drawing officer,
- v) that the connected bills and sub-vouchers are in proper form and that they are paid and cancelled to avoid double payment,
- vi) a) that competitive tenders have been invited for supply of the articles required for the whole year and for which tenders are required to be obtained under the rules,  
b) that an agreement wherever has been obtained from the supplier for the due fulfillment of the contract,
- vii) that the flow of expenditure is not too rapid,
- viii) that if the expenditure in the month of march is unusually large it does not lead to wasteful or unnecessary expenditure or other irregularities,
- ix) that charges for which scales have been laid down are passed in accordance with the scales,
- x) that the bills have been countersigned by the competent authority wherever necessary,
- xi) that in the case of recurring charges such as house rent, rates, taxes, etc., necessary sanction is forthcoming,
- xii) that the totals of various sub-vouchers attached to a bill agree with the total of the bill paid for,

**Note:-**The articles should as far as possible be purchased from Jail dept, AP small scale Industries etc. and if the articles are not either available in the above organizations or the rates are in excess of the market rates, tenders may be called for.

### **8.2 Procedure for purchase of materials required for providing sanitation and amenities and audit checks**

It is the duty of the Gram Panchayat to spend the funds of the Gram Panchayat for maintenance of sanitation, to provide street lighting and maintenance, to provide water supply, construction, and maintenance of roads and drains etc. The Gram Panchayat has to purchase phenyl and certain implements for maintaining sanitation, **electrical material** for street-lighting, bleaching powder and material for supply of protected water. The following procedure has to be followed for the above purchases:

- i) Gram Panchayat is empowered to purchase the material upto the value of Rs.5000/- directly,
- ii) The Gram Panchayat may determine the limit of the cost of the purchases not exceeding Rs.50,000/- and dispense with tenders,
- iii) The purchases of the value of more than Rs.50,000/- have to be made through tender system laid down duly following the procedure laid down in Rule-16 and 17 of APGP (Invitation and Acceptance of Tenders for Works and purchases) Rules 2000 issued with G.O.Ms.No. 441 PR & RD (Rules) dept. Dt. 10-12-2002,
- iv) the tenders received shall be tabulated and scrutinized by the Executive Authority and then placed before the Gram Panchayat with his recommendations for orders,
- v) The lowest tender shall ordinarily be accepted and where it is considered undesirable to accept the lowest tender, the reasons therefor should be clearly recorded and made available for purposes of audit.

**Note:**

- 1) Where a tender is in respect of more than one article, for example stationery, the comparative prices can be considered either individually for each article or conjointly for all the articles or for specified groups of articles, one of the above options having been made clear in the tender notice,
- 2) The District Collector is empowered to permit the Gram Panchayat to dispense with tenders in any particular case or class of cases for sufficient reasons to be recorded in writing or condone non-observance of any of the provisions contained in the said rules,

- 3) The tender rules do not apply to the purchase of stores and articles from certain organizations and purchase of controlled commodities, certain articles required for specific purpose, mentioned in Rule-18 of the rules.

It should be seen –

- i) that an agreement wherever necessary has been obtained from the supplier for due fulfillment of the contract,
- ii) that payments are through cheques to the contractors/suppliers,
- iii) that the prescribed that VAT at the rate of 4% or at such modified rates is deducted in the bills/invoices,
- iv) that if the purchase of materials happens to be continuous process during the year, the materials required for the year are purchased at the commencement of the financial year,
- v) that the materials purchased is of large quantity, separate stock registers for each material i.e. electrical, water supply, sanitary material are maintained,
- vi) the stock received is entered in the stock registers with details of date of receipt, Bill no, quantity received and the Vr No. and amount of the Voucher.

### **8.3 Audit checks of the items of contingent expenditure**

#### **(a) Purchase of Furniture**

It should be seen –

- i) that the expenditure is met from the I funds of the Gram Panchayat with the prior permission of the District Panchayat Officer,
- ii) that the purchase is made with the prior permission of the DPO,

Note: The expenditure incurred irregularly should not be ratified by the DPO or District Collector.

- iii) that the furniture purchased is entered in the Tools & Plant Register with date of supply, Bill no. & date, quantity supplied, Voucher & date.

#### **(b) Telephone charges**

The Collector is empowered to sanction installation of Telephone vide Proceedings No. 19616/CPR/D2/91 dt.9-12-91 of the Commissioner of PR subject to following conditions:

- 1) The annual telephone charges including rent should not exceed Rs.5000/-. If it exceeds the above ceiling, the excess expenditure should be approved by the Collector.
- 2) STD facility should not be provided.
- 3) The Gram Panchayats which have annual income of Rs.3,00,000/-should only be permitted to have this facility.

It should be seen in audit –

- i) that a Register of telephone calls is maintained wherein the details of the names & designations of persons who made the calls, the telephone numbers to which calls made, whether call is official or personal call, are recorded,
- ii) that the charges of personal calls are recovered from the persons who made the calls and credited to Gram Panchayat funds and the credit in cash book verified.

#### **(c) Total literacy programme**

The Gram Panchayats are permitted to utilize (Notified Rs.2500/- and Non-notified Rs.1000/-) subject to availability of funds under "Chaduvu Velugu" programme to arrange street lights with wires and bulbs and to literacy centers for motivational campaigns like street plays, wall-writings, competition for volunteers learners, sanitation around centers etc. This expenditure should be met from DPEP (Sarva Siksha Abhiyan) funds.

(Commnr. Proceedings No. 4070/CPR-D2/92 dt. 5-3-92)

It should be seen in audit –

- i) that proper vouchers are obtained for the amounts spent,
- ii) that the items purchased are entered in a separate register to be maintained for the Scheme,
- iii) that proper receipts are obtained from the participants in the programmes to whom payments were made,

iv) that the details of programmes conducted are produced for audit.

**(d) Expenditure towards celebration of Independence Day and Republic Day**

Notified Gram Panchayat and non-notified Gram Panchayats are permitted to spend Rs.250/- and Rs.100/- respectively for Independence Day and Republic Day celebrations. (G.O.Ms.No. 1236 PR&RD (Pts. 1) dt. 25-7-90)

It should be seen that proper bills are obtained and produced to audit.

**(e) Purchase of Television set**

Gram Panchayats may be permitted by the District Panchayat Officers to purchase Television set from their funds only.

(G.O.Ms.No. 31473/Pts-1/A1/971 dt.2-9-97)

It should be seen –

- i) that the relevant rules have been followed for the purchase of T.V,
- ii) that the TV is entered in the concerned stock register,
- iii) that the TV is maintained properly and made use for the purposes it is purchased.

**(f) Contribution to Sports Council**

The PR institutions are permitted to contribute to Dist. Sports Councils at the following rates for promotion of rural sports in the villages.

<u>Sl No.</u>	<u>Institution</u>	<u>Amount</u>
1)	Notified Gram Panchayat	Rs.500/-
2)	Non-notified Gram Panchayats	Rs.250/-
3)	Mandal Parishad	Rs.1000/-
4)	Zilla Parishad	Rs.25,000/-

(G.O.Ms.No. 389 PR&RD (Pts.1-A2) dt.15-4-91)

(G.O.Ms.No. 1152 PR (Pts.1) dt.2-9-97)

It should be seen –

- i) that the payment is made by cheques to the competent authority of the sports body,
- ii) that proper acknowledgement of the competent authority is obtained & placed in the file.

**(g) Purchase of computers**

The Gram Panchayats, whose annual income is more than Rs.10,00,000/- are permitted to purchase computers. The computer programmers are however to be appointed on contract basis subject to the condition that expenditure on staff salaries should not exceed 30%.

(G.O.Ms.No. 509 PR (Pts.II) deptt. dt. 20-3-99)

It should be seen –

- i) that the computer was purchased after following the relevant rules,
- ii) that the computer is entered in the concerned stock register,
- iii) that it is maintained properly and is in good condition.

**(h) Petrol, Oil, Lubricants (POL)**

The Gram Panchayats who are having own vehicles have to meet POL charges from Panchayat funds.

It should be seen –

- i) that Log book is maintained,
- ii) that POL purchased are entered in the Log book,
- iii) that the details of trips, the programmes attended, kilo meters run, and the oil utilized are noted in the Log book.

**(i) Stationery articles**

It should be seen –

- i) that the requirement for the year has been worked out,
- ii) that where purchases are made by calling tenders, the tender procedure has been followed, that comparative statement is prepared and one of the tenders approved by the Gram Panchayat and agreement entered into with such tenderer,
- iii) the supplies received have been entered in the Register of stationery articles with date of supply, Bill No.& date and Vr No., date and utilization particulars entered with details of date of issue, the employee to whom issued, the quantity issued and signature of the recipient,
- iv) that the annual verification of stock is done by the competent authority and balance certified by him.

**(j) Electrical material, sanitary goods such as phenyl, water supply material**

It should be seen –

- i) that where the purchases of the material under each item are of large quantity, separate stock registers have been maintained for each item,
- ii) that the supplies received are entered in the concerned stock registers with details of date of receipt, Bill no & date, quantity received, Vr No. & date and utilization particulars entered with details of date of issue, quantity issued, purpose, to whom issued with signature of the recipient,
- iii) that the stocks are periodically verified to ensure that there are no shortages in the stocks,
- iv) that annual verification of the stock is done by the Panchayat Secretary and the balance of stock is certified by him.

**Note:** - The expenditure on Electrical lighting and accessories and mixing of bleaching powder in water should not exceed 5% and 15% respectively of the General Funds. (Govt. Memo NO. 30594/2001 PR&RD Dt. 28-07-2001)

**(k) Postage Stamps**

It should be seen –

- i) that the issues of stamps for postage are fully supported by corresponding entries in the despatch register,
- ii) that the issues of stamps for postage are fully supported by corresponding entries in the despatch register,
- iii) that the balance is struck in the register at the end of every month and verified by the Executive Authority or the person authorized and the balance certified.

**(l) Advertisements**

It should be seen –

- i) that the tenders called for with regard to purchase of stores, works, leases and auctions and notices to be issued to employees in rare cases (if it could not be served on the employees personally) are only published in News Papers,
- ii) that developmental activities of the Mandal Parishad are not published,
- iii) that the Panchayat Secretary is held responsible if the developmental activities are published in the News Papers.

**(m) Contributions to construction of Marriage Halls**

The Gram Panchayats will be permitted to contribute Rs.50,000/- for the construction of Marriage Hall by Tirumala Tirupati Devasthanams at the estimated value of Rs.5,00,000/- subject to following conditions:

- i) The Marriage Hall should be available all communities in the village,
- ii) There should be sufficient funds available after meeting their expenditure towards establishment charges and obligatory functions,
- iii) The Gram Panchayat should put in efforts to collect contributions at least to the extent of 50% from the people of the village,
- iv) Proposals should be sent to the District Panchayat Officer, only when the above conditions have been fulfilled.  
(Memo No.21736 dt.24-11-88 of the Commr. Of PR)

**(n) Contribution to Mahila Mandal Building construction**

The monetary ceiling for construction of buildings of Mahila Mandal is Rs.1,50,000/- as per G.O.Ms.No. 38 PR (Projs.) dt.29-5-98. Government have permitted the PR institutions to contribute for this purpose at the following rates:

<u>Name of the institution</u>	<u>Rate of contribution</u>	<u>Rs.</u>
ZP share	50%	75,000-00
MP share	30%	45,000-00
GP share	10%	15,000-00
Mahila Mandal share	10%	<u>15,000-00</u>
Total		<u>1,50,000-00</u>

**(o) Legal charges**

The rules relating to legal work and payment of legal charges are laid down in the AP Panchayat Raj (Entrustment of legal work by GPs/MPs/ZPs) Rules 2000 issued with G.O Ms No. 189 Panchayat Raj & Rural Development (Rules) Dt. 6-6-2000.

It should be seen

- i) that suit Register is maintained in the prescribed form properly
- ii) that counters have been filed promptly
- iii) that appeals have been filed in higher courts against the Judgments of lower courts unfavorable to the GP, after taking the opinion of the Govt. Pleaders whether there is scope for appeal
- iv) that the legal work is not taken up by the GP and the legal charges are not paid from the funds of MP in cases of appeals against surcharge certificate issued by the auditor on Sarpanch, Upa-Sarpanch and members of MP or any employee thereof.

**(p) Election expenses to be borne by the Government (Section- 76 of the Act)**

The cost of the preparation and revision of the electoral roll, the cost of the election expenses including the conduct of elections to the Gram Panchayat and the cost of maintenance of election establishment employed in connection therewith shall be borne by the Government.

**(q) Purchase of Bill Books and forms**

It should be seen that

- i) that the books and forms are purchased compulsorily from AP State Trading Corporation or Women centers, Government Training and Production centers, Khadi Board. (GOMS No.30 PR&RD(Pts-I) dept dt 22-1-99)
- ii) that the stocks received are entered in the stock registers with details of Bill No., Date, Quantity, and Voucher No. and date.

**(r) Periodical Charges**

The institutions incur expenditure towards periodical recurring charges like rent, water charges, electricity charges, tax, etc.,

It should be seen

- i) that a separate register in the form of an establishment audit register is maintained,
- ii) that separate folios are opened for different items,
- iii) that the payments are entered in the relevant months with voucher and date to watch regular payment and avoid double payment,
- iv) that the expenditure under these items are entered in the contingent register to watch against budget provision,
- v) that the payments are made on proper demand and proper receipts are obtained in support of payments, which are produced and verified in the audit,
- vi) that penalties if any paid towards reconnection charges for delay in payment of electricity charges are avoidable expenditure and loss to the institution and that such payments are pointed out in the audit report to make good the loss to the funds of MP.

**(s) Acquisition of land for all or any purposes of the Act (Section 268(2)(XI) and Rules issued in G.O.Ms.No. 215 PR&RD (Pts.III) deptt. dt.25-6-01 read with G.O.Ms.No. 323 PR&RD (Pt.III) deptt. dt.29-10-2001)**

It should be seen –

- i) that the property to be acquired is to be used for a purpose which has a bearing on public health or sanitation, and that the approval of District Medical and Health Officer is obtained,
- ii) that the property to be acquired is intended for educational purpose or hospitals and dispensaries, and that if the value of the property exceeds Rs.10,000/-, the approval of the DEO or DMHO as the case may be is obtained,
- iii) that the approval of the Superintending Engineer(PR) and District Panchayat Officer regarding suitability of the property for the purpose it is intended is obtained in case where the estimated property cost exceeds Rs.10,000/-, and that approval of District Collector is obtained if there is any difference of opinion,
- iv) that the property is acquired under the Land Acquisition Act 1894 or with the previous approval of the District Collector,
- v) that in the case of buildings, a valuation and a certificate regarding structural stability are obtained from Executive Engineer (PR) and that specific approval of the District Collector is obtained if the amount is to be paid in excess of such valuation,
- vi) that an encumbrance certificate is obtained from the Sub-Registrar concerned where the consideration of the property is Rs.1000/- and above,
- vii) that necessary documents of ownership in the forms specified are obtained for the property acquired.

**8.4** The following Registers connected with Contingent Expenditure have to be maintained in the Gram Panchayat.

- 1) Register of Contingent Expenditure
- 2) Stock Account of Forms and Registers
- 3) Registers of Immovable Properties
- 4) Register of Movables
- 5) Register of Roads
- 6) Register of Land
- 7) Register of Permanent Advance Recoupment
- 8) Acquittance Register
- 9) Petty Cash Book
- 10) Register of Stationery Articles
- 11) Register of Electrical and Sanitary articles and Water Supply material
- 12) Register of Postage
- 13) Register of Telephone Calls / Cell Phones
- 14) Register of TA Bills of Non-Officials
- 15) Grants Appropriation Register
- 16) Register Of Suits
- 17) Log Book

The important points to be looked into in the course of examination of the above registers are detailed in the Appendix to this Chapter.

## **9. AUDIT OF WORK VOUCHERS**

### **9.1 General**

The works are executed in PR institutions from two sources,

1. Works executed from the funds received through Government schemes.
2. Work executed from out of the General Funds of GP.

The works from out of the funds received through the Government schemes viz, SGRY, Finance commission Funds, Employment Guarantee Scheme, Grameena Sadak Yojana have to be executed according to the guidelines contained therein.

**Note:** - The Minor Irrigation sources under PR have been transferred to Irrigation department in G.O.Ms, No. 216 PR7rd department dated 13-6-05.

The works from the General Funds of the G.P.have to be executed according to the procedure and guidelines issued in G.O.Ms.No. 589 PR dated 29-9-89 and G.O.Ms.No.195 PR dated 10-5-99, besides observing the general principles prescribed in Public works code.

## **9.2 Identification of works and Preparation of estimates**

The works identified by the peoples representatives are placed before the General Body of G.P. for approval. The Engineering officers prepare Estimates for such works approved by the General Body on the basis of the following

- 1) Andhra pradesh standard specification
- 2) Standard data
- 3) Standard schedule of rates
- 4) The conditions stipulated in the administrative sanction

**Note:-** The works, the value of which is less than Rs. 30,000/-, have to be executed through People's Estimate as per the orders issued in G.O.Ms.No. 279 RWS Dated: 28-09-2004.

## **9.3 Administrative Sanction**

The administrative sanction is accorded based on the value noted against each

- 1) Non- notified GP upto Rs. 1.00 Lakh
- 2) Notified GP upto Rs. 2.00 Lakhs.
- 3) Divisional Panchayat Officer upto Rs. 3.00 Lakhs
- 4) District Collector over and above Rs. 3.00 Lakhs

(G.O.Ms.No.91 PR&RD (Est. III) Department dated 4-3-99)

**Note:** - After creation of the post of Panchayat Secretary all the panchayats in the state have been notified by the Commissioner.

## **9.4 Technical Sanction**

The sanctioned estimate has to be sent to Engineering officers for the technical sanction with a checklist with details of investigation report, foundation level' land acquisition details and approval of Forest Department. If it is found that the deviation is in excess of 10% of the estimate, administrative sanction is obtained again before sending for technical sanction. The authorities competent to accord technical sanction are as mentioned below

<b><u>SI No.</u></b>	<b><u>Competent authority</u></b>	<b><u>Value of work</u></b>
1)	AE/AEE	upto Rs. 25,000/-
2)	DEE	upto Rs. 2.00 Lakhs
3)	E.E	above Rs.2.00 Lakhs and upto Rs.10.00Lakhs
4)	SE	above Rs 10,00 Lakhs and upto Rs.50.00 Lakhs
5)	CE	above Rs. 50.00 Lakhs

(G.O.Ms.No. 94 PR&RD (Est. III) Department dated 8-3-99)

## **9.5 Execution of works – Entrustment to Agencies**

After technical sanction is accorded the work is entrusted for execution to one of the following agencies.

- 1) Gram Panchayat

Under emergency conditions or when there are specific instructions the Sarpanch or the Panchayat Secretary may take up the works on behalf of the G.P, but the G.P. should not nominate some other person to execute the work.

- 2) Beneficiary committee

If it is instructed in the guidelines of the Government schemes to entrust the work to beneficiary committee, the work has to be entrusted to them. The works of the estimated value of less than Rs.20,000/- taken up through peoples committee may also be entrusted to Beneficiary committee.

## 3) Departmental execution

In exceptional cases, where departmental execution is considered desirable in the interest of work, either on account of its urgency or of special nature the authority to call for tenders may, with the approval of the next higher technical authority, order for taking up the work departmentally.

Note: The works of the estimate value of less than Rs 50,000/- may be entrusted on nomination basis to self-help groups or voluntary organizations in the village.

## 4) Contractors, by calling for tenders.

When it is not possible to get any work executed in one of the above methods, such work has to be entrusted to a contractor by calling for tenders.

**9.6 Calling of tenders**

(a) Tenders should be invited in respect of every work of Gram Panchayat, which is to be executed on contract and the contract amount of which exceeds Rs. 50,000/-.

**Note:** 1) No work should be split up so as to be brought within the powers of nomination of the Panchayat without the permission of the Superintending Engineer.

2) Gram panchayat may entrust any work to the P.R. Department for execution without calling for tenders. (G.O.Ms.No. 441. P.R.&RD (rules) department dated 10-12-2002)

3) The tender procedure laid down in Andhra pradesh Public Works Department Code **and also the rules issued with the G.O. ibid have to be followed.**

4) Steel work tenders should be invited separately.

5) It is ordered in G.O.Ms.No. 37 PR& RD dated 18-2- 2005, the works upto the estimate value of Rs. 5.00 Lakhs may be entrusted on nomination basis to the works committee/ self help groups at the village level and nominee of the committee or group leader enter into agreement with the executing agency with the guidelines therein.

(b) No tender should be accepted unless the earnest money deposit specified in tender notice accompanies it.

(c) The lowest tender should ordinarily be accepted, provided that where it is undesirable to accept the lowest tender, the next higher tender should be considered and if it is considered undesirable to accept that tender also the next higher tender should be considered.

**Note:** In every case of rejection of a tender, a clear and convincing reason therefore should be recorded in writing by the G.P.

d) The tender should not be accepted at rates other than those specified in that tender.

e) Where the tenders are not called for or dispensed with, the Executive Authority should get the work executed through the contractor selected by him at estimated rates only.

**Note:** - Where on ground of urgency or special reasons, if it is proposed to allow rates exceeding the sanctioned rates, the previous approval of EE, ZP concerned should be obtained.

f) The following are the authorities competent to approve the tenders.

Sl. No	Estimate value	Competent Authority	Remarks
1	Rs.2 lacs	Dy. E.E.	Upto 5% excess over the estimate rates
2	Rs.2-10 lacs	E.E.	Upto 5% excess over the estimate rates
3	Rs.10-50 lacs	S.E.	Upto 5% excess over the estimate rates
4	Rs.50 lacs to 1 crore	C.E.	Upto 5% excess over the estimate rates
5	1 crore and above	Tender committee	Upto 5% excess over the estimate rates

**Note-** The G.P. has to approve the tenders excess quoted only after recommendation of the Engineers.

- g) The tenders opened should be disposed of within a period of six weeks from the date on which they are opened.
- h) No advance should be sanctioned to the contractor.

### **9.7 Expenditure on Works**

The audit of works expenditure consists of:

- i) the check of estimates,
- ii) an examination of tender files,
- iii) verification of sanctions to estimates and of selection of contractors, and
- iv) check of bills with the measurement books, agreements, metal statement and contractor's ledger.

The audit checks of the above are detailed in Appendix II to the Chapter relating to General Principles of Audit.

**9.8** The following Registers connected with Works have to be maintained in the Gram Panchayat. The important points to be looked into in the course of examination of the above registers are detailed in the Appendix to this Chapter.

- 1) Register of Measurement Books (Stock)
- 2) Register of Works
- 3) Register of Tenders

## **10. REFUND VOUCHERS**

**10.1** Refunds may be

- 1) due to remission on account of vacancy of houses
- 2) on account of reduction of tax on appeal
- 3) of deposits and
- 4) of amounts received or recovered in excess of the amounts due and other miscellaneous items.

The main points to be noticed in the audit of refund vouchers are

- i. that an application from the person for refund is forthcoming,
- ii. that the refund is sanctioned by GP,
- iii. that the amounts repaid are covered by original credit,
- iv. that the repayments have been noted in the registers concerned as also against the original credits in the Demand Registers,
- v. that the refund is made against the sanction within one year, if not, refund is made fresh sanction only,
- vi. that the several dates of payments are duly noted on the voucher in cases where a number of refunds are made on the same bill and that the voucher is otherwise correct.

**10.2** The following registers have to be maintained. The important checks of these registers are detailed in the Appendix to this Chapter.

- 1) Register of vacancy remissions
- 2) Register of refund of tax on account of its reduction on appeal

## **11. ANNUAL ACCOUNT**

**11.1** The following Registers connected with account have to be maintained by the GP. They have to be checked before verification of the Annual Account

- 1. Cash Book
- 2. Cheques
- 3. Treasury Pass Book
- 4. Transfer Entry Register
- 5. Register of Bills Passed
- 6. Register of Detailed Posting Register (Compilation Sheets)

7. Abstract Posting Register
8. Register of Advances
9. Register of Deposits
10. Register of Investments
11. Register of Loans
12. Register of Audit Objections

The important points to be looked into in the course of examination of the above registers are detailed in the Appendix to this Chapter.

### 11.2 Verification of Annual Account

(a) The Annual Accounts is now called as Annual receipts and Payments Accounts in the New Accounting system. This should be prepared with reference to Form 1, wherein the receipts and payments during a financial year i.e., from 1st April to 31<sup>st</sup> March are entered head-wise. This account comprises of ordinary accounts and subsidiary accounts e.g., the pay and allowances of employees drawn from treasury.

(b) Annual receipts and payments Account is prepared with reference to posting registers. In the Annual receipts and Payments Account, there is a column of Budget Estimates.

(c) In view of that the actual receipts and payments can be compared with Budget provisions and necessary action taken in case of excess or shortfall of receipts and expenditure with reference to Budget Provision

(d) The balances in all the Registers at the close of every month have to be arrived at. In the annual accounts the closing balance has to be arrived at taking into account opening balance of the year in each head and the receipts and expenditure during that year. The Annual receipts account comprises of two parts, Part-I and II. The Part I is called as Panchayat Fund and Part- II represents Deposits and Advances, wherein Provident Fund Civil deposits, Insurance and pension fund, LF Deposits are entered head wise. Receipts and payments are entered under plan and Non-Plan.

The following statements should be appended to the Annual Account

i) The statement showing the investment expenditure scheme wise

The investment made to acquire assets in the jurisdiction of the Gram Panchayat is called capital expenditure. The details of the assets acquired during the year under different heads and the investment made on them should be shown in this statement. Further the details of the assets acquired under plan and Non-plan schemes have to be shown in this statement, for example Roads, Buildings, Bridges, Construction of Tanks, Creation of minor irrigation assets, Construction of shopping complexes, etc.,. These are prepared with reference to Annual accounts and other Registers.

ii) Statement showing the receipts and the payments due at the end of the year.

The amounts to be received at the end of the year based on the several Demand Registers have to be identified. Similarly, the amounts covered by pending bills have to be arrived at. This statement has to be prepared with reference to Form 3- Annual Receipts and payments statement. These details are shown head wise.

iii) Statement showing Deposits, Advances and Loans at the end of the year

This statement is prepared with reference to the registers of Deposits, Advances and Loans.

#### iv) Reconciliation Statement

Reconciliation statement has to be prepared every month in Form 7

The reconciliation statement prepared as on 31<sup>st</sup> March has to be appended to the Annual Account.

The following procedure has to be followed while verifying the Annual Accounts

1. The receipts in the in the posting registers have to be checked with reference to the entries in the cashbook, challans and Transfer Entry registers.
2. The payments posted in the posting register have to be verified with reference of the paid vouchers and Transfer Entry Register.
3. It has to be verified whether the receipts and expenditure have been posted under correct heads i.e., whether correctly classified.

4. The closing balance as on 31st March of the previous financial year is taken as opening balance as on 1<sup>st</sup> of succeeding financial year.
5. That the closing balance as on 31<sup>st</sup> March as per Cash Book, and Annual Account agree with each other and that if there is any difference, reconciliation statement is prepared.
6. That the closing balances as per subsidiary accounts in the Annual account agree with the closing balance as per the Registers viz, register of Advances, register of Deposits, Register of Loans etc.,
7. That all the corrections and alterations in accounts are neatly made in red ink attested by the Executive Authority on a responsible person.

**ANNEXURE I****REGISTERS TO BE MAINTAINED IN GRAM PANCHAYAT**

The registers to be maintained in gram panchayats may be divided as indicated below

- (A) Registers relating to meetings  
 (B) Registers relating to Financial matters (Receipts and expenditure)  
 (C) Registers relating to General Administration  
 (D) Registers and forms relating to day-to-day functioning.

(A) Registers relating to meetings

1. Gram panchayat meeting Agenda Notice register.
2. Attendance Register of members relating to G.P. meetings
3. Register of Gram Panchayat meetings minutes and resolutions
4. Agenda notice register of Gram Sabha
5. Attendance Register of members of Gram sabha.
6. Register of minutes and Resolutions of Gram Sabha

(B) Registers relating to Financial matters (Receipts and expenditure)Newly introduced registers

Government issued orders in G.O.Ms.No.172 PR&RD (Accounts I department dated 16-5-2005 regarding maintenance of new accounting formats and preparation of Budget formulated by the Comptroller and Auditor General in respect of Zilla Parishad, Mandal Parishad Gram Panchayat on the recommendations of Eleventh Finance Commission. According to the orders therein maintenance of registers and preparation of Budget should be done in those formats only, with reference to the orders already issued for preparation of Budget, preparation of Annual Accounts and allotment of funds.

S.No      Name of the register

1. Annual receipt and payment account of Gram Panchayat
2. Statement of Capital Expenditure (scheme-wise)
3. Statement showing the income due and the payments to be made at the end of the year
4. Statement showing the Deposits, Advances and loans at the end of the year
5. Daily income and expenditure statement (chitta)
6. Monthly receipt and expenditure of statement
7. Monthly reconciliation statement
8. Compilation sheets (Detailed Posting Register)
9. Consolidated Abstract (Abstract Posting Register)
10. Demand, Collection and Balance Register
11. Cash Books
12. Stock Register
13. Register of Immovable properties
14. Register of Movable properties
15. Register of Roads
16. Register of Lands

Other registers to maintained in Gram panchayat

- 1) Register of Grants
- 2) Miscellaneous Demand Register
- 3) Register of subscriptions
- 4) Register of miscellaneous sales
- 5) Register of money orders
- 6) Registers of cheques and drafts
- 7) Register of minor auctions
- 8) Chitta
- 9) Irusalnama Register
- 10) House Tax Demand Register
- 11) Water Supply Demand Register
- 12) License Demand Register
- 13) Treasury pass Book
- 14) Tap Donation / deposit Register

- 15) Petty Cash Book
- 16) Permanent Advance Register of bills passed
- 17) Register of deposits
- 18) Register of Advances
- 19) Acquittance Register
- 20) Register of contingent charges
- 21) Traveling Allowances Bills Register
- 22) Grants appropriation register
- 23) Register of Postage stamps Account
- 24) Register of securities
- 25) Register of Money Value forms
- 26) Service Registers of Employees
- 27) Register of increments
- 28) Late Attendance Register
- 29) Register of casual leaves
- 30) Movement Register of employees
- 31) Register of works
  - i) Register of Measurement Books (stocks)
  - ii) Register of works
  - iii) Register of tenders
- 32) Register of Audit objections
- 33) Log Book of vehicles

There is no change in the forms and Registers being maintained as per the earlier orders, but the old registers whose formats are modified have to be maintained in the new formats.

- 1) Annual receipts and payments Account (Forms-1)
- 2) Cash Book (Form 8) Though there are different cash Books for schemes, all amounts should be recorded in one cash book
- 3) Demand collection and Balance Register (Form-10) - Separate Demand Registers have to be maintained for different taxes.

For example: -

- a) House Tax Demand Register (One register for House Tax, library Tax, and Drainage tax may be maintained or separate registers for the above taxes may be maintained)
  - b) Demand Register of licenses & fees
  - c) Monthly water fees Demand Register
  - d) Miscellaneous Demand Register
- 4) Stocks register (Form 13) Separate registers have to be maintained for office, street lights, water supply Bleaching powder.
  - 5) Register of immovable properties (Form 9)
  - 6) Register of movable properties (Form 11)
  - 7) Register of Roads (Form 15)
  - 8) Register of lands (Form 16)

(The items 5 to 8 were previously entered in the Register of Tools and Plant. Four Registers have to be maintained now separately).

- 9) Daily Receipts and payments registers (Chitta has to be maintained in this form).

#### (C) Registers relating to General Administration

1. Register of permissions for construction of houses
2. Register showing of income earning properties
3. Miscellaneous register
4. Register of Audits
5. Register of water Tap Donations

#### (D) Registers relating to daily maintenance

1. Register for Electrical lights Stock and poll-wise maintenance
2. Register showing Births and Deaths and details
3. Register of marriages  
(G.O.Ms.No. 227 dated 3-4-95, G.O.Ms.No.162 dated 4-4-97, and G.O.Ms.No.496 dated 11-6-66 (under A.P. G.P.Act 1964))