

PREFACE

1. The Report of the Comptroller and Auditor General of India (CAG) on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Andhra Pradesh for the year ended 31 March 2010 is prepared for submission to the Governor of Andhra Pradesh under Article 151 (2) of the Constitution.
2. CAG conducts audit of PRIs and ULBs under Section 14 (1) of CAG's (DPC) Act, 1971. Further, based on the recommendations of the Eleventh Finance Commission, Government of Andhra Pradesh has entrusted the CAG with the responsibility of providing Technical Guidance and Supervision under Section 20 (1) of CAG's (DPC) Act.
3. The Report contains three chapters. Chapter I gives an overview of finances and accounts of Local Bodies and their financial reporting. Chapter II deals with Performance Audits while Chapter III contains observations arising out of audit of transactions.
4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 2009-10 have also been included wherever necessary.

OVERVIEW

This Audit Report includes two performance reviews and ten audit paragraphs on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). It also contains observations on the accounts and finances of Local Bodies and the results of supplementary audit under the scheme of Technical Guidance and Supervision. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies received have been duly incorporated in the Report.

1. Overview of Accounts and Finances of Local Bodies

The State Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs, despite the Panchayat Raj system having been in place for over 17 years. Planning for developmental activities is abysmal and there is no correlation between the requirements of the local bodies and the funds devolved to them. Further, utilisation of funds is poor and in the absence of Utilisation Certificates (UC) in many cases from the PRIs, it is not possible to vouch for the expenditure reported to have been incurred by the Local Bodies in the State. There were significant delays in compilation of accounts by ULBs, with consequent delay in their audit by the Director, State Audit. Since the Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs, the latter continue to maintain their accounts on cash basis.

Financial Reporting in Local Bodies was inadequate as evidenced by non-preparation of budget, non-maintenance of crucial registers, non-remittance of unspent balances of closed schemes, non-furnishing of UCs and advances pending adjustment, non-finalisation of accounts, parking of scheme funds in fixed deposits, non-conducting of physical verification of stores and stock and non-reconciliation of departmental figures with treasury.

[Paragraph 1]

2. Functioning of Anantapur Municipal Corporation in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools

Performance audit of the functioning of Anantapur Municipal Corporation (AMC) in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools was undertaken. Though the deficiencies in collection of Property Tax and maintenance of shopping complexes in ULBs were brought out in the previous Audit reports of the CAG, the State Government had not initiated necessary action for streamlining the system and procedures in this regard. Further, monitoring of compliance with the specified norms/rules was inadequate. AMC did not prepare any comprehensive action plan for implementation of Solid Waste Management and the Government also did not ensure strict compliance to the Rules framed by GoI. The

functioning of waste management was limited to only collection and dumping of waste in dump yards. There is no assurance that periodical inspection of water quality is being done and the deficiencies rectified, as there was no monitoring in this area. Though the MoUD framed the benchmarks for service delivery with regard to water supply, no performance indicators were framed by either the State Government or the AMC. The municipal schools run by the Corporation were poorly maintained, leading to decline in enrolments.

[Paragraph 2.1]

3. Functioning of Zilla Praja Parishads in Anantapur and Guntur districts

Performance audit of the functioning of two Zilla Praja Parishads (ZPPs) of Anantapur and Guntur revealed that their functioning was far from satisfactory. The State Government failed to take corrective action on the audit findings of the functioning of ZPPs covered in the Audit Reports from 2006-07 to 2008-09. Consequently, the same deficiencies persisted in the two ZPPs covered in the present review. The functioning of DPCs was tardy with regard to preparation and submission of District Development Plans. Although, ten core functions were transferred to PRIs in October 2007, the line departments continued to exercise their control with regard to utilisation of funds transferred to PRIs. There was no system for ensuring that the unspent balances of closed scheme funds together with interest thereon were surrendered. Shortfall in sectoral allocations as well as utilisation of ZPP general funds coupled with irregular utilisation of scheme funds, non-completion of works etc., undermined the effective implementation of developmental programmes in the two districts. This was compounded by the delay in preparation of accounts and their submission for audit. Monitoring was not adequate, as the inspections of ZPPs and MPPs were not conducted to the desired extent.

[Paragraph 2.2]

4. Audit of Transactions

A test check of transactions in various PRIs and ULBs revealed instances of losses, diversions, avoidable expenditure etc., as summarized below:

Panchayat Raj Institutions

(i) Chief Executive Officer (CEO), ZPP, Ongole and Divisional Forest Officer (DFO), Ongole parked SGRY funds in bank accounts in violation of GoI instructions. DFO, Ongole also submitted false UCs for the funds allocated for implementation of SGRY.

[Paragraph 3.1.1]

(ii) CEO, ZPP, Nizamabad retained the recoveries on account of repayment of house building advances from the staff of PRIs and diverted it towards payment of fresh loans, instead of remitting the amount to the Government.

[Paragraph 3.1.2]

(iii) CEOs of ZPP Khammam and Nalgonda and 13 Mandal Parishad Development Officers (MPDOs) failed to transfer/utilise funds amounting to ₹ 2.90 crore earmarked for the welfare of SC/ST and Women and Children, to the concerned Finance Corporations.

[Paragraph 3.1.3]

(iv) MPDO, Zaheerabad showed undue favour to a firm in payment of Property tax.

[Paragraph 3.1.4]

(v) Due to improper decision of the State Government, auction to one of the sand bearing reaches in West Godavari district could not be conducted for three years. This had resulted in loss of revenue of ₹ 1.21 crore to the ZPP, West Godavari and other PRIs concerned.

[Paragraph 3.1.5]

Urban Local Bodies

(vi) The Commissioner, Nizamabad Municipal Corporation raised a loan of ₹ 61.81 lakh by pledging the funds of the Andhra Pradesh Urban Services for Poor (APUSP) scheme without obtaining the approval of the State Government.

[Paragraph 3.2.1]

(vii) Government orders relating to rain water harvesting pits for augmentation of ground water table were not followed by any of the 124 ULBs in the State.

[Paragraph 3.2.2]

(viii) In Guntur, Eluru and Korutla ULBs, works were awarded with an excess tender premium of ₹ 1.41 crore, thereby extending undue benefit to contractors.

[Paragraph 3.2.3]

(ix) The Commissioner, Sadasivpet Municipality took up the construction of stalls and shopping complexes without entering into prior tie up with the parties for their lease. Coupled with this, the State Government's delay in issuing directions with regard to waiver of goodwill is contributing to delay in recouping the cost of construction (₹ 68.19 lakh) and earning revenue of ₹ 7.88 lakh per annum.

[Paragraph 3.2.4]

(x) The Commissioners of Kovvur Municipality and Anantapur Municipal Corporation made irregular excess family pension payments aggregating ₹ 10.49 lakh to the pensioners.

[Paragraph 3.2.5]

CHAPTER I

Section-A Overview of Accounts and Finances of Local Bodies

1.1 Background

Government of India (GoI) enacted the 73rd and 74th Amendments to the Constitution, to empower the local self governing institutions like the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) to ensure a more participative governance structure in the country. The GoI further entrusted the implementation of key socio-economic developmental programmes to the PRIs and ULBs and devolved funds through successive Finance Commissions.

The States, in turn were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as institutions of self-government and implement schemes for economic development and social justice including those enumerated in the Eleventh and Twelfth Schedules to the Constitution.

Accordingly, the State Government enacted the Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system at Village, Mandal and District levels. Further, the Andhra Pradesh Municipal Corporations Act, 1994 was enacted to set up Municipal Corporations in the State. However, all the provisions of the Hyderabad Municipal Corporation (HMC) Act, 1955 including the provisions relating to the levy and collection of taxes or fees were extended to all other Municipal Corporations in the State. The Municipalities are, however, governed by the Andhra Pradesh Municipalities Act, 1965.

All the above mentioned Acts provided for conducting elections to the Local Bodies once in every five years. Elections to the PRIs and ULBs in the State were last conducted during July-August 2006 and September 2005 respectively. In respect of the Greater Hyderabad Municipal Corporation (GHMC), elections were conducted in November 2009.

1.2 State profile

Andhra Pradesh is the fourth largest State in the country in terms of size, and spans an area of 2.75 lakh sq.km. As per the 2001 census, the total population of the State was 7.62 crore, of which, 5.54 crore (73 per cent) lived in rural areas. The comparative demographic and developmental profile of the State vis-à-vis the national profile is given in **Table 1.1** below:

The ratio of rural and urban population of Andhra Pradesh is 73:27.

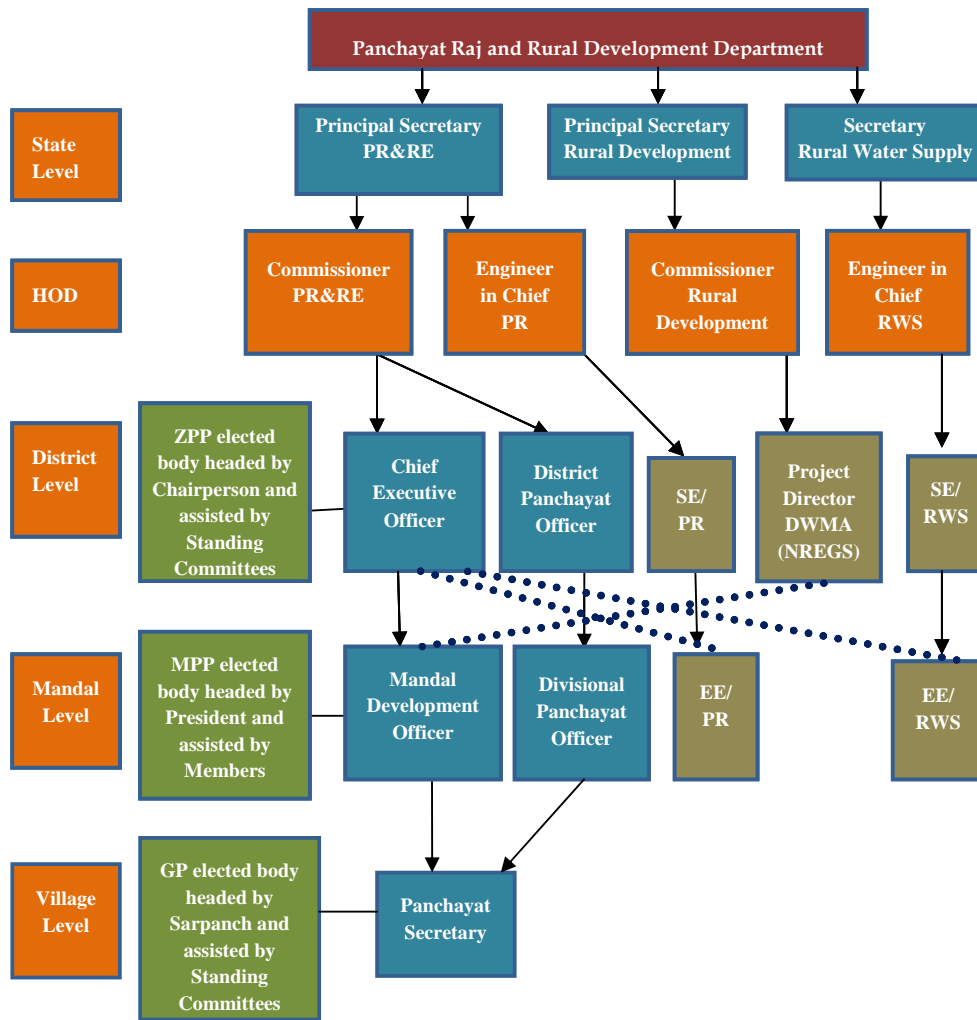
Table 1.1

	Indicator	Unit	State	National	Rank
1.	Population	Crore	7.62	102.86	5
2.	Population density	Sq. Km	277	313	11
3.	Sex Ratio	1000 Males	978	933	4
4.	Literacy Rate	Percentage	66.59	64.84	18
5.	Rural population	Crore	5.54	74.25	5
6.	Urban population	Crore	2.08	28.61	5
7.	PRIs	Number	22927	240000	4
	Zilla Praja Parishads	Number	22	540	10
	Mandal Praja Parishads	Number	1098	6000	1
	Gram Panchayats	Number	21807	234000	4
8.	ULBs	Number	124	3700	9
	Municipal Corporations	Number	15	120	2
	Municipalities	Number	109	1400	7

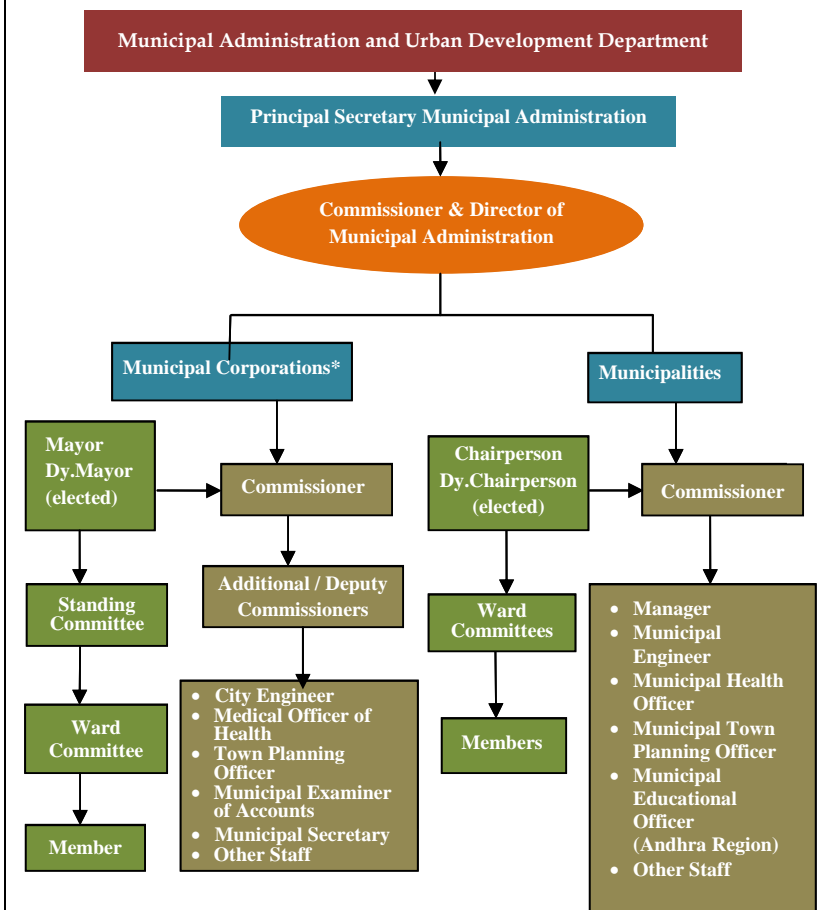
Source: Census 2001, AP at a glance, information furnished by CPR&RE and CDMA

1.3 Organisational set-up

Organisational arrangements for the PRIs and ULBs, inclusive of Government machinery and elected representatives in the State, are as under:



Dotted lines represent partial supervision



* Except Greater Hyderabad Municipal Corporation, where the Commissioner is directly under the control of Principal Secretary, MA&UD.

The roles and responsibilities of each level of organisational set-up of PRIs are detailed in **Appendix-1**.

The Municipal Councils and Corporations transact their business as per the provisions of the Acts concerned. In respect of the Corporations, the standing committees, comprising the Chairpersons of all the ward committees under it, meets at intervals prescribed by the Act. Similarly, in respect of the Councils, the municipal ward committees meet at prescribed intervals to transact the business, make regulations and scrutinize the municipal accounts. The main functions of the ward committees (both Municipalities as well as Corporations) include provision and maintenance of sanitation, water supply and drainage, street lighting, roads, market places, play grounds, school buildings, review the revenue collections, preparation of annual budget and sanctioning the works. The day-to-day administration of all the ULBs rests with the Commissioner, who is assisted by Additional/Deputy/Assistant Commissioner, Municipal Engineer, Medical Health Officer, Examiner of Accounts, Town Planning Officer and other staff.

1.4 Decentralised planning

As per the Constitution of India, the State Government is required to constitute a District Planning Committee (DPC) to consolidate the plans prepared by the Panchayats and Municipalities in the district, to undertake integrated development of the district. Accordingly, the State Government enacted the Andhra Pradesh District Planning Committee Act 2005 (APDPC Act). District Planning Committees (DPCs) were to be constituted under this Act in all the districts, with the following members:

- The Chairperson, ZPP shall be the ex-officio Chairperson of the Committee.
- The District Collector shall be the Member Secretary.
- Four members to be nominated by the Government, of whom, one member is to be from the minority community and three members to be nominated from among the experts on the subject.
- Twenty four members of the Committee are to be elected in the prescribed manner by and from amongst the elected members of Zilla Parishad territorial constituencies and the Municipalities in the district by following the rules of reservation as specified in the APPR Act, 1994.

All the members of the State Legislative Assembly whose constituencies lie within the district, the members of the State Legislative Council who are registered as electors in the district and the Deputy Commissioner are permanent invitees to the Committee. Audit scrutiny revealed that, DPCs have been constituted in all the 22 districts. However, as per the information furnished by Commissioner, Panchayat Raj & Rural Employment (CPR&RE), Action Plans for the year 2009-10 were received only from 13 DPCs, and that too, pertaining only to Backward Region Grant Fund (BRGF). However, both the Central and the State Governments released funds to all the PRIs and ULBs, despite non-preparation of the Action Plans by them.

Consequently, substantial funds remained unutilised by the PRIs/ULBs as brought out in paragraph 1.11.5 and 1.11.12, since they had not planned for their utilisation in a systematic manner.

1.5 Financial profile

1.5.1 Fund flow

The resource base of PRIs and ULBs consists of devolutions at the instance of State Finance Commission (SFC) and Central Finance Commission (CFC), State Government and Central Government grants for maintenance and development purposes. The fund-wise source and its custody for each tier are given in **Table 1.2** below. The authorities responsible for reporting the use of funds in respect of ZPPs, MPPs and GPs are the Chief Executive Officer (CEO), Mandal Parishad Development Officer (MPDO) and Panchayat Secretary respectively. The Commissioner concerned is responsible in the case of Corporations and Municipalities.

Table 1.2

Nature of Fund	Zilla Praja Parishads		Mandal Praja Parishads		Gram Panchayats/ Corporations/Municipalities	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Users	Treasury (PD A/cs)	Users	Treasury (PD A/cs)	Assesses and Users	Treasury (PD A/cs)
Assigned revenues	State Govt	Treasury (PD A/cs)	State Govt	Treasury (PD A/cs)	State Govt	Treasury (PD A/cs)
SFC/State Plan						
CFC/CSS	GoI	Bank	GoI	Bank	GoI	Bank (Saving bank)

1.5.2 Fund flow arrangement in flagship programmes

Details of fund flow with regard to the flagship programmes of GoI, released to PRIs and ULBs are detailed in **Table 1.3 and 1.4** below:

PRIs

Table 1.3

Scheme	Fund flow														
MNREGS	<p>Expenditure for implementation of the Mahatma Gandhi National Rural Employment Guarantee scheme (MNREGS) is shared by the Central and State Governments on a 90:10 basis. Funds released by both the GoI and the State Government are pooled in the State Employment Guarantee Fund (SEGF). The procedures relating to flow of funds for the scheme has undergone a change with effect from 15 February 2010. As regards the system being followed upto 15 February 2010, District Water Management Agency (DWMA) received GoI's share and State's share of funds. The Project Directors, DWMA's release funds in advance to the Mandal Parishad Development Officers (MPDOs) for implementation of the scheme at Mandal and GP level. The funds are kept in separate bank accounts opened for operating the Scheme. Later, with the Central Fund Management System (CMFS) coming into effect from 15 February 2010, entire State and Central share is kept with the nodal bank at a central place in Hyderabad. The respective designated drawing officers are required to raise the Fund Transfer Orders (FTOs) directly to the Director, EGS as and when wages/payments are due.</p> <p>The financial assistance provided by the GoI and GoAP from 2005-06 to 2009-10 was ₹ 10493.89 crore. Of this, the State Government utilised ₹ 10265.79 crore (98 <i>per cent</i>) as detailed below.</p> <p style="text-align: right;">(₹ in crore)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="background-color: #f4a460;">Opening Balance</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td style="background-color: #f4a460;">Fund released by GoI during 2005-10</td> <td style="text-align: center;">9517.51</td> </tr> <tr> <td style="background-color: #f4a460;">Funds released by GoAP during 2005-10</td> <td style="text-align: center;">826.30*</td> </tr> <tr> <td style="background-color: #f4a460;">Miscellaneous receipts</td> <td style="text-align: center;">150.08</td> </tr> <tr> <td style="background-color: #f4a460;">Total funds available</td> <td style="text-align: center;">10493.89</td> </tr> <tr> <td style="background-color: #f4a460;">Expenditure incurred (up to March 2010)</td> <td style="text-align: center;">10265.79</td> </tr> <tr> <td style="background-color: #f4a460;">Closing Balance as on 31 March 2010</td> <td style="text-align: center;">228.10</td> </tr> </tbody> </table> <p>The Director, EGS reported (January 2011) that the closing balance of ₹ 228.10 crore was available in the SEGF.</p>	Opening Balance	Nil	Fund released by GoI during 2005-10	9517.51	Funds released by GoAP during 2005-10	826.30*	Miscellaneous receipts	150.08	Total funds available	10493.89	Expenditure incurred (up to March 2010)	10265.79	Closing Balance as on 31 March 2010	228.10
Opening Balance	Nil														
Fund released by GoI during 2005-10	9517.51														
Funds released by GoAP during 2005-10	826.30*														
Miscellaneous receipts	150.08														
Total funds available	10493.89														
Expenditure incurred (up to March 2010)	10265.79														
Closing Balance as on 31 March 2010	228.10														

BRGF

Funds are transferred to the Consolidated fund of the State, and are supposed to be transferred to the bank accounts of the PRIs by the State Government within 15 days of the release of funds by GoI.

The funds under Backward Region Grant Fund (BRGF) are being released through two different funding windows viz, Capacity Building Fund and Development Fund. The State Government outsourced the task of capacity building of Local Bodies to a third party. The Development Fund, which is in the nature of an untied grant, is released to all three tiers of PRIs for supplementing and converging with their existing development inflows into the district. Release and utilisation of funds with regard to the BRGF during the last five years 2006-11 are as follows:

(₹ in crore)

Year	Releases		Utilisation Certificate issued	
	Capacity building fund	Development fund	Capacity building fund	Development fund
2006-07	13.00	0	13.00	0
2007-08	13.00	2.6 304.48	13.00	1.3 303.18
2008-09	0	23.59 226.79	0	23.59 226.79
2009-10	22.11	335.28	22.11	85.93
2010-11	0	335.34	0	125.52
Total	48.11	1228.08	48.11	766.31

As can be seen from the table above, PRIs are yet to provide UCs for ₹ 461.77 crore of BRGF to the GoI.

ULBs

Table 1.4

Scheme	Fund flow
JNNURM	<p>The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) comprised of four sub-missions viz., Urban Infrastructure and Governance (UIG); Basic Services to the Urban Poor (BSUP); Integrated Housing and Slum Development Programme (IHSDP) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT).</p> <p>The programme is funded by the GoI, GoAP and ULBs at prescribed percentage, as laid down in the guidelines of the respective submissions. The Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (APUFIDC) is the nodal agency for implementation of JNNURM in the State. Funds are initially released by both the Central and the State Governments to APUFIDC, which in turn releases them to the implementing agencies based on the progress of work.</p>
SJSRY	<p>Swarna Jayanti Shahari Rozgar Yojana (SJSRY) comprises five major components viz, Urban Self Employment Programme (USEP), Urban Women Self-help Programme (UWSP), Skill Training for Employment Promotion amongst Urban Poor (STEP-UP), Urban Wage Employment Programme (UWEP) and Urban Community Development Network (UCDN).</p> <p>Funding under SJSRY is shared between the Centre and the States in the ratio of 75:25. The Central share is directly released in the form of Demand draft to Commissioner & Director of Municipal Administration (CDMA) and the State share is apportioned through budget. Funds from both the sources are placed initially with the Mission of Elimination of Poverty in Municipal Areas (MEPMA), a State level nodal agency. In turn these funds are released to ULBs.</p>

1.5.3 Twelfth Finance Commission grants

The main objective of the Twelfth Finance Commission (TFC) grants in respect of PRIs is to undertake repairs / rejuvenation of assets relating to water supply and sanitation and also for utilising towards their O&M costs. Similarly, the objective in respect of ULBs is for implementation of solid waste management.

In pursuance of the TFC guidelines empowering the CAG to audit the release and utilisation of its grants, the records of ZPPs, 30 MPPs, 150 GPs and 23¹ ULBs pertaining to 2008-09 were test checked in six districts during April-September 2010. It was observed that the first installment of 2007-08 was released with a delay ranging from 1 to 43 days in 137 PRIs, the second installment with a delay ranging from 3 to 62 days in 136 PRIs and the first installment of 2008-09 was released with a delay ranging from 3 to 66 days in 128 PRIs. In four PRIs, the first installment of 2008-09 was not released as of the date of audit (November 2010).

As for the ULBs, the delay in release of the first installment (2007-08) ranged from 6 to 27 days and delay in release of second installment of 2007-08 and first installment of 2008-09 ranged from 30 to 31 days in the seven test checked ULBs.

As for utilisation of funds, audit scrutiny revealed that the CPR&RE and CDMA did not exercise proper control over the utilisation of funds by PRIs and ULBs respectively. UCs were issued to the Government as soon as the funds were released to them. Following are some illustrative observations on utilisation of funds in the test checked PRIs and ULBs.

PRIs

- ZPP, Visakhapatnam deposited ₹ 6.49 crore in fixed deposits instead of crediting to PD account, in violation of GoI guidelines governing the utilisation of TFC grants. Parking of funds in banks resulted in non-achievement of the envisaged objectives of the programme for which, the funds were released.
- ₹ 15.41 crore² released (2006-09) by the GoI was diverted by the ZPPs towards construction of Individual Sanitary Latrines (ISLs) of newly constructed houses under the State sponsored INDIRAMMA Housing scheme. While the GoI funds are meant for renovation of existing community sanitation facilities, utilisation of such funds for individual benefit for construction of capital items of sanitation is irregular and is violative of the guidelines governing the TFC grants.

ULBs

- In 23 test checked ULBs, ₹ 57.17 crore was available as of 31 March 2009. Out of this amount, only ₹ 13.50 crore was utilised (24 per cent) leaving a

¹ Srikakulam, Amudalavalasa, Ichapuram, Palasa-Kasibugga, Rajam, GVMC (Visakhapatnam), Anakapalle, Bheemuniapatnam, SPSR Nellore, Kavali, Gudur, Venkatagiri, Kurnool, Nandyal, Adoni, Yemmiganur, Dhoni, Mahbubnagar, Wanaparthi, Narayanapet, Gadwal, Tandur, Vikarabad.

² ZPP Srikakulam ₹ 7.61 crore and in ZPP Mahbubnagar ₹ 7.80 crore.

balance of ₹ 43.67 crore. In three³ ULBs, no funds were utilised during 2008-09.

- In contravention of GoI guidelines, three ULBs have drawn ₹ 5.30 crore⁴ from PD account concerned and kept in fixed deposits.
- An amount of ₹ 19.43 lakh was incurred (2008-09) by six ULBs⁵ on works such as painting to Municipal buildings, shops; repairs to vehicles; laying of bore wells etc., which are not eligible for funding from TFC grants.

1.5.4 Resources and application of resources

Trends and composition

PRIs

Resources:

As there was no system of consolidating the financial position at the Commissioner level, the resources and expenditure particulars⁶ of PRIs upto the year 2008-09⁷ were obtained from the State Audit Department. **Table 1.5** below shows the trends of resources of PRIs during 2004-09.

Table 1.5

(₹ in crore)

Resources	2004-05	2005-06	2006-07	2007-08	2008-09
Own Revenue	505.61	401.84	294.87	290.89	388.39
General fund and Assigned revenue	4632.96	2509.37	1708.39	2065.67	2803.95
Grants for CFC / SFC	528.95	333.10	302.80	185.14	392.59
GoI grants for CSS /State Schemes	956.44	1330.00	994.10	1332.75	1416.44
Other Receipts	548.48	385.66	1354.80	552.80	686.60
Total	7172.44	4959.97	4654.96	4427.25	5687.97

Source: Information furnished by State Audit

³ Yemmiganur, Gadwal and Narayanapet Municipalities.

⁴ Nellore Municipal Corporation ₹ 4.09 crore, Kavali Municipality ₹ 86.13 lakh, Mahbubnagar Municipality ₹ 35.40 lakh.

⁵ Municipalities : Tandur ₹ 5.08 lakh, Ichapuram ₹ 0.92 lakh, Anakaplle ₹ 3.58 lakh, Gudur ₹ 2.93 lakh, Wanaparthy ₹ 5.43 lakh and Nellore Municipal Corporation ₹ 1.49 lakh.

⁶ These were not inclusive of the major Centrally Sponsored Scheme MNREGS as the Director, State Audit does not conduct audit of MNREGS.

⁷ As the compilation of data for 2009-10 was not completed, the State Audit Department furnished the figures till 2008-09.

Application of Resources:

Table 1.6 below shows the trends of application of resources of PRIs during 2004-09:

Table 1.6

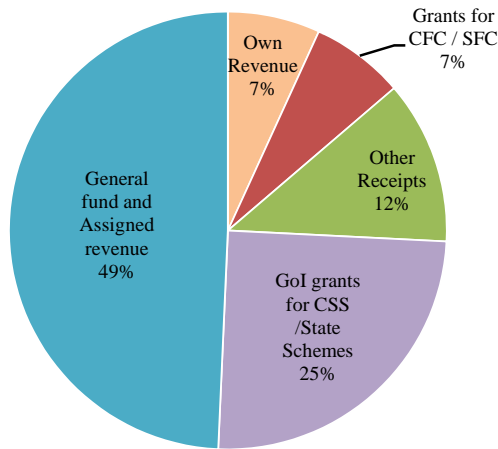
(₹ in crore)

Application of funds	2004-05	2005-06	2006-07	2007-08	2008-09
Expenditure from Grants-in aid					
Education	3142.21	881.82	427.55	469.54	684.70
Social Welfare	29.82	73.08	37.32	42.58	34.21
Minor Irrigation and Rural Water Supply	132.39	146.24	214.11	285.80	485.52
Roads and Bridges maintenance	100.34	109.13	188.70	173.39	369.14
Other expenditure	731.25	901.19	240.87	291.22	316.80
Total	4136.01	2111.46	1108.55	1262.53	1890.37
Scheme works such as SGRY, Janmabhoomi, BRGF and the expenditure of other programmes / grants	2127.24	2582.39	1660.91	1628.56	2216.95
Expenditure from general fund	237.57	504.64	520.24	611.43	672.57
Deposits, Advances and Loans	186.32	370.52	313.07	304.35	290.72
Grand Total	6687.14	5569.01	3602.77	3806.87	5070.61

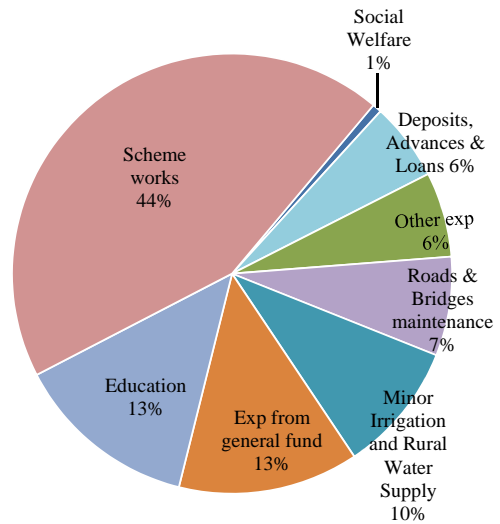
Source: Information furnished by State Audit

The break-up of the composition of resources and their application by PRIs during 2008-09 is depicted in pie-chart below.

Resources : ₹ 5687.97 crore



Application of funds : ₹ 5070.61 crore



ULBs

Resources

Table 1.7 below shows the trends of resources of ULBs during 2005-10.

Table 1.7

(₹ in crore)

Resources	2005-06	2006-07	2007-08	2008-09	2009-10
Own Revenue	955.59	1153.50	1362.75	1597.79	1697.65
Grants from GoI, State Government and Assigned Revenues	639.99	596.43	791.90	488.49	408.11
GoI grants for CSS/State Schemes	120.28	185.95	179.02	359.94	576.28
Other Receipts	301.64	354.60	159.63	1147.71	974.79
Total	2017.50	2290.48	2493.30	3593.93	3656.83

Source: CDMA

Application of resources

Table 1.8 below shows the trends of sector-wise application of resources of Corporations and Municipalities for the period 2005-10. Breakup of capital and revenue expenditure is detailed in *Appendix-2*.

Table 1.8

(₹ in crore)

Application of funds		2005-06	2006-07	2007-08	2008-09	2009-10
a.	Roads	278.23	145.87*	600.22	859.51	370.06
b.	Drains and Culverts	84.64	53.12*	120.90	214.15	170.29
c.	Buildings	33.71	32.70*	60.02	62.07	43.58
d.	Public health and sanitation	213.06	263.76	191.08	253.12	302.01
e.	Water supply	175.80	152.72*	252.10	343.89	243.87
f.	Lighting	96.11	64.33*	176.99	267.28	221.63
g.	Remunerative enterprises	25.44	27.49*	21.28	23.60	22.95
h.	Housing	-	-	-	152.38 ⁸	142.03
	Total	906.99	739.99	1422.59	2176.00	1516.42
i.	Pay and allowances	370.42	533.66	567.99	624.06	495.32
j.	Loans Repayment	38.83	60.98*	46.67	121.07	23.89
k.	Depreciation (MCH)	-	119.66	-	202.26	221.08
l.	Other expenditure (town planning, land acquisition, management expenses, etc.)	721.67	682.37	931.75	999.59 ⁹	1340.93
	Total	1130.92	1396.67	1546.41	1946.98	2081.22
GRAND TOTAL		2037.91	2136.66	2969.00	4122.98	3597.64

Source : Information furnished by CDMA

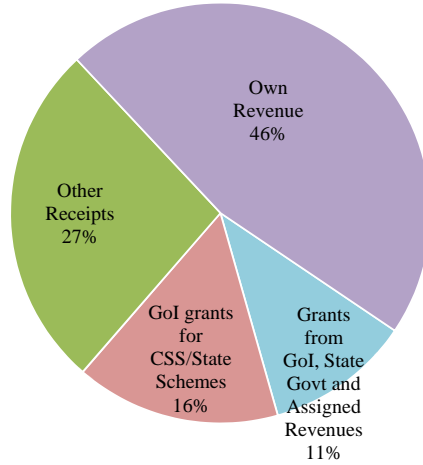
⁸ The amount pertains to GHMC only. This was not shown separately in ULBs.

⁹ Break up for roads, drains, buildings etc., in respect of Guntur Municipal Corporation was not furnished. This amount includes ₹ 44.97 crore non-recurring and ₹ 1.22 crore recurring expenditure pertaining to Guntur Municipal Corporation.

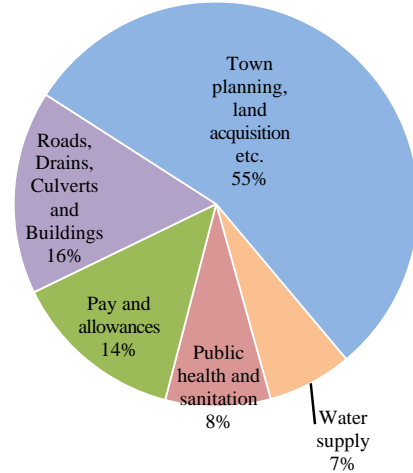
* Details are excluding the figures of MCH for the year 2006-07. Expenditure of MCH relating to these sectors for the year 2006-07 is included in other expenditure.

The break-up of the composition of resources and their application by ULBs during 2009-10 is depicted in pie-chart below.

Resources : ₹ 3656.83 crore



Application of Resources : ₹ 3597.64 crore



Quality of Expenditure

Availability of better infrastructure in social, educational and health sectors generally reflects the quality of expenditure. In view of the importance of public expenditure on development heads for social and economic development, it is important for Local Bodies to take appropriate expenditure rationalisation measures and lay emphasis on provision of core public goods and services which will enhance the welfare of the citizens. Apart from improving the allocation towards development expenditure, the efficiency of expenditure is also reflected by the ratio of capital expenditure to total expenditure. **Table 1.9** below shows the key parameters for evaluating the quality of expenditure of ULBs:

Table 1.9

(₹ in crore)

Year	Total Expenditure	Revenue Expenditure (RE)	Percentage of RE to total	Capital Expenditure (CE)	Percentage of CE to total
2005-06	2037.91	1574.25	77	463.66	23
2006-07	2136.66	1809.40	85	327.26	15
2007-08	2969.00	2125.82	72	843.18	28
2008-09	4122.98	2552.61	62	1570.37	38
2009-10	3597.64	2750.37	76	847.27	24

Source : Information furnished by CDMA, as detailed in Appendix-2

1.6 Devolution of funds, functions and functionaries

PRIs

The Eleventh Schedule of the 73rd Constitutional Amendment Act, 1992 listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, the GoAP devolved ten¹⁰ functions to PRIs. However, while six line departments released ₹ 161.31 crore to PRIs during the year 2009-10, they have not transferred the concerned functionaries. Details of function wise/district wise releases are shown in *Appendix-3*. As can be seen from this Appendix, funds were not released to all the districts by the departments.

It was further observed during test check of ZPPs that due to non-transfer of functionaries, the amounts drawn by ZPPs were either returned to the line departments concerned or remained unutilised as pointed out in para 2.2 on 'Functioning of two ZPPs' incorporated in Chapter-II of the Report. Therefore, the objective of devolution of functions, funds and functionaries to PRIs was not fully achieved.

ULBs

The 74th Constitutional Amendment Act identified 18 functions for ULBs as incorporated in Twelfth Schedule of the Constitution. All the functions mentioned in this Schedule, except Fire Services, were devolved to the ULBs in the State.

1.7 Accounting Arrangements

PRIs

The PRIs maintain accounts on cash basis. The Model accounting system was prescribed by the GoI in consultation with the CAG. As per the latest information furnished (February 2011) by CPR&RE, the State Government issued orders (September 2010) for adopting the format using PRIASoft (Panchayat Raj Institution Accounting Software) developed by NIC. It was planned to implement it initially in ZPPs and subsequently in Mandals and 475 GPs, which are notified as e-panchayats.

ULBs

Ministry of Urban Development and Poverty Alleviation, GoI and CAG had formulated (December 2004) National Municipal Accounts Manual (NMAM) with double entry system for greater transparency and control over finances and requested (May 2005) the States to adopt the same with appropriate modifications to meet State's specific requirements. Accordingly, a Steering Committee was

¹⁰ (i) Agriculture and Agricultural extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Rural Development (v) Drinking water and Sanitation (RWS) (vi) Primary, Secondary and Adult Education (vii) Health, Sanitation, PHC, Dispensaries, Family welfare (viii) Social Welfare, (ix) Backward classes welfare, (x) Women and Child Development.

constituted (May 2005) by GoAP, and the Andhra Pradesh Municipal Accounts Manual (APMAM) was developed during 2006-07. The State Government issued orders in August 2007 for adoption of APMAM in all the ULBs in the State. Similarly, the other manuals viz., Andhra Pradesh Municipal Budget Manual and Andhra Pradesh Municipal Asset Manual, as approved by CAG were also accepted by the State for implementation (August 2007) by the ULBs.

As per the latest information furnished (February 2011) by CDMA, the accounts under the new system were being prepared in 57 JNNURM implementing ULBs from the year 2008-09 and necessary preparatory work has been taken up to implement the project in the remaining 66 ULBs. GHMC has been implementing the double entry accounting system since 2002-03.

1.8 Accountability framework

1.8.1 Role of State Government in the decentralised setup

The APPR Act and HMC Act empower the State Government to exercise certain powers on PRIs and ULBs respectively for making rules, to dissolve, to cancel and suspend a resolution or decision taken, to issue directions to the executive authorities, for inspection and calling for records etc, as detailed in *Appendix-4*. The Government oversight role, however, seemed to be ineffective as highlighted in Section-B of this Chapter and issues highlighted in Chapter-II and III of the Report.

1.8.2 Social Audit

The basic objective of social audit is to ensure public accountability in the implementation of projects, laws and policies. Social audits allow people and civil society organisations/groups to enforce accountability and transparency, providing the ultimate users an opportunity to scrutinize developmental programmes. Since transparency, accountability and citizen participation in governance are important components of good governance, recent governmental programmes have been providing for social audit component within the scheme guidelines itself. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), 2005 is one such example.

MNREGA provides for 100 days of guaranteed employment in one financial year to all rural households, where the members are willing to do unskilled work. The Act not only guarantees wage employment as a right, but also promotes community monitoring through Vigilance and Monitoring Committees and social audit through Gram Sabha.

In consonance with MNREG Act, the State Government made arrangements to operationalise the social audits by establishing Strategy Performance Innovative Units (SPIU) with effect from 2006, in co-ordination with Centre for Good Governance (CGG) with financial support from the Department for International Development (DFID). Consequent on closure of SPIUs, the State Government constituted an

independent Society for Social Audit in May 2009 for monitoring, accountability and transparency in implementation of the scheme. A state level cell at the office of the Commissioner, Rural Development and district level cell at the office of the Project Director, DWMA are formed to follow up action on social audit. The modus operandi of the social audit teams involve visits to all the GPs, public hearing of the complaints of wage seekers with regard to provision of employment and payment of wages and reporting to the Government about the achievement or otherwise, of the objectives of the programme in a fair and transparent manner.

The Director, Social Audit in the State has been inspecting all the GPs and reporting their findings to the State Government. The first annual report was issued to Government in August 2010.

1.8.3 Audit mandate

1.8.3.1 Audit by Statutory auditor – Director State Audit

The Director, State Audit (DSA) is the statutory auditor for PRIs and ULBs under the Andhra Pradesh State Audit Act, 1989 and is required to conduct audit of all the 22927 PRIs and 124 ULBs annually. As per Section 11(2) of the Act, the Director is required to prepare the Consolidated State Audit and Review Report and present the same to the State Legislature. The Department functions under the administrative control of Finance Secretary to Government of Andhra Pradesh. It has 6 Regional Offices, 22 District Offices, 156 Sub offices and several resident offices.

- **Arrears in audit**

Certification of accounts gives an assurance that the funds have been utilised for the purpose for which these have been authorised. However, it was noticed from the information furnished (November 2010) by the DSA, that the audit of accounts of many ULBs was pending as the accounts were yet to be compiled by the ULBs. There were no arrears in audit of ZPPs and marginal arrears in respect of MPPs and in case of GPs, audit of 7139 GPs was in arrears as of March 2010. No reasons were furnished by the Director for delay in audit of GPs.

- **Submission of Consolidated State Audit and Review Reports**

The DSA has prepared and submitted Consolidated State Audit and Review Reports upto the year 2007-08 to the Finance department and the Government tabled (March 2011) the same in the State Legislature. Some of the major findings are on excess utilisation / non-utilisation / diversion / misutilisation of grants, non-collection of dues, advances pending adjustments, violation of rules, wasteful expenditure etc.

- **Issue of surcharge certificates**

According to Section 10 of the Act, the DSA is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of Local authorities or other authorities. The amounts surcharged are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act. In this regard, details of surcharge certificates issued, amount recovered/waived and balance pending as of March 2010 against all the three tiers of PRIs are as shown in **Table 1.10** below:

Table 1.10

(₹ in crore)

Unit	Number of certificates issued		Recovered/waived		Balance	
	Cases	Amount	Cases	Amount	Cases	Amount
Zilla Praja Parishads	193	0.14	59	0.03	134	0.11
Mandal Praja Parishads	867	0.74	250	0.20	617	0.54
Gram Panchayats	124006	119.05	1141	3.60	122865	115.45
Total	125066	119.93	1450	3.83	123616	116.10

Recovery is very little as compared to the amount for which surcharge certificates were issued on GPs. As against ₹ 119.05 crore, only an amount of ₹ 3.60 crore was recovered. Non-recovery is a cause for concern and requires effective action by the State Government.

1.8.3.2 Audit by CAG

CAG conducts audit of Local Bodies (PRIs and ULBs) under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, GoAP has entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies under Section 20 (1) of CAG's (DPC) Act.

CAG conducts only a test check and a consolidated report (TGS Note) at the end of each financial year is communicated to the Director, State Audit for improving the quality of their reports. The TGS note for the year 2009-10 was sent in April 2010.

Status of CAG's audit observations

Test audit of accounts of six ZPPs (including engineering divisions), 81 MPPs, 316 GPs, four Municipal Corporations and 17 Municipalities was conducted under Section 20 (1) of CAG's (DPC) Act, 1971 during the year 2009-10. As of February 2011, there were 625 Inspection Reports comprising 4353 objections pending settlement with PRIs and 107 Inspection Reports comprising 2445 objections pending settlement with ULBs up to the year 2009-10. These Reports also include the

items relating to audit conducted under Section 14, prior to entrustment of Local Bodies Audit under TGS in 2005-06.

Despite reminding the Government (Principal Secretaries) at regular intervals, the response from PRIs and ULBs in furnishing replies is very poor.

1.9 Conclusion

The State ranks fifth in the country in terms of the number of people living in rural areas. Within the State itself, about 73 *per cent* of people live in the rural areas. However, the Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs, despite the PR system having been in place for over 17 years. Planning for developmental activities is abysmal and there is no correlation between the requirements of the Local Bodies and the funds devolved to them. Further, utilisation of funds is very poor and in the absence of UCs in many cases from the PRIs, it is not possible to vouch for the expenditure reported to have been incurred by the Local Bodies in the State.

There were significant delays in compilation of accounts by ULBs, with consequent delay in their audit by the DSA. Further, since the Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs, the latter continue to maintain their accounts on cash basis. The Government needs to look into these issues and initiate appropriate action to address them.

Section-B

Financial reporting

1.10 Framework

Financial reporting in the PRIs and ULBs is a key element of accountability. The best practices in matters relating to drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by the PRIs and ULBs are governed by the provisions of the APPR Act, 1994 and HMC Act 1955 respectively, rules framed by the State Government from time to time, Andhra Pradesh Treasury Code, Financial Code, Public Works Accounts Code, Public Works Departmental Code, Stores Manual, Budget Manual, other Departmental Manuals, standing orders and instructions.

1.11 Financial reporting issues

Some of the issues relating to financial reporting are enumerated below:

PRIs

1.11.1 Creation of database of PRIs

GoAP released (2002-10) EFC and TFC funds amounting to ₹ 57.80 crore¹¹ to the CPR&RE for creation of database on the finances of PRIs. The CPR&RE kept the above funds with the CEO, ZPP Ranga Reddy district and stated (February 2011) that no expenditure was incurred during the year (2009-10) towards the purpose.

The database was not created despite provision of funds upfront by the GoI. Thus the objective of consolidating the finances of PRIs remained unachieved for more than nine years.

1.11.2 Preparation of budget

According to the provisions of the APPR Act, 1994, every GP should prepare budget estimates for a financial year before December of the preceding financial year, and obtain approval of the Divisional Panchayat Officer under Section 77(2) of the Act. However, it was noticed that 188 GPs (87 per cent) out of 216 test checked, had not prepared budget estimates for the year 2009-10. Funds were being released by the Government in a routine manner, thereby defeating the purpose of planning and taking into account the requirements of the grass root level people.

1.11.3 Reconciliation

In terms of the Budget Manual, the GPs are required to carry out reconciliation of cash book figures with treasury balances every month. The purpose of reconciliation of Treasury Personal Deposit Account and bank accounts is to watch whether remittances made into the accounts and the booking of sanctioned expenditure are

¹¹ EFC grants ₹ 22.96 crore (2002-04) and TFC grants ₹ 34.84 crore (2005-10).

correct and also to certify the genuineness of remittances made through challans. However, it was observed that 204 (94 per cent) out of 216 GPs audited have not conducted reconciliation with the treasury/Bank. There is, thus, a risk of misuse of Government money in the form of fictitious drawals/remittances and irregular booking of expenditure under various heads of account/scheme/programmes. The matter needs immediate attention for corrective action.

1.11.4 Maintenance of records

Records such as Works Register, DCB Register, Grants Register, Stock Register, Challan Register and Register of Receipts and Expenditure are to be maintained as per the provisions of GP Accounts Manual of Panchayat Raj and Rural Development Department. However, the above registers were not maintained as prescribed in almost all the GPs test checked, reflecting poor internal controls and inadequate accounting arrangements in GPs. These records are important as they are intended to constitute documentary evidence of proper receipt and utilisation of funds and account for stock. The Director, State Audit also pointed out this aspect in his reports. But no rectificatory action was taken by the State Government to ensure the maintenance of registers by GPs.

1.11.5 Unspent balances in bank accounts of closed schemes

Scheme guidelines stipulate surrender of unspent amount into Government account in respect of closed schemes. State level authorities of the schemes concerned and the Commissioner/PR should watch the balances of closed schemes lying in the accounts of different PRIs. Scrutiny of records of two ZPPs and 8 MPPs on a sample basis revealed that as of March 2010, an amount of ₹ 6.17 crore as detailed in *Appendix-5* remained unspent in the accounts of closed schemes. No action was initiated by the executives to transfer the amount to Government account.

1.11.6 Advances pending adjustment

According to the provisions of Andhra Pradesh Financial Code-1, advances paid should be adjusted without any delay and the DDOs concerned should watch their adjustment. Though the State Government is empowered to call for the records to examine the effective functioning of PRIs, no efforts were made by the Government to examine the cases as such. As a result, it was noticed in 27 MPPs that funds amounting to ₹ 1.81 crore advanced to different executive agencies remained unadjusted as of March 2010 as detailed in *Appendix-6*.

1.11.7 Furnishing of UCs

Scheme guidelines of CSS stipulate that UCs should be obtained by departmental officers from the grantees and after verification should be forwarded to GoI/MoPR. Similarly, utilisation particulars of the funds released from PRIs general funds to SC, ST and Women and Child Welfare corporations also should be obtained by PRIs concerned. Scrutiny of records of one ZPP and 10 MPPs on a sample basis revealed

that UCs amounting to ₹ 51 lakh from different agencies were pending to be obtained by the PRIs as detailed in **Appendix-7** indicating poor monitoring not only by the DDOs but also the HOD.

1.11.8 Cases of misappropriation

The Andhra Pradesh Financial code stipulates the responsibilities of Government servants in dealing with Government money, the procedure to fix responsibility for any loss sustained by the Government, the procedure to be followed and the action to be initiated for recovery. State Government ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned.

The misappropriation cases in PRIs noticed by the Director, State Audit during the years 2005-06 to 2007-08 (consolidated figure of 2008-09 and 2009-10 awaited) and remained to be disposed off to the end of 31 March 2010 are given in **Table 1.11** below:

Table 1.11

(₹ in crore)

PRI	No. of cases	Amount involved	No. of cases	Amount involved	No. of cases	Amount
	2005-06		2006-07		2007-08	
Zilla Praja Parishads	4	1.34	4	7.05	16	24.66
Mandal Praja Parishads	113	28.36	100	30.17	195	50.05
Gram Panchayats	863	278.53	2123	667.92	1139	348.11

There was no information with regard to the number of cases settled and the action initiated for recovery during the year 2009-10. Urgent action needs to be taken by the Government in this regard.

ULBs

1.11.9 Physical verification of stores and stock

According to the provisions of Article 143 of Andhra Pradesh Finance Code Volume I, all stores and stock should be verified physically once a year to end of March and a certificate of check after each verification, should be recorded by the Head of the office in the Register concerned. Scrutiny of records of ten ULBs during 2009-10 revealed that in respect of seven¹² of these, annual physical verification of

¹²Tirupathi Municipal Corporation, Proddutur, Bapthla, Jangaon, Ichapuram, Nagari and Vikarabad municipalities.

stock and stores was not conducted since many years and in some cases since inception (formation of Municipality).

1.11.10 Non-reconciliation of departmental figures with treasury

As per para 19.6 of Andhra Pradesh Budget Manual, the DDOs are required to reconcile every month the departmental receipts and expenditure with those booked in treasury to avoid any misclassification and fraudulent drawals. Scrutiny of records of ten ULBs during 2009-10 revealed that in respect of four of these, reconciliation was pending for two to three years.

1.11.11 Non-finalisation of accounts

According to Rule 4 of Andhra Pradesh Municipalities (Preparation and Submission of Accounts and Abstracts) Act, 1970, ULBs are to compile their Accounts annually and forward a copy to Auditor not later than 15 June. As per the information furnished by the Director, State Audit, there were huge arrears (for more than two decades) in compilation of accounts by some ULBs as listed in *Appendix-8*.

1.11.12 Parking of scheme funds in FDRs

Parking of CSS / State Plan Schemes funds in Fixed Deposit Receipts (FDRs) by ULBs was highlighted in AR 2006-07. The State Government, however, had not taken any effective action to ensure that the funds are not parked in FDRs by ULBs. As a result, CSS, State Plan and CFC grants amounting to ₹ 26.32 crore were parked in FDRs in violation of the concerned scheme guidelines as observed during a test check of five ULBs during 2009-10.

Though the above mentioned audit finding have been brought to the notice of the State Government on several occasions, no effective action has been taken by the Government.

1.12 Conclusion

Financial reporting in PRIs and ULBs was inadequate as evidenced by non-preparation of budget, non-maintenance of crucial registers, non-remittance of unspent balances of closed schemes, non-furnishing of UCs and advances pending adjustment, non-finalisation of accounts, parking of scheme funds in FDRs, non-conducting of physical verification of stores and stock and non-reconciliation of departmental figures with treasury. Also, the database of finances was not created even after the lapse of nine years of releasing the funds.

CHAPTER II

PERFORMANCE AUDIT

This chapter contains Performance Audits on Functioning of Anantapur Municipal Corporation in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools (2.1) and Functioning of Zilla Praja Parishads in Anantapur and Guntur districts (2.2).

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

2.1 Functioning of Anantapur Municipal Corporation in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools

Executive summary

A review of the functioning of Anantapur Municipal Corporation (AMC) was undertaken by audit for the years 2005-06 to 2009-10 in the areas of oversight role of Government on collection of (Property Tax) PT and generation of revenue from shopping complexes; sanitation; water supply and Municipal Schools.

Oversight role of State Government over the audit findings of previous Reports

The State Government did not take corrective action on the findings of earlier audit reports on functioning of ULBs in the areas of PT, shopping complexes etc. Despite flagging the issue of poor monitoring of execution of developmental works repeatedly, neither any Management Information System (MIS) was instituted nor any performance indicators for ensuring best practices in augmentation of revenue in the above fields were devolved. There was no mechanism at the Government level for watching strict compliance to rules, regulations, guidelines etc., through periodical reviews, returns and follow up action.

Sanitation

AMC had not evolved any system to check encroachments constraining the cleaning of drains effectively. The function relating to waste management was limited to only collection and dumping of waste in dump yards. Door to door collection of garbage was being carried out only in 25 out of the 50 wards covering 22000 households (45 per cent) in the city. No action plan was prepared on systematic implementation of SWM. The Corporation could utilise only 36 per cent of the funds available for SWM. There were no records showing that periodical reports/returns were submitted to the Board constituted by the GoAP towards implementation of SWM indicating that there was no proper monitoring mechanism at the Government level.

Water Supply

Though GoI framed benchmarks for service delivery with regard to water supply, no performance indicators were framed by either the State Government or AMC for ensuring that the ULB is able to deliver the services in accordance with the norms. The efforts made by AMC towards augmentation of water resources also turned out to be ineffective as the two projects taken up during 2005-2008 remained incomplete even after spending ₹64.48 crore.

Municipal Schools

Though the AMC is entrusted with maintenance of schools under its control, no funds were apportioned from its general funds towards improvement of infrastructure facilities during 2005-10. It had even failed to utilise grant received from the GoAP. As a result, infrastructure facilities such as provision of class rooms, protected water supply, toilets, furniture, laboratory and library facilities could not be ensured during the period covered under audit.

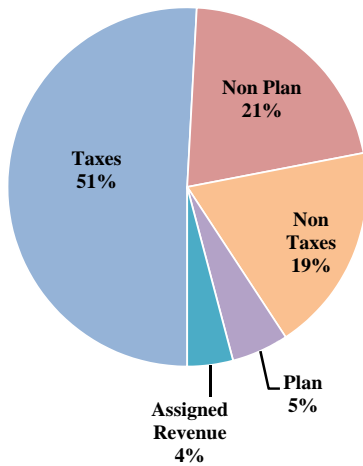
2.1.1 Introduction

The Municipality of Anantapur was constituted in 1869 and upgraded as Anantapur Municipal Corporation (AMC) with effect from 1 April 2005. The AMC covers an area of 16.35 Sq kms with a population of 2.64 lakh. It is entrusted with the task of providing civic amenities and infrastructure facilities in the city. Anantapur city is divided into 50 political wards.

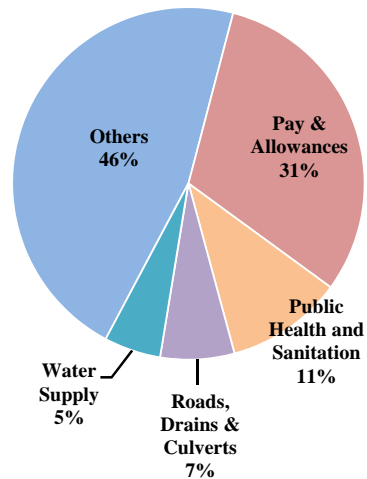
2.1.2 Financial position

The resources of AMC and application of funds for the year 2009-10 are depicted in the pie charts below.

Resources : ₹ 24.54 crore



Application of funds : ₹ 22.52 crore

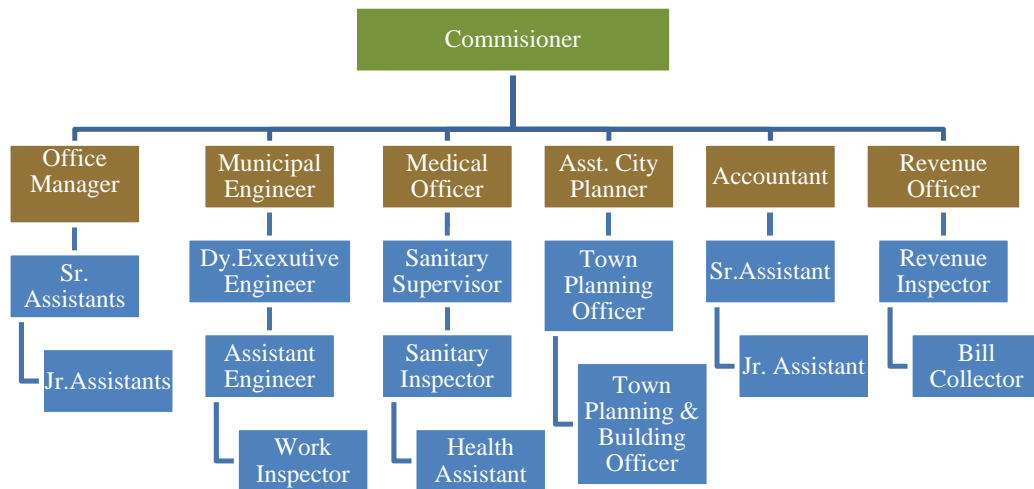


Source: Figures provided by AMC

Details of resources and application of funds for the five years from 2005-06 to 2009-10 are given in **Appendix 9 and 10**. Since AMC did not finalise its annual accounts from the year 2004-05 onwards, the receipt and expenditure figures furnished by them to audit could not be verified. Even though the Rules stipulate that the Municipalities shall prepare annual accounts every year and forward a copy of the accounts to the Director State Audit by the 15th of June every year, no provision exists for penalising the Municipalities for non adherence to the above provisions.

2.1.3 Organisational set-up

The organisational set-up of AMC is given below.



The legislative setup of AMC consists of Mayor, Deputy Mayors, who are assisted by Standing Committees, Ward Committees and members.

The functions of AMC *interalia* include:

- Watering, scavenging and cleaning of all public streets and places;
- Collection, removal, treatment and disposal of sewage, rubbish and the preparation of compost manure from such sewage, rubbish etc;
- Construction of drains and drainage works after collecting prescribed fees from the persons who apply for construction, addition or alterations of a building along with the application for sanction;
- Maintenance and cleaning of drains and drainage works;
- Construction, acquisition and maintenance of public markets and slaughter houses;
- Management and maintenance of all municipal water works;

For carrying out the above functions, the Corporation was empowered to impose various taxes and fees on lands and buildings, advertisements, building permissions etc.

In order to monitor the proper functioning of the Corporation, the State Government, *interalia*, may:

- Call for any proceedings of the Corporation, record, correspondence, plan or other document; furnish any return, statement of account or statistics;
- Depute any officer to inspect or examine any municipal department, office, service, work;
- Direct the Corporation or the Commissioner for proper performance of the duty or to make financial provision for performance of the duty;
- Appoint a person to take action in case of default in performance of its duty by the Corporation;
- Examine the records of the corporation to satisfy the correctness, legality, propriety or regularity of any proceeding or order passed by the Corporation;
- Cancel or suspend resolutions.

State Government may also direct the Commissioner and Director of Municipal Administration (CDMA) to review, monitor and guide the Municipalities in their day to day operations in collection of taxes and non-taxes, maintenance and audit of accounts and ensuring adequate provision of civic amenities.

2.1.4 Audit objectives

The objectives of the performance audit are to assess the

- effectiveness of the oversight role of State Government over the previous audit findings on collection of PT and shopping complexes by ULBs;
- effectiveness of existing arrangements for the management of sewerage and solid waste, water supply, and smooth performance of Municipal schools.

2.1.5 Audit Criteria

Audit findings were benchmarked against the following criteria.

- Relevant provisions of the HMC Act, 1955 and the Rules made there under;
- Resolutions of the Municipal Council;
- Instructions of Government and the targets set internally.

2.1.6 Scope and Methodology of Audit

The performance audit covered the period from 2005-06 to 2009-10. However, matters relating to the subsequent period have also been included wherever necessary. The records of the head office of AMC were test checked relating to the five selected

areas viz., sanitation, water supply, property tax, shopping complexes and municipal schools.

An entry conference was conducted in July 2010 at AMC, Anantapur wherein the officers of all the concerned wings of AMC were present and the methodology being adopted for the performance audit was explained to them. An exit conference was held at AMC, Anantapur during January 2011 and the replies furnished by AMC were taken into account while arriving at the audit conclusions. The results of the performance audit are presented in the succeeding paragraphs.

Audit findings

2.1.7 Oversight role of State Government

Functioning of Municipal Corporations of Greater Hyderabad, Greater Visakhapatnam was reviewed in the areas of Property Tax and Shopping complexes and findings included in Audit Reports for the year 2007-08 and 2008-09. In order to examine the oversight role of State Government based on those findings, Audit identified AMC for the year 2009-10.

It was observed that MIS and performance indicators were not evolved by the State Government for ensuring that the Corporation discharged the functions as per the provisions of HMC Act and other manuals stipulated for their functioning. As a result, similar lapses persisted in AMC also, as discussed below.

2.1.7.1 Property tax

A major source of tax revenue to the Corporation is **Property Tax (PT)**. The PT is levied by the Municipalities on all buildings and lands in the city at such percentage of their rateable value, as may be fixed by the Corporation under HMC Act. In this regard, audit observations are as follows:

(i) Database

- There was no comprehensive database of all the assessable properties. The data available was based on the manual data maintained by the bill collectors in the Registers, which was neither reviewed periodically nor certified by any higher authorities concerned. Hence, no reliance can be placed on the existing data.
- Although AMC initiated the programmes viz., Rationalisation of house numbering in the ULBs under the Andhra Pradesh Urban Services for the Poor (APUSP) and for creation of database for improving collection of revenue viz., PT, water tax etc., Corporation did not derive the desired benefits as these programmes remained incomplete.
- For dispatch of demand notices, the house address is a vital requirement. However, it was observed from the available data that the house numbers were not indicated in respect of 587 properties (as of September 2010). In the

absence of these details, the half yearly demand statements' promptly reaching the house owners was doubtful.

(ii) Assessment, raising of demand and other remittances

At present there is no provision for self assessment of PT by the assessee. The present procedure for assessment carried out by the Corporation stipulates a large number of parameters for computing the PT leviable. The AMC did not provide for assigning weightage for each of the parameters leaving ample scope for subjective computation rather than an objective assessment. Audit test checked about 100 cases for the year 2009-10 and found the following irregularities.

- The information with regard to the plinth area is a basic requirement for assessment of PT. Scrutiny revealed that in respect of 22 assessed units (as of September 2010) the plinth area constructed was not indicated in the data. It was indicated as 1 sq.mt in 2350 cases and as 2 sq.mt in 85 cases. Test check of these assessments revealed inconsistencies¹ in the amount of demand raised.
- Even though assessment numbers were assigned, PT demand was not raised and collected in respect of 2444 cases and was assessed at the rate of ₹ 1 in 165 cases, ₹ 2 in 219 cases and ₹ 3 in 20 cases.

Though the HMC Act envisaged remittance of some of the portions of PT to other departments, the following deficiencies were noticed.

- As against a sum of ₹ 75.48 lakh due for remittance (2000-2010) towards library cess² to Zilla Grandhalaya Samstha (ZGS), an amount of ₹ 21.88 lakh was yet to be remitted to the ZGS (as of September 2010). Even though AMC did not maintain any public library on its own, it retained ₹ 43.57 lakh.
- Failure of AMC to collect the cess at the prescribed rates from the assesseees of PT resulted in short collection of library cess to the tune of ₹ 57.05 lakh.
- Education cess collected by the AMC amounting to ₹ 7.06 crore was not remitted to Education department though stipulated under the Andhra Pradesh Municipalities Act, 1965 and the Elementary Education Tax Act, 1920.

(iii) Enforcement of statutory provisions

The best remedy against defaulters is to take deterrent penal action as already featured in the CAG Audit Reports (Local Bodies) for 2007-08 and 2008-09. However, no

¹ Though the plinth area was same (1 sq.mt), demand was raised for ₹ 674, ₹ 3075, ₹ 1083, ₹ 976 in Assessment Numbers 100102872, 1001023580, 1001004164 and 1001011512 respectively.

² library cess has to be collected at the rate of eight paise of every rupee of PT collected. The amount so computed is to be set-apart in the accounts. Out of this, 85 per cent of the amount is to be remitted to the Zilla Grandhalaya Samstha (ZGS).

effective steps were initiated by the Government for strict compliance with the Act with regard to levy of penalty.

(iv) Information Technology

CDMA had developed e-Suvidha system to obtain an integrated view of information across all the Municipalities in the State as a part of GoAP e-Governance initiatives. AMC has been utilising the software to collect the PT and water tax through online system which is being monitored by the CDMA, Hyderabad. The following system deficiencies were noticed.

- Integrity of the data is critical but, AMC did not have any password policy to check misuse of the system or to deny access to persons other than those who have been designated for the purpose. As a result, the system was being handled by many unauthorised persons with the attendant risk of manipulation of the primary master data.
- AMC did not have a system to cross check all the transactions effected from various terminals at the end of the day which was of prime importance as it would have facilitated detection of illegal and unauthorised manipulation of the data.
- AMC had to rely on CDMA for any assistance regarding generation of reports, cancellation of a financial transaction etc.
- AMC failed to nominate an officer to head the IT wing so as to monitor the integrity of data.
- The use of system was restricted to PT and water tax and not to all the wings in AMC. As a result, there was no integration of information between the various wings of AMC.
- Even though AMC was relying on the system generated demand notices for issue to the assesses in the city, the PT and water tax collections made through the bill collectors were not being updated in the system, with the attendant risk of improper generation and issue of demand notices to the assesses.

2.1.7.2 Shopping complexes/markets

The primary objective of construction of shopping complexes is augmentation of revenue. A well designed strategy, as emerging out of State Government orders (July 1998 and September 2004) consisted many controls with regard to fixation of goodwill and rents and the periodical revision of rents, invoking penal action in case of default in payment of rent by lessees. However, the role of Government was limited to mere issue of orders. There was no mechanism at the Government level for ensuring strict compliance. As a result, the following deficiencies continued.

- Out of the 14 shopping complexes (comprising 223 shops) constructed by

AMC, only one shopping complex comprising 102 shops was constructed (2000) on goodwill basis. Even in respect of this shopping complex, there was shortfall in collection of goodwill amount to the extent of ₹ 7.43 lakh from 16 shops. Construction of shopping complexes without collection of 100 per cent goodwill amount led to 22 of the 102 shops lying vacant. The total loss to AMC for the shops that were lying vacant was ₹ 1.17 crore as of July 2010.

- The agreements with the lessees did not stipulate the specific number of months of rent which if not paid would result in evacuation proceedings. Failure to evict the defaulting parties resulted in pendency in collection of rents amounting to ₹ 1.04 crore as of July 2010.
- It was observed that no allocation for maintenance was made in the budget for the period from 2005-10 covered by audit although construction was undertaken long back. Though most of the shops lying vacant (45) required immediate repairs, no expenditure was incurred in this regard. As a result, they remained unoccupied thereby effecting AMC's revenue.
- According to HMC Act, sale of meat intended for human consumption in any place other than the municipal market is prohibited. AMC constructed (details of the construction were not made available to audit) slaughter house and mutton market under the IDSMT scheme with an intention to provide hygienic and healthy conditions at slaughter houses and for providing contamination free and safe meat to the people of the city. However, it was observed that the Corporation took up construction of slaughter house without a prior tie up with the ultimate users of the facility and without issuing a notification prohibiting slaughter anywhere other than the municipal slaughter house.

As a result, the slaughter house remained unoccupied and the objective of ensuring that the slaughter of animals is done only in a hygienic atmosphere could not be achieved.

The Commissioner, AMC admitted (January 2011) the lapses and promised to take remedial action.

2.1.7.3 Open spaces /lands/markets

AMC owned several open lands within the city limits among which, a piece of land was being utilised for a municipal market. Apart from this, a portion of municipal land was also leased out to M/s Indian Oil Corporation (IOC).

Scrutiny of records revealed the following.

- i. The collection of annual rent from the municipal market was poor and an amount of ₹ 53.07 crore was pending to be collected to end of March 2010.

- ii. In respect of a piece of land measuring 30.5 cents which was leased long back to IOC near the Clock Tower junction, an amount of ₹ 17.78 lakh relating to lease rent for the period from September 1997 to August 2006 was yet to be collected as of June 2011.
- iii. Even though an educational institution cannot be permitted to function in a shopping complex, AMC allotted (March 2008) an open space on second floor at the New Shopping Complex situated at Clock Tower to M/s Sai Maheswara Educational Society. Though some council members dissented the allotment, the State Government intervened and favoured the party by issuing orders (November 2008) for construction of class rooms in the first floor. The construction was stipulated to be completed by March 2009, but remained incomplete causing loss of revenue amounting to ₹ 5.58 lakh³.



2.1.7.4 Collection and account of taxes and non-taxes

As per the provisions of functionary manual of Urban Local Bodies issued by the GoAP, ULBs are required to furnish monthly reports on tax collections to the CDMA. The CDMA monitors and guides the ULBs in their day to day operations in collection of taxes. Scrutiny of records revealed the following.

- There were no records showing that monthly reports on tax collections were forwarded to CDMA and similarly the Government failed to issue any orders for timely submission of returns.
- Though it was highlighted in previous ARs that deputing staff for collecting money from the property owners is beset with risk of non-remittance of taxes, no effective directions were issued by the Government in this regard. In AMC some of the employees deployed on field inspection have misappropriated revenue to the tune of ₹ 19.66 lakh as of September 2010.
- Similarly, collection of amounts through cheques was also stated to be fraught with the risk of bouncing of cheques. As the Government has not reviewed this aspect, in AMC, 16 cheques amounting to ₹ 3.14 lakh bounced resulting in non collection of revenue.
- In respect of water tax, the amount collected was not being posted promptly in the individual accounts of the assesses concerned. In the two test checked

³ at the rate of ₹ 31000 PM from 31 shop rooms due from April 2009 to September 2010.

months (June 2008 and December 2009), audit noticed that as against the total collection (PT and water tax) of ₹ 9.05 lakh and ₹ 14.27 lakh during the months, only an amount of ₹ 7.68 lakh and ₹ 4.75 lakh respectively were posted.

- There was shortfall in collection in the following areas.

Table 2.1

(₹ in crore)

Unit	Arrears to end of March 2010
PT	1.05
VLT	0.37
Water tax	1.04
Rents from shopping complexes and municipal markets	0.53

- Though the Central Government department buildings are fully exempted from payment of general tax component in the PT, the same was levied along with other components as applicable to non residential buildings and collected (2005-10) to the tune of ₹ 10.25 lakh.
- AMC levied and collected (2005-10) PT directly from the respective occupants of the State Government departments as applicable to non residential buildings to the tune of ₹ 60.16 lakh.

2.1.8 Sanitation

As per the provisions of HMC Act, 1955, ULBs have the obligation to clean roads and drains and collect, lift and carry garbage to the dumping yards and dispose it through scientific methods. The task of cleaning the roads and open drains in AMC is entrusted to the Public Health wing consisting of Sanitary Inspectors, Sanitary Maistry, Sanitary workers under the overall supervision by the Medical Officer. Audit noticed that no performance indicators were prescribed either by the Government or HOD for ensuring the performance of ULBs. Following deficiencies were noticed.

2.1.8.1 Cleaning of roads

AMC is required to take measures for securing the surface cleaning of all streets in the city and the removal of waste generated in the city on a daily basis. AMC covers an area of 16.35 Sq Km which includes 246 Km of road length. To discharge this function, both the municipal staff and contract labourers were engaged.

- As per the guidelines issued (August 2004) by the CDMA, each individual worker should sweep the roads or clean the drains to a length of 2 Km per day. It was, however, noticed in Audit that AMC deployed private employees in excess of the requirement which resulted in the Corporation being burdened with excess expenditure (₹ 2.43 crore) on their wages (April 2006

to May 2010) thereby leaving less money for other development activities.

- AMC did not provide for any redressal mechanism as no complaint register was maintained by them for watching the timely redressal of complaints by municipal staff. In the absence of complaint register, it could not be verified if cleaning of roads was done properly.

2.1.8.2 Cleaning of drains

According to the provisions of HMC Act, the Municipal Corporation shall construct drains across or under any streets, private places of either domestic or commercial nature for the purpose of effective draining in the city. The drains so constructed are to be maintained by timely cleansing, flushing and emptying. Repairs are to be carried out in time to avoid the nuisance of overflow of sewage water; stagnation of water etc., and cleaning of drains is required to be undertaken on a daily basis.

AMC is not able to discharge the function of cleaning of drains effectively. Open drainage system is beset with the problem of garbage being dumped into the drains apart from silt necessitating daily removal of this material to ensure uninterrupted flow. To perform this task effectively, access to the drains is required. Free access is however denied at many places due to drains being covered partly by the persons residing along the drains to facilitate free transit across the drains. No system was evolved by the AMC to check such encroachments and penal action for getting them evicted.



The Commissioner, AMC replied (January 2011) that the removal of encroachment of drains and desilting works were now taken up and were in process.

2.1.8.3 Solid waste management (SWM)

In continuation of Municipal Solid Waste (MSW) Rules, 2000 made by GoI, GoAP constituted Technical committee (February 2001) and State Level Official Committee (December 2002) for effective implementation of MSW 2000 and relevant provisions of Water Act, 1974 and Environment Protection Act, 1986 relating to MSW. The Government accorded (April 2006) sanction for setting up of Andhra Pradesh Integrated Solid Waste Management Board (Board) headed by the Honorable Chief Minister with 18 officials from various departments as members of the board. The Board is required to meet every three months to review the implementation of SWM by ULBs and to issue directions.

Functions and responsibilities of the departments involved are given in **Table 2.2** below.

Table 2.2

Designation / Office	Functions/Responsibility
Principal Secretary to Government, Environment, Forests, Science and Technology (EFS&T) Department	Oversees the implementation of all the Acts and Rules relating to environmental pollution in the State
Principal Secretary, Municipal Administration and Urban Development (MA&UD) Department	Responsible at Government level for enforcement of Rules relating to 'Municipal Solid Waste' and 'Plastics'
Principal Secretary, Health, Medical and Family Welfare (HM&FW) Department	Responsible at Government level for enforcement of MSW Rules
Andhra Pradesh Pollution Control Board (APPCB)	An apex body in the State empowered with taking policy decisions on the matters relating to prevention and control of water and air pollution and management of all types of waste. Responsible for enforcement of Environment (Protection) Act, 1986
Commissioner and Director, Municipal Administration (CDMA)	Responsible at department level for enforcement of MSW Rules and Rules relating to Plastics in the State
Director of Medical Education (DME) and Director of Health	Responsible for enforcement of MSW Rules
Commissioner of Urban Local Body	Responsible for implementation of MSW Rules and Plastics Rules in the jurisdiction of the particular ULB

The Board is mandated to act with following responsibilities:

- i. Develop and approve overall policy frame work
- ii. Provide interdepartmental co-ordination in preparation of long term strategic plan and short term annual work plan on integrated solid waste management.
- iii. Oversee implementation aspects and give necessary directions
- iv. Single Window clearance of projects.
- v. Explore investment related options.
- vi. Other aspects if any to achieve above goals.

Scrutiny of records of AMC revealed that function relating to waste management was limited to only collection and dumping of waste in dump yards. No action plan was prepared and submitted on systematic implementation of SWM. There were no

records showing that periodical reports/returns were submitted by AMC to the Board. This indicated that there was no proper monitoring mechanism at the Government level on the issue.

GoI released (2006-10) an amount of ₹ 5.76 crore to AMC under TFC towards implementation of SWM out of which only ₹ 2.10 crore was utilised (36 *per cent*). The expenditure was incurred only towards providing infrastructure facilities.

Other deficiencies with regard to collection and lifting of garbage are as follows.

- Door to door collection of garbage was being carried out only in 25 wards out of the 50 wards covering 22000 (45 *per cent*) households/shops in the city.
- Against the requirement of 164 tricycles to collect the garbage from source and transport the same to intermediary collection points in the city, AMC possessed only 89 tricycles⁴. Of these, only 30 were stated to be in operation, indicating purchase of poor quality of vehicles and ineffective maintenance by AMC.
- Similarly, only 20 wheel barrows were stated to have been functioning against 440 wheel barrows possessed by them. There was no system of regular physical verification of the wheel barrows. As against the requirement of seven dumper placers to clear the waste daily from 85 dumper bins placed around the city, there were only two dumper placers which are capable of clearing garbage once in 7 days only.

2.1.9 Water Supply

According to HMC Act, the Municipal Corporation is to provide the city with adequate water for public and private usage. The Water Supply wing is headed by the Executive Engineer, who is responsible for preparation of estimates and execution of works relating to laying of pipelines and its maintenance and giving household connections for supply of safe drinking water according to the specifications.

AMC covers an area of 16.35 Sq Km with a population of 250000 including floating population. The town is often affected by drought due to insufficient rains during monsoon.

Service Level Benchmarking (SLB) as initiated by the Ministry of Urban Development (MoUD), Government of India as part of the urban reform agenda and has developed a common framework for monitoring and reporting on service level indicators along with the guidelines on how to operationalise the framework across all the urban local bodies in the country, as given in **Table 2.3** below.

⁴ 60 Tricycles purchased in January/March 2007 and 29 purchased prior to 2007.

Table 2.3

Indicator	Benchmark
Coverage of water supply connections	100%
Per capita supply of water	135 lpcd
Extent of meeting of water connections	100%
Extent of non-revenue water (NRW)	20%
Continuity of water supply	24 hours
Quality of water supplied	100%
Efficiency in redressal of customer complaints	80%
Cost recovery in water supply services	100%
Efficiency in collection of water supply-related charges	90%

While the above benchmarks were envisaged by GoI, no performance indicators were evolved in GoAP for ensuring that the ULBs are able to deliver the services in accordance with the above norms. The following deficiencies are noticed in AMC with regard to supply of water.

- The city requires about 66 lakh gallons of water per day, whereas the Corporation was able to supply 51 lakh gallons (i.e. 23.15 MLD) per day from all the sources including power bore wells.
- The AMC is able to supply water only once in two days.
- The efforts made by AMC towards augmentation of water resources also turned out to be ineffective as the two projects namely, “Penna Ahobillum Balancing Reservoir (PABR) project under UIDSMT” and “Rehabilitation of 315mm of HDPE pumping main from Thadakalere water works to Georgepet ELSR” taken up during 2005/2008 remained incomplete even after spending ₹ 63.80 crore and ₹ 0.68 crore respectively. The State Government did not take effective steps for completion of the projects though the progress of the works was being monitored through the periodical progress reports submitted by the ULB.
- The quality control authorities of State Government conducted tests in water tanks, water tap and Summer Storage tanks during October 2005 and March 2006 for detection of water contamination. As per their reports, the presence of harmful bacteria such as E.coli etc. was noticed in the water

supplied by AMC. Audit noticed that there were no records indicating remedial action taken by the Corporation based on the quality control reports. Incidentally there were no records to indicate whether tests continued to be conducted after March 2006.

- AMC did not maintain comprehensive database of water supply connections accorded in respect of commercial category. In the absence of this, there is no assurance with regard to completeness and correctness of the assessment of demand and collections of water charges.
- There was no periodical review of the functioning of meters of commercial/non-residential connections to verify the accuracy of their readings. As a result consumers got the benefit of being charged at the low amounts indicated in the first bill.

2.1.10 Municipal schools

As per the provisions of Andhra Pradesh Municipalities Act, 1965, ULBs can incur expenditure connected with education on the following items.

- Establishment and maintenance of schools.
- Construction and maintenance of school buildings.
- Training of teachers.

Even though the administrative functions of appointing headmasters, teachers and the maintenance of the Municipal Schools rest with the ULBs, the academic function rests with the Education department. AMC manages 51 schools (High Schools 5, Upper Primary Schools 6 and Primary Schools 40) under its control.

Audit carried out an assessment of adequacy of provision and utilisation of funds towards provision of infrastructure in the schools maintained by it. It was observed that AMC did not apportion any funds from its general funds towards improvement of infrastructure facilities during the years 2005 to 2010. Further it was also observed that out of school maintenance grant of ₹ 44.34 lakh received (2008-10) from the Government, AMC failed to utilise funds to the extent of ₹ 35.35 lakh (80 per cent). As a result, the infrastructures in the following areas were deficient as discussed below.

2.1.10.1 Buildings

Failure to augment class rooms led to students being accommodated in the verandah, open grounds etc., in four out of the five high schools test checked. The buildings

were also poorly maintained as can be seen from the pictures given below indicating leaking roofs and walls, broken roof tiles etc.



2.1.10.2 Water facilities

In respect of 18 schools, out of 51, there was no provision for drinking water compelling students and teachers to make their own arrangements.

2.1.10.3 Toilet facilities

The following are the norms laid down by UNESCO

- Girls: one toilet cubicle for 25 girls
- Boys: one toilet cubicle for 100 boys and one urinal for 40-60 boys

In respect of all the 51 schools, the toilet facilities were found to be inadequate with reference to the student's strength. The ratio is ranging from 1:1106 (Girls) to 1:182 (Boys) in High Schools. In respect of 20 schools, toilets were not provided. Separate toilets were not provided in 31 schools for boys, girls and female teaching staff.

2.1.10.4 Furniture

The students are not provided with benches/stools in four out of the five test checked high schools, resulting in the students in the classes being made to sit on the floors.



2.1.10.5 Laboratory and Library facilities

Laboratories in four out of five test checked high schools were found to be ill-equipped and in dilapidated condition and wherever such laboratory rooms exist, experiments (chemistry) were not being demonstrated to the students due to non availability of chemicals. The chemicals available in the Lab were purchased more than a decade back.

Library facilities were not provided in any of the 51 schools.

2.1.10.6 Others

In respect of 25 schools, the strength of the students was very poor. The number of students getting admitted every year was about 28.33 *per cent* and the dropouts accounted for 5.48 *per cent*. In respect of one school there were no new admissions during the year 2009-10.

As there were 185 vacancies in the teaching staff, the schools had to engage the services of vidya volunteers⁵.

AMC accepted the audit comments and replied (January, 2011) that steps were being taken to improve all the infrastructure facilities in the schools under the Sarva Shiksha Abhiyan (SSA) and steps would be taken to provide drinking water facilities in the schools after the completion of PABR project. It was further stated that the funds released by the GoAP would be utilised towards construction of toilets and all the works would be completed by February 2011.

2.1.11 Conclusion

Though the deficiencies in collection of PT and maintenance of shopping complexes in ULBs were brought out in the previous Audit reports of the CAG, the State Government had not initiated necessary action for streamlining the system and procedures in this regard. Further, monitoring of compliance with the specified norms/rules was inadequate. The AMC did not prepare any comprehensive action plan for implementation of Solid Waste Management and the Government also did not ensure strict compliance to the Rules framed by GoI. The functioning of waste management was limited to only collection and dumping of waste in dump yards. There is no assurance that periodical inspection of water quality is being done and the deficiencies rectified, as there was no monitoring in this area. Though the MoUD framed the benchmarks for service delivery with regard to water supply, no performance indicators were framed by either the State Government or the AMC. The municipal schools run by the Corporation were poorly maintained, leading to decline in enrolments.

⁵ Vidya volunteers are the personnel employed by the education department on consolidated salary on temporary basis to impart teaching in the schools wherever vacancies exist.

2.1.12 Recommendations

- Monitoring mechanism with regard to collection of taxes and non-taxes by ULBs should be strengthened.
- There is a need to switch over to a closed drainage system after working out the cost effectiveness.
- Necessary arrangements should be made by the Government to utilise the Education cess being collected under the property tax, towards maintenance of infrastructure facilities in the municipal schools.
- Government should evolve performance indicators towards discharging the function relating to provision of water supply by ULBs to ensure better service delivery.

The matter was referred to the Government in December 2010. Reply is awaited (September 2011).

PANCHAYAT RAJ & RURAL DEVELOPMENT DEPARTMENT

2.2 Functioning of Zilla Praja Parishads in Anantapur and Guntur districts

Executive Summary

The functioning of Zilla Praja Parishads (ZPPs) is being reviewed every year since 2006-07 in Audit. As a follow up, audit assessed and evaluated the action taken by the Government on audit observations included in previous audit reports of 2006-07 to 2008-09. The purpose of the follow up is to flag the important issues concerning the functioning of the ZPPs and the over sight role of the State Government in taking corrective action to address the previous observations and recommendations of the Comptroller and Auditor General of India.

The present performance audit review covers the accounts of ZPP Anantapur and Guntur for the period from 2005-06 to 2009-10. For the purpose of audit, the records of the engineering divisions of these ZPPs were test checked along with the records of some selected MPPs and GPs within these districts.

State Government had not initiated corrective measures on the audit observations made in earlier Reports and most of the deficiencies continued to persist in these test checked ZPPs.

2.2.1 Introduction

The Zilla Praja Parishad (ZPP) is the apex body of Panchayat Raj Institutions (PRIs) and was constituted under Section 177 of Andhra Pradesh Panchayat Raj Act, 1994. ZPP at the district level coordinates the activities of Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs).

The powers and functions of ZPPs *inter alia* are to:

- Examine and approve the budgets of MPPs.
- Distribute the funds allotted to the district by the Central or State Government to the MPPs and GPs in the district.
- Prepare district plan for the entire district in coordination with MPPs.
- Generally supervise the activities of MPPs.
- Perform such of the powers and functions delegated by the Government.
- Publish statistical information on the activities of the local self Government.

The powers of the State Government with reference to monitoring the working of ZPPs *inter alia* are to:

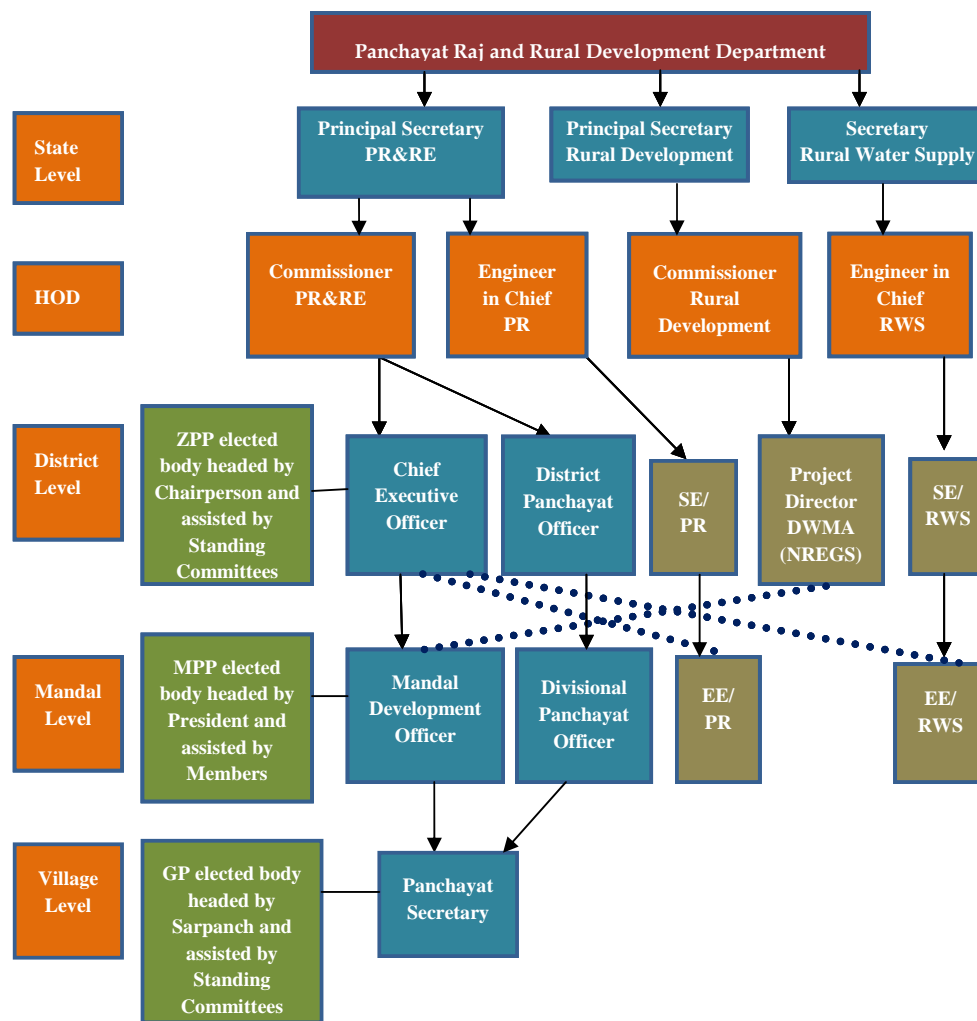
- Cancel or suspend any resolution of PRIs if the resolution is illegal, is in

excess or abuse of powers of the PRIs or its execution is likely to cause danger to human life, etc.

- Issue directions for the proper working of the PRIs.
- Take action for the proper functioning of the PRIs.
- Inspect any records or any immovable property of the PRIs.
- Call for any record, register, document, account, statement etc.

2.2.2 Organisational set-up

Organisational set-up of PRIs in the State is as under:



Dotted lines represent partial supervision

2.2.3 Audit Objectives

The objectives of the review was

- to assess the effectiveness in preparation of District Development Plan;
- to assess oversight role of the State Government.

2.2.4 Audit Criteria

Audit findings were bench marked against the following criteria.

- Andhra Pradesh Panchayat Raj Act,
- Functionary Manuals of PRIs,
- Government orders issued from time to time.

2.2.5 Scope and methodology of Audit

The performance of two ZPPs (Anantapur and Guntur) was reviewed (July – October 2010) for the five year period 2005-06 to 2009-10 through a test check of the records of five PR Divisions⁶, six RWS Divisions⁷ and twelve MPPs⁸ and 24 GPs⁹ falling within these districts.

An entry conference was held in June 2010 with the officials of the office of the Commissioner, Panchayat Raj and Rural Employment (CPR&RE) where the methodology being adopted for the performance audit was explained to the officers of the department. After the conclusion of audit, an exit conference was held with the officers of the Commissionerate during January 2011 to discuss the audit findings. The response of the Department has been incorporated at appropriate places.

Audit findings

2.2.6 Decentralised planning

In pursuance of Article 243-ZD of the Constitution of India, the State Government, enacted Andhra Pradesh District Planning Committee Act (APDPC Act), 2005 in November 2005. Separate guidelines were also issued (October 2007) with regard to the (i) functions and meeting procedures (ii) preparation of District Development Plan by DPC (iii) collection and maintenance of database on socio economic and gender statistics and (iv) development of District level indicators. DPC guidelines provide for preparation of District Development Plan for each financial year to be submitted to Government directly before the prescribed date, to enable the Government to incorporate it in the State plan. The details relating to formation / functioning of DPCs in ZPP, Anantapur and Guntur were given in **Table 2.4** below.

⁶ Anantapur, Penukonda of Anantapur district and Guntur, Narsaraopet, Tenali of Guntur District.

⁷ Anantapur, Kalyandurg, Penukonda of Anantapur district and Guntur, Narsaraopet, Tenali of Guntur District.

⁸ Anantapur (Rural), Gooty, Kalyandurg, Madakasira, Mudigubba, Uravakonda, of Anantapur district and Ponnuru, Karlapalem, Guntur (Rural), Tadikonda, Vinukonda, Dacheppalli of Guntur District.

⁹ Anantapur (Rural), A.Narayanapuram, Gooty, Chetepalli, Kalyandurg, Muddinarayanapalli, Madakasira, Melavai, Mudigubba, Dorigallu, Uravakonda, Pedda Koukuntla of Anantapur district and Mamillapalli, Brahmana Koduru, Nallamouthivani Palem, Yazili, Gorantla, Etukuru, Ponnekallu, Tadikonda, Pedakancherla, Nadigadda, Tangeda, Nadikudi of Guntur District.

Table 2.4

District	Constitution of DPC	Formation of Sub-committees / District level Technical Advisory Committee	Approval of integrated Development Plan		Date of submission to Govt. for inclusion in the State plan
			Year of plan	Month of approval	
Anantapur	November 2007	August 2008	2007-08	Nov 2007	Nov 2007
			2008-09	Oct 2008	Oct 2008
			2009-10	July 2009	July 2009
Guntur	July 2007	October 2007	Not prepared		Integrated plans for 2008-09 and 2009-10 were not prepared

As can be seen above, while the Anantapur district complied with the requirement of constituting the DPC and drawing up plans for integrated development of the district, Guntur district was yet to initiate action in this regard. However, the focus of Anantapur district was confined only to BRGF as brought out in the succeeding paragraphs.

2.2.6.1 Creation of village level database

As per guidelines, the DPC should give high priority to create and maintain a village level database on various parameters viz., educational status, land utilisation, live stock and poultry, market outlets, employment status, details of assets, forest area, archeds etc., before the Development Plan is finalised.

- In both the test checked ZPPs, the preparation of village level database was still in progress as of May 2011.
- In ZPP Guntur, the District level database could not be prepared as the MPPs and GPs profiles were yet to be scrutinised by the Chief Planning Officer (CPO) as required under the DPC guidelines. In ZPP Anantapur, the profiles of MPPs and GPs were yet to be consolidated for preparation of the district level database.
- In both the ZPPs, the DPCs failed to monitor the preparation of district level database inspite of holding its meetings regularly.

2.2.6.2 Capacity Building

As per guidelines, the DPC should coordinate with Alimineti Madhava Reddy Andhra Pradesh Academy for Rural Development (AMR-APARD), for imparting training to the staff of PR&RD for capacity building efforts of the elected representatives and also the officials of PRIs and ULBs to create awareness regarding

human rights, rights of women, children, disabled, SCs, STs and right to information etc. In both the districts test checked, the DPC failed to co-ordinate with AMR-APARD and none of the officials of PRIs were trained in Decentralised Planning.

Consequently, the preparation and submission of plans by DPCs suffered from following.

2.2.6.3 Preparation and submission of Consolidated Development Plans

Anantapur

- The MPPs and GPs of ZPP Anantapur have not taken into account their entire financial resources while preparing their annual plans, except the anticipated revenues under BRGF.
- Against twelve major sectors (line departments) coming within the purview of the DPC, annual plans of only 50 per cent of the departments were received by the ZPP for incorporation in district development plan (2009-10). Though the DPC brought the same to the notice of the Government in May 2009, the State Government had not initiated any action in this regard.
- State Government had issued orders in November 2007 for creation of technical advisory groups (TAGs) at District and Mandal level under the Chairmanship of District Collector and MPDO respectively, for scrutinising the developmental plans. There was however, nothing on record to the effect that the developmental plans were vetted by these TAGs.
- In ZPP Anantapur, the planplus software designed by the National Informatic Centre (NIC) is being utilised for uploading the information on BRGF works, but not for the works taken up under the district development plan.

Guntur

- The DPC had so far not prepared any development plans. The ZPP Guntur attributed the non preparation to non submission of annual plans by GPs and MPPs and annual plans of ULBs by the Regional Director of Municipalities. Further, the CEO, ZPP Guntur admitted that the ZPP could not take initiative in preparation of decentralised district plan, as the district was not covered under BRGF scheme.

From the above, it is evident that the DPC of Anantapur district has been concentrating only on the works proposed under BRGF. The State Government had also not viewed seriously the deficiencies in preparation of the Consolidated Action Plans by DPC despite receiving the minutes of DPC meetings regularly. In Guntur, both the DPC as well as the State Government ignored the preparation of Action Plans.

2.2.7 Oversight role of State Government

Performance Audit review on functioning of two selected ZPPs was being undertaken since 2006-07 and draft reports had been communicated to the State Government for taking remedial action. To ascertain the impact of the audit findings on the functioning of the ZPPs, the functioning of two more ZPPs (Anantapur and Guntur) was reviewed during 2009-10 and noticed observations more or less akin to those made in the earlier reports. The current review indicated that the State Government failed to take any remedial action on previous audit findings, as the irregularities and shortcomings in the functioning of the ZPPs pointed out in the earlier audit reports continue to persist as detailed below.

2.2.7.1 Financial management

(i) Short release of per capita grant to PRIs

Per capita grant of ₹ 2.92 crore and ₹ 1.23 crore were short released to ZPP Anantapur and Guntur during the years 2005-06 to 2009-10. Similarly, the per capita grant of ₹ 92.06 lakh and ₹ 34.81 lakh was short released during the years 2005-06 to 2009-10 to the 12 MPPs and 24 GPs test checked.

(ii) Shortfall in realisation of pension contributions from PRIs

ZPP Anantapur and Guntur had to incur ₹ 2.94 crore and ₹ 7.22 crore respectively, towards payment of pension out of their general funds due to short realisation of pension contributions from the PRIs concerned. In spite of clear instructions issued by the CPR&RE in November 2003, the District Panchayat Raj Officers are not making good the shortfall by making necessary deductions out of the per capita grant to be released to the GPs.

(iii) Non-repayment of HBA loan amount and interest to Government

Against the House Building Advance (HBA) loan sanctioned by the Government during 1989-90 to 2004-05, ZPP Anantapur was yet to repay ₹ 43 lakh of principal and ₹ 3.05 lakh towards interest and the ZPP Guntur was yet to repay ₹ 60.24 lakh towards interest. Though the Government order stipulated a quarterly meeting at the State level to review the periodical remittances, there was no recorded evidence to show that such meetings were held.

(iv) Non-reimbursement of funds

The following claims were pending to be reimbursed by the State Government.

- **Provident fund interest**

Though the claims for reimbursement of interest credited to individual Provident fund accounts of employees of PRIs were required to be preferred by ZPP to the Government every year (May) through State Audit Department, there were delays ranging from 1-28 months in submitting claims (2005-06 to

2009-10¹⁰) by both the ZPPs and six to eighteen months in obtaining reimbursement from the State Government. The claim for ₹ 23.29 crore for the years 2008-09 and 2009-10 submitted to the State Audit Department in June 2010 was yet to be reimbursed by the Government (June 2011).

- **Social security-cum-provident fund booster scheme**

Under the Scheme, the Government reimburses the amount paid as incentive to the nominees of the deceased employees of PRIs at the rate of ₹ 20000. It was however observed that as against the amount of ₹ 24.44 lakh paid (February 2003 to March 2010) by the ZPP, Guntur to nominees / legal heirs of the deceased employees, an amount of only ₹ 10.34 lakh was claimed, leaving the balance of ₹ 14.10 lakh unclaimed. Even the claimed amount was not received by the ZPP. In ZPP, Anantapur, though an amount of ₹ 13.23 lakh was sanctioned, the same could not be adjusted to ZPP's PD account due to receipt of sanction orders after closure of the financial year 2008-09 and freezing of funds in March 2010.

- (v) **Lack of decentralisation in utilisation of devolved funds**

Consequent to the 73rd Constitutional Amendment, GoAP identified ten core subjects to be devolved to PRIs by demarcating operational responsibilities basing on the subsidiary principle. Accordingly, orders were issued (October 2007) by the State Government devolving their subjects to the PRIs. However, in the two test checked ZPPs, the line departments exercised considerable influence in utilisation of funds released to them as detailed below.

In Anantapur district, out of ₹ 2.12 crore released (2007-08 to 2009-10) by the line departments, an amount of ₹ 1.91 crore was returned to the respective line departments as per their requests. In Guntur district, out of ₹ 9.80 crore released (2008-09 to 2009-10) by the line departments, ₹ 7.55 crore was incurred towards disbursement to the beneficiaries identified by the line department and ₹ 1.09 crore on works for Animal Husbandry department, leaving a balance of ₹ 1.16 crore unutilised.

- (vi) **Twelfth Finance Commission grant**

As per the Twelfth Finance Commission (TFC) guidelines, the TFC grant is released by GoI to improve service delivery in PRIs in respect of water supply and sanitation. The sanitation grant released to ZPPs was to be distributed to the District Water Supply and Sanitation Mission (DWS&SM) for improvement of sanitation in GPs. Funds are to be released to MPPs for maintenance of hand pumps. Audit scrutiny revealed that in ZPP Guntur, there were delays ranging from three to thirteen months

¹⁰ Proposals for 2009-10 were yet to be submitted by ZPP, Anantapur.

in releasing installments of sanitation grant for the years 2007-08 to 2009-10. Further, an amount of ₹ 37.55 lakh was released to 15¹¹ MPPs during 2007-08 to 2009-10 though there were no hand pumps in these MPPs.

(vii) Locking up of funds

Scrutiny of records of the test checked ZPPs revealed that the funds released under TFC, Education Contingent Grant, MPLADS and ZPP general funds by the Government were locked up due to excess release / under-utilisation / non-utilisation. Details are as follows.

- In three RWS divisions of ZPP Anantapur, excess release of TFC funds to the tune of ₹ 3.75 crore towards maintenance of CPWS schemes had facilitated their parking in fixed deposits.
- In the test checked ZPPs, Education Contingent Grant of ₹ 45 lakh and ₹ 52 lakh released to Anantapur and Guntur respectively as of July 2010 by the district educational authorities to provide basic amenities like electricity, water, stationery, furniture, repairs and maintenance of school buildings accumulated since no action was taken by the Parishad Education Officer to ensure their utilisation.
- It was observed in the PR Division, Tenali of ZPP Guntur that the division retained unspent balances of ₹ 66.04 lakh under MPLADS of twelve MPPs whose tenure had already expired, without being either utilised on the works sanctioned by them or surrendered to the grant sanctioning authority.

(viii) Sectoral allocation / utilisation of ZPP funds

Government prescribed (October 1992) fixed percentages for each sector for allocation and utilisation by ZPPs and MPPs out of their General Funds. Accordingly, 35 per cent of general fund is to be utilised towards upgradation, maintenance and restoration of existing assets, 15 per cent and 6 per cent towards the welfare of SC and ST communities respectively, 15 per cent for Women and child welfare and 9 per cent towards drinking water.

Government ordered (November 1977) to constitute a committee at district level with six members headed by the District Collector as Chairperson and CEO/ZPP as the convener with the objective of reviewing the utilisation of earmarked funds in a district and to submit the review report to State level Committee. The Committee is required to meet at least once in a month. Though the District Level Committee (DLC) was constituted in Guntur ZPP, there were shortfalls in holding its meetings

¹¹ 1. Amruthaluru, 2. Bapatla, 3. Bhattiprolu, 4. Cherukupalle, 5. Kakumanu, 6. Karlapalem, 7. Kolluru, 8. Nagaram, 9. Nizampatnam, 10. Pedanandipadu, 11. Pitlavanipalem, 12. Ponnuru, 13. Repalle, 14. Tenali and 15. Tsundur.

ranging from 5 to 10 per year (42 to 83 *per cent*) during 2005-06 to 2009-10. In ZPP Anantapur, no DLC was constituted till the date of audit for monitoring the utilisation of earmarked funds. This had resulted in deficiencies in utilisation of funds by ZPPs / MPPs of Anantapur and Guntur as given in **Appendix-11**.

(ix) Under utilisation of NRI contributions

In Guntur, the Reserve Bank of India (RBI) permitted the ZPP to accept contributions from non-resident Indians (NRIs) in foreign currency for execution of developmental works of their choice by dovetailing funds from ZPP general funds / scheme funds. The ZPP however, retained ₹ 94.34 lakh (₹ 69.28 lakh in general funds and ₹ 25.06 lakh in NRI account maintained for receipt of the contributions from the NRIs) as of July 2010 without executing the works administratively sanctioned way back in 2002. This had resulted in non-implementation of the developmental works to that effect.

(x) Under utilisation of funds under Total Sanitation Campaign (TSC)

In ZPP Guntur, audit scrutiny revealed that ₹ 1.14 crore out of the funds released under TSC with effect from 1 April 2002, and HUDCO loan from 2004, remained unutilised as of July 2010 due to non-completion of the individual sanitary latrines to the extent of 73 *per cent*. The ZPP attributed the shortfall to the sanction of toilets separately under INDIRAMMA housing scheme and coverage of a majority of villages under Nirmal Gram Puraskar. The contention of the ZPP is not acceptable, as it could have utilised the available funds for other developmental works as the funds were no longer required for sanitary latrines.

2.2.7.2 Works Management

ZPPs entrust the Panchayat Raj Engineering Divisions (PREDS) with the execution of works to be taken up with the general fund allocations. Separate standing committees are also in place in ZPP to watch the progress of works and utilisation of funds within the prescribed allocation and timeframe. Scrutiny of works sanctioned out of ZPP Funds and executed by the PREDS during the period covered in review i.e., 2005-06 to 2009-10 revealed the following deficiencies indicating failure in monitoring the works by the Committees concerned.

(i) Incomplete works

In four PREDS¹² of the test checked ZPPs, 116 works sanctioned at an estimated cost of ₹ 2.65 crore under various ZPP general fund sectoral allocations¹³ were either not

¹² PR Divisions Narsaraopet and Tenali of ZPP, Guntur and PR Divisions Anantapur and Penukonda of ZPP Anantapur.

¹³ 35 *per cent* towards maintenance, 15 *per cent* towards SC welfare, 6 *per cent* towards ST welfare and 15 *per cent* towards women and child welfare of ZPP General Fund revenues.

started as of July 2010 or stopped while in progress, despite availability of funds in general funds of the ZPPs concerned. CEOs attributed this to non-initiation of works by the PREDs in time. Though the CEOs receive progress reports periodically, they failed to monitor the works being executed by PREDs.

(ii) Expenditure incurred on ineligible works

ZPPs, Anantapur and Guntur executed several ineligible works with the earmarked funds of Women and Child Welfare, State Finance Commission grant, TFC grant and Education Contingent grant. Illustrative cases are given below.

- In spite of specific directions (2002) from the Director of Women and Child Welfare not to incur any expenditure from the Women and Child Welfare fund towards installation of biogas plants, both the ZPPs incurred an amount of ₹ 17.24 lakh and ₹ 18.70 lakh respectively towards installation of biogas plants during the period covered under review.
- ZPP Anantapur incurred (2006-09) ₹ 73.78 lakh on works without obtaining the technical approval of the Women and Child Welfare Department and ZPP Guntur incurred ₹ 27.31 lakh on inadmissible works viz., compound walls to ZP schools, laying of CC roads and providing nutritious food to the tenth standard students of ZPP high schools.
- ZPP Anantapur and Guntur accorded administrative sanction and released funds amounting to ₹ 3.38 crore and ₹ 1.85 crore respectively, under SFC grant for inadmissible works, viz., construction of library buildings, school buildings formation of CC roads etc. Similarly, three out of the 24 test checked GPs have incurred an amount of ₹ 7.24 lakh out of the SFC grant on ineligible works viz., construction of compound wall to burial grounds, development of bus stands etc.
- ZPP Anantapur incurred (November 2009) an amount of ₹ 9 lakh on construction of statue platform and erection of statue out of its general funds.
- Ten out of the twelve GPs test checked in Guntur district expended ₹ 46.65 lakh out of TFC grant towards construction of CC roads during the period covered under review.
- ZPP Anantapur incurred (2006-09) ₹ 41.53 lakh out of the Education Contingent grant on construction of shopping complexes, new school buildings, leveling of grounds in SC colonies, purchase of office stationery, software & peripherals etc.

While the ZPPs violated the relevant scheme guidelines with impunity in spending funds on ineligible works, the Departmental authorities failed to monitor the implementation of the programmes for which funds were allocated. Thus, the purpose for which funds were sanctioned remained unachieved.

(iii) Non-commission of CPWS / PWS schemes due to non-energisation

Scrutiny of three RWS divisions of ZPP Guntur revealed that the 27 Comprehensive Protected Water Supply (CPWS) and Protected Water Supply (PWS) schemes executed by incurring an expenditure of ₹ 4.77 crore under various schemes during September 2007 to February 2010 were not commissioned as of July 2010 due to non-energisation, resulting in non-achievement of the intended objective of providing protected water supply to the villages concerned. The CEO failed to take timely action for obtaining connection from the electricity utility and such requirement was also not reiterated at the time of technical sanction by Chief Engineer / Superintending Engineer / Executive Engineer.

(iv) Non-accountal of water supply material

The Executive Engineer, RWS Narasaraopet issued orders in May 2008 for shifting the central stores division, Narasaraopet under the control of sub-division, Vinukonda as sufficient space was not available in the central stores division and the material was being kept in rented building. The Assistant Executive Engineer, central stores division, however, had not handed over the water supply material worth ₹ 12.34 lakh to the Vinukonda sub-division as of August 2010.

(v) Deficiencies in sand auction

Power to auction sand has been entrusted to Industries and Commerce department in February 2007 and the auction proceeds are to be remitted to ZPP account for further apportionment among the ZPPs, MPPs and GPs. To ensure that there is no leakage of revenue and prompt collection for sand quarried, ZPPs must have full and timely information with regard to reaches for which auctions were conducted. There was, however, failure to associate officials of ZPPs Guntur and Anantapur in respective district level committees constituted for conducting sand auctions. Thus there is no assurance that all revenue collected from sand quarried was in fact being remitted to ZPPs account. It was further observed that,

- ZPP Anantapur sustained a revenue loss of ₹ 72.97 lakh¹⁴ on account of non-renewal of Rachamarry and Srirangapuram sand reaches in 2009 and non-auctioning of Vankarajakaluva / Nagulapuram sand reaches from 2007.
- In case of Guntur, out of the sand auction proceeds of ₹ 29.51 crore realised during 2007-08 to 2009-10, the ZPP retained an amount of ₹ 9.12 crore without apportioning it among the MPPs and GPs since the details of the sand reaches in which mining was done was not furnished by the Assistant Director of Mines and Geology.

¹⁴ Last knocked out values in respect of Rachamarry and Srirangapuram reaches in 2009 and seignorage charges of the quantity of sand available at Vankarajakaluva / Nagulapuram reaches in 2007.

(vi) Management of ferries

The management of ferries in the districts was transferred in April 1999 from Roads & Buildings department to the PR&RD department. ZPPs are empowered to conduct the auction of ferries annually for realisation of revenues. The revenue realised on ferries is to be apportioned among ZPP, MPPs and GPs in the ratio of 25: 37.5: 37.5. It was observed that the ZPP Guntur had not apportioned the revenue of ₹ 37.48 lakh among the MPPs and GPs during the period (2005-06 to 2009-10) covered in review.

An assessment of revenue realisation in some of the first and second class ferries in Guntur was carried out in Audit. The revenue realised in these ferries is given in **Table 2.5** below.

Table 2.5

(₹)

Mandal	Name of the Ferry	Years				
		2005-06	2006-07	2007-08	2008-09	2009-10
Atchampet	Putlagudem	Nil	Nil	Nil	Nil	2,24,000
Dachepalli	Ramayagudem	Nil	1,700	1,73,000	61,500	13,50,000
Machavaram	Govindapuram	Nil	3,550	Nil	4,000	6,85,000

- ZPPs failed to furnish the figures of any revenue collected by them where the ferries were run departmentally.
- The figures for 2009-10 clearly indicate gross failure to fully tap this vital source of revenue over the years.

2.2.7.3 Internal controls

(i) Non-maintenance of Assets Register

ZPP Functionary Manual read with Government circular (June 2002) provides for asset management by ZPPs. Scrutiny of records of ZPP Guntur revealed that due to failure of ZPP to review the assets periodically, 8.45 acres of vacant lands valuing ₹ 89.57 lakh was under encroachment. Similarly, both the ZPPs failed to review asset registers to be maintained in the sub-divisional offices to protect against encroachments and have clear ownership right duly entered in the Revenue records.

(ii) Non-adjustment of advances

During the test check of records of ZPPs, it was noticed that ₹ 21.70 lakh advanced (August and September 2009) to three MPPs¹⁵ from the general funds of ZPP in connection with the elections to the ZPTC members could not be got reimbursed from the Government due to non-submission of detailed accounts by respective MPPs. Similarly, the advance of ₹ 11.94 lakh (April 2005 to December 2006) taken by the Sarpanch of the Nadikudi GP, Guntur also remained unadjusted as of July 2010. The Accounts Officer of the ZPP failed to ensure that the advances got adjusted while compiling the monthly accounts.

(iii) Non-preparation / non-submission of Administrative Reports

In the test checked ZPPs of Anantapur and Guntur, administrative reports on the activities of ZPP and consolidated administrative reports on the activities of MPPs of respective ZPPs for the year 2009-10 were not prepared and placed before the Standing Council for onward submission to the Government within stipulated dates. As a result, activities such as coordination of plan schemes, approval of MPPs' budgets, resource profile, condition of buildings, new constructions taken up, resources from remunerative enterprises and report on secondary education results could not be assessed. Though the due date for submission of Report was stipulated, Government failed to impress upon the ZPPs the need for timely preparation and submission of Reports.

(iv) Delay in submission of Annual Accounts

As per the provisions of APPR Act, 1994 Annual Accounts are to be prepared by ZPP and submitted to the State Audit Department before 15 May every year. However, Annual Accounts for 2009-10 were not submitted by the two test checked ZPPs as of July 2010. There were delays ranging from four to nine months in respect of ZPP Anantapur and five to eight months in respect of ZPP Guntur in submission of accounts of the earlier years covered in performance audit.

Here again the State Government failed to ensure that accounts were prepared and got audited on time.

(v) Defective preparation of Annual Accounts

In ZPP Guntur it was observed that the annual accounts were not prepared with due care as was evident from the fact that there were huge discrepancies ranging from ₹ 1.13 lakh to ₹ 143.07 lakh in carrying forward the closing balances to succeeding years, as given in **Table 2.6** below.

¹⁵ Kalyandurg of Anantapur district and Phirangipuram and Veldurthi of Guntur district.

Table 2.6

(₹)			
Closing Balance for 2006-07	114,50,85,186	Closing Balance for 2007-08	137,46,15,747
Opening balance for 2007-08	115,93,91,849	Opening balance for 2008-09	137,47,28,357
Discrepancy	1,43,06,663	Discrepancy	1,12,610

The Director, State Audit also did not notice the discrepancy though the audit is conducted regularly as per the provisions of State Audit Act, 1989. This has resulted in non-depiction of a true and fair picture of annual accounts of ZPP.

(vi) Statutory Audit

Director, State Audit who is the statutory auditor for PRIs under the Andhra Pradesh State Audit Act, 1989 conducts cent percent audit of all PRIs every year. Scrutiny of the reports of the State audit revealed that they focused mainly on establishment aspects and ignored the developmental works implemented in the districts under the supervision of ZPPs.

Pursuance of their objections was also not satisfactory. Objections raised over two decades (earliest being 1985 in ZPP, Anantapur and 1987 in ZPP, Guntur) were still pending in the records awaiting settlement.

2.2.7.4 Monitoring mechanism

(i) Inspection of ZPPs by Commissioner of PR&RE

Andhra Pradesh Panchayat Raj Officers Delegation of Powers Rules, 2000 stipulate that CPR&RE shall inspect all ZPPs once in a calendar year and submit copies of Inspection Notes for review by the Government. Similarly, the Secretary to Government, PR&RD is required to conduct inspections under Chapter 68 of Panchayat Raj Zilla Parishad Functionary Manual.

In both the ZPPs, no inspections were conducted either by the CPR&RE or by the Secretary to Government, PR&RD during the period covered in review.

(ii) Inspection of MPPs by CEO / Dy CEO

In ZPP Guntur, the percentage of shortfall in coverage of inspections of the MPPs by CEO / Dy.CEO ranged from 42 to 83 *per cent* and in ZPP Anantapur, the CEO / Dy.CEO had not conducted any inspections. As the purpose of inspections was to offer guidance and improve efficiency, there was nothing on record to show that the CPR&RE had monitored the inspections by the CEOs / Dy.CEOs of the respective ZPPs.

(iii) Non obtaining of Utilisation Certificates

ZPP Guntur did not obtain the utilisation certificates (UCs) as of July 2010 for the funds released under TFC grant to MPPs and DWS&SM as given in **Table 2.7** below.

Table 2.7

(₹ in lakh)

Name of the unit	Period	Total amount released	Total value for which UCs obtained	Amount for which UCs yet to be obtained
MPPs	2005-06 to 2009-10	307.49	266.14	41.35
DWS&SM	2005-06 to 2009-10	1348.00	666.80	681.20

(iv) Retention of unspent balances of schemes not in operation

Despite being highlighted regularly in Audit Reports, cases of retention of unspent balances of closed schemes were noticed in PRIs. Balances amounting to ₹ 74.40 lakh pertaining to closed schemes viz., SGRY, Pradhana Mantri Grameen Yojana, Janmabhoomi etc., were retained by the test checked PRIs without surrendering to the grant releasing authority. The State level authorities of respective schemes failed to monitor the utilisation of the scheme funds and initiate action against the delinquent officials.

2.2.8 Conclusion

As brought out in the foregoing paragraphs, the functioning of ZPPs, as evidenced from the functioning of the two sampled ZPPs of Anantapur and Guntur was far from satisfactory. The State Government failed to take corrective action on the audit findings of the functioning of ZPPs covered in the Audit Reports from 2006-07 to 2008-09. Consequently, the same deficiencies persisted in the two ZPPs covered in the present review. The functioning of DPCs was tardy with regard to preparation and submission of District Development Plans. Although, ten core functions were transferred to PRIs in October 2007, the line departments continued to exercise their control with regard to utilisation of funds transferred to PRIs. There was no system for ensuring that the unspent balances of closed scheme funds together with interest were surrendered. Shortfalls in sectoral allocations as well as utilisation of ZPP general funds coupled with irregular utilisation of scheme funds, non-completion of works etc., undermined the effective implementation of developmental programmes in the two districts. This was compounded by the delay in preparation of accounts and their submission for audit. Monitoring was not adequate, as the inspections of ZPPs and MPPs were not conducted to the desired extent.

2.2.9 Recommendations

- The State Government should design a system for periodical reporting of the status of each activity of ZPPs through MIS reports.
- The functioning of DPCs should be ensured from non-BRGF implementing districts also. As regards BRGF implementing districts, consolidated action plans should find place in the district development plans also.
- Specific timeframe should be fixed for preparation and submission of action plans by GPs, MPPs and ZPPs.
- Full autonomy should be given to PRIs towards utilisation of devolved funds.
- There should be periodical review at the State level with regard to asset management by PRIs.
- Government should ensure the inspection of ZPPs and MPPs by the HOD without fail.

The matter was referred to the Government in December 2010. Reply is awaited (September 2011).

CHAPTER III

AUDIT OF TRANSACTIONS

PANCHAYAT RAJ & RURAL DEVELOPMENT DEPARTMENT

3.1 PANCHAYAT RAJ INSTITUTIONS

3.1.1 Violation of Government of India instructions and submission of false Utilisation Certificates

CEO, ZPP, Ongole and DFO, Ongole parked SGRY funds in bank accounts in violation of GoI instructions. DFO, Ongole also submitted false UCs for the funds allocated for implementation of SGRY.

CAG has been highlighting in his Reports on the Government of Andhra Pradesh (GoAP), cases of non-utilisation of Centrally Sponsored Schemes (CSS) funds meant for implementation of various developmental programmes in the State and parking of funds in fixed deposits instead. The State Government however, failed to institute any mechanism to ensure that funds meant for a specific purpose are utilised for that purpose.

Audit scrutiny (June 2010) of records of ZPP Ongole for the year 2009-10 revealed that the Divisional Forest Officer (DFO), Social Forestry Division, Ongole, received (2006-09) ₹ 36.89 lakh for implementation of Sampoorna Grameen Rozgar Yojana (SGRY) but failed to utilise the funds for the purpose. He, however, showed utilisation of ₹ 35 lakh on the scheme and surrendered (January 2010) the remaining ₹ 1.89 lakh to the ZPP. The Chief Executive Officer (CEO), ZPP also failed to transfer the amount of ₹ 1.89 lakh to NREGS account. While the GoI guidelines stipulate transfer of unutilised funds under SGRY to NREGS by June 2006, the DFO, parked the unutilised amount of ₹ 35 lakh in bank accounts as of 31 March 2010, in violation of the GoI instructions, and submitted false utilisation certificates (UCs) for the amount. Similarly, CEO, ZPP also retained ₹ 11.09 lakh pertaining to SGRY in bank accounts.

The CEO, ZPP, Ongole failed in discharging his responsibilities, as discussed below:

- Funds were released in advance to the DFO without assessing the requirement, which facilitated the latter to park them in fixed deposits.
- After release of funds, utilisation was not monitored closely. As a result, the DFO could furnish incorrect UC indicating the amounts parked in FDs as expenditure.

- Although the CEO, ZPP was to monitor the compliance of all the divisional officers with the GoI guidelines, he himself failed to comply with the guidelines of the GoI and set a poor example.
- Further, though the State Government is empowered to make arrangements on its behalf to inspect the accounts of ZPP, inspection of ZPPs has been pending for many years, which encouraged the local authorities to violate GoI instructions with impunity.

The matter was reported to the Government in February 2011. Reply is awaited (September 2011).

3.1.2 Diversion of House Building Advance recoveries in violation of State Government orders

CEO, ZPP, Nizamabad retained the recoveries on account of repayment of house building advances from the staff of PRIs and diverted it towards payment of fresh loans, instead of remitting the amount to the Government.

Deficiencies in operation of House Building Advance accounts by ZPPs are being brought out every year by the CAG in his Audit Reports on the GoAP. Despite this, the State Government has not evolved any system to plug the loopholes in this regard, as discussed below.

Scrutiny (May 2010) of records of ZPP, Nizamabad revealed that the GoAP released (1989-2004) an amount of ₹ 1.25 crore to the ZPP as a loan to facilitate the latter in making payment of HBA to the staff of PRIs. The loan was repayable in 10 equal annual installments with a moratorium of two years. It was however, observed that,

- Instead of remitting the installment of loan amounts annually with effect from 1991, the CEO, ZPP remitted the installments only seven times¹ during the last 19 years. As against the due amount of ₹ 1.08 crore and interest amount of ₹ 1.86 crore (worked out in Audit) as of March 2010, the CEO remitted only an amount of ₹ 69.27 lakh towards principal to the end of August 2010 to the Government account. No amount was remitted on account of interest so far.
- Against the total loan of ₹ 1.25 crore granted by the Government, the ZPP released (1989 to August 2010) an amount of ₹ 1.92 crore towards HBA to the staff. The excess amount of ₹ 67 lakh was diverted from HBA recoveries without fulfilling the obligation of remitting the dues to the Government.

On this being pointed out, the CEO replied (August 2010) that the office was not aware of the obligation of making payments towards interest to the Government. The reply of the CEO is not acceptable, since the Government Order (GO) sanctioning the

¹ 1992-93, 1993-94, 1996-97, 1998-99, 2001-02, 2002-03, 2004-05.

loan was clear about the need for making recoveries on account of both principal and interest and remitting the total amount to Government account.

The GO (1989) further stipulated that there should be quarterly meetings at the Commissioner/PR level to watch the periodical remittance of HBA loan dues by the PRIs. Thus the failure of the Commissioner to monitor the repayments periodically resulted in accumulation of dues to the extent of ₹ 38.73 lakh² plus interest besides diversion of recoveries by CEO, ZPP, Nizamabad.

The matter was reported to the Government in February 2011. Reply is awaited (September 2011).

3.1.3 Non transfer of earmarked funds by PRIs to various Corporations

CEOs of ZPP Khammam and Nalgonda and 13 MPDOs failed to transfer/utilise funds amounting to ₹ 2.90 crore earmarked for the welfare of SC/ST and Women and Children, to the concerned Finance Corporations.

In conformity with the provisions³ of Andhra Pradesh Panchayat Raj Act, 1994, the State Government issued orders (December 1999) that Zilla Praja Parishad (ZPP) / Mandal Praja Parishad (MPP) shall earmark 15 per cent, 6 per cent and 15 per cent of the General funds to be spent on schemes beneficial to the SC, ST and Women and Child Welfare respectively. Out of the amounts so earmarked in respect of SC/ST, *one-third* of the amount shall be transferred to the SC/ST Finance Corporations and *two-thirds* of the earmarked funds were to be spent by the ZPP/MPP and unspent balances if any at the end of the year shall be transferred to the SC/ST Finance Corporation. Similarly, funds earmarked towards Women and Child Welfare was to be spent by the ZPP/MPP and unspent balances if any at the end of the year shall be transferred to the Andhra Pradesh Women and Child Welfare Finance Corporation Limited (APWCWFCL).

Deficiencies in transfer and utilisation of earmarked funds by PRIs towards the welfare of SC/ST communities and Women and Child welfare allocated from their general funds are being pointed out in CAG's Audit Reports on the GoAP year after year.

However, the State Government has not viewed the issue seriously as was observed during a scrutiny of the records of two test checked ZPPs (Khammam and Nalgonda) and 13 MPPs⁴ during the year 2009-10. Audit observations are as detailed below.

² Principal of ₹ 1.08 crore (March 2010) *minus* ₹ 69.27 lakh remitted to the Government.

³ Sub-section(1) of Section 197 and sub-section (1) of Section 268 of Andhra Pradesh Panchayat Raj Act, 1994.

⁴ MPP Kulkacharla, Peddemula, Atmakur, Buttaigudem, Narmetta, Geesugonda, Mallial, Wanaparthi, Narva, K.Gangavaram, Chennekothapalli, Nathavaram and Kotauratla.

SC/ST Welfare

- In five⁵ MPPs, funds amounting to ₹ 14.98 lakh, being *one-third* portion of earmarked funds for the welfare of SC and ST communities had not been transferred to the respective Finance Corporations.
- In ZPP Nalgonda and five⁶ MPPs, there was failure to utilise funds amounting to ₹ 45.48 lakh being the unspent balances of *two-third* portion. Further, there was also a failure to transfer these unspent balances to the Finance Corporations concerned.

Women and Child Welfare

- In ZPP Nalgonda and seven⁷ MPPs, funds amounting to ₹ 1.60 crore were neither utilised nor transferred to the APWCWFCL.

Other deficiencies

- In MPP Buttayagudem, West Godavari district, funds amounting to ₹ 2.67 lakh were not earmarked (2006-09) for the welfare of SC, ST and Women and child welfare communities. In two MPPs⁸ funds amounting to ₹ 9.16 lakh were not earmarked for Women and child welfare and in respect of MPP Nathavaram and Kotauratla of Visakhapatnam district details sought (May/June 2010) were not furnished.
- In ZPP, Khammam, sand auction proceeds, though form part of general funds were kept separately without crediting to general fund resulting in short allocation (2005-09) of earmarked funds amounting to ₹ 57.50 lakh⁹.

The CEO, ZPP Khammam and all the MPDOs stated (July 2009 to June 2010) that the unspent balances would be transferred to the respective Finance Corporations. The CEO, ZPP Nalgonda replied (October 2009) that unspent balances of earmarked funds would be utilised in subsequent years as per the action plan approved by ZPP general body and standing committee. The reply is not acceptable in view of the orders issued by Government and any deviation in that regard is required to be brought to the notice of the Government.

Thus, in all, earmarked funds aggregating ₹ 2.90 crore either remained unutilised or were not transferred to the respective Corporations or not earmarked for the welfare of SC, ST and Women and child welfare communities depriving the targeted communities of the intended socio economic benefits.

The matter was referred to the Government in March 2011. Reply is awaited (September 2011).

⁵ MPP Kulkacharla, Peddemula, Wanaparthi, Narva and Chennekothapalli.

⁶ MPP Kulkacharla, Peddemula, Wanaparthi, Narva and K.Gangavaram.

⁷ MPP Peddemula, Atmakur, Narmetta, Geesugonda, Wanaparthi, Narva and K.Gangavaram.

⁸ MPP Mallial of Karimnagar District (2004-09) ₹ 4.90 lakh, MPP Kulkacharla of RR District (2001-08) ₹ 4.26 lakh.

⁹ SC Category ₹ 23.96 lakh, ST Category ₹ 9.58 lakh and W&CW ₹ 23.96 lakh.

3.1.4 Undue favour to a firm

MPDO, Zaheerabad showed undue favour to a firm in payment of Property tax.

As per the provisions of APPR Act, GPs are empowered to collect taxes and in case any GP ceases to exercise its jurisdiction over any local area, the relevant tax revenue due from the area shall be payable to such authority as may be prescribed by the Government. Scrutiny (September 2009) of records of MPDO, Zaheerabad revealed that an amount of ₹ 26.71 lakh was collected as property tax (PT) from a firm¹⁰ on the grounds that there was no separate GP existing in that area where the firm had constructed the building. Further, MPDO did not furnish the relevant orders of the Government authorising it to collect PT from the firm though sought for. Also, the firm was repeatedly being favoured by MPDO either by reducing the tax collectable or collecting tax lower than the amount initially computed as detailed in **Table 3.1** below.

Table 3.1

(₹ in lakh)

Year of assessment	Tax amount levied	Tax amount collected	Remarks
1990 to 2007	44.40	20.07	Though the tax initially calculated and arrived at was ₹ 64.23 lakh, demand was raised for ₹ 44.40 lakh without any recorded reasons. Further, the tax was also reduced to ₹ 20.07 lakh on the representation of the firm that the building was under construction from 1990-1994. The documentary evidence in support of the representation of firm for reduction of tax for the period from 1990 to 1994 was however not on record.
2007-08	27.99	3.24	Specific reply was not furnished for shortfall in collection.
2008-09	29.39	3.40	

Under the provisions of the Act relating to levy of PT by GP, any resolution of GP abolishing an existing tax or reducing the rate at which a tax is levied cannot be made effective without the prior approval of the Commissioner. However, there were no records showing that the approval of Commissioner was obtained by MPDO in this regard.

Incidentally it was also noticed that consequent on merger of (August 2003) the area in Zaheerabad Municipality, the new assessment for the year 2009-10¹¹ was made (August 2009) for collection of tax amounting to ₹ 11.05 lakh by the municipality, which was far less than the amount raised by MPDO for the years 2007-08 and 2008-09.

¹⁰ M/s Frigerio Conserva Allana Limited.

¹¹ Due to non-transfer of records by MPP to Municipality.

Thus the above deficiencies with regard to collection of PT resulted in the firm being extended with undue favour.

The matter was referred to the Government in March 2011. Reply is awaited (September 2011).

3.1.5 Loss of revenue

Due to improper decision of the State Government, auction to one of the sand bearing reaches in West Godavari district could not be conducted for three years. This had resulted in loss of revenue of ₹ 1.21 crore to the ZPP, West Godavari and other PRIs concerned.

The State Government (Industries and Commerce Department) issued (February 2000) orders to constitute a District Level Committee to notify all the sand bearing areas for public auction and to deal with the matters relating to the auctioning of sand referred to the Committee. The sand auction proceeds are remitted to the general fund account of ZPP for further apportionment among the ZPP, MPPs and GPs concerned in the ratio of 25:50:25.

Scrutiny (September 2009) of records of ZPP Eluru revealed that sand quarrying right of Reach No.13 of Vasistha river bund in the Pervalli Mandal, West Godavari district was leased out (May 2007) for ₹ 73.32 lakh¹² and the lessee remitted (May/June 2007) ₹ 31.67 lakh¹³ to ZPP General Fund. Later, the lessee represented to (September 2007) the State Government to refund the amount on the grounds that the approach way from the river bund to ramp point was not convenient to transport the sand.

The State Government, instead of sorting out the issue of approach way to protect the interests of finances of PRIs, directed the auctioning authorities to refund the auction amount to the lessee and the CEO ZPP, accordingly refunded the amount to the lessee in April 2008. The reach remained unauctioned till date (June 2011) due to approach problem.

Thus the improper decision of the State Government led to PRIs being deprived of their revenue resources amounting to ₹ 1.21 crore¹⁴.

The matter was referred to the Government in April 2011. Reply is awaited. (September 2011).

¹² Leased out for two years (24.05.2007 to 31.03.2009) for an amount of ₹ 33.33 lakh for the first year and for second year with 20 per cent enhancement of knocked down bid amount i.e ₹ 39.99 lakh.

¹³ Out of lease amount of ₹ 33.33 lakh for the first year, the lessee remitted ₹ 31.67 lakh to ZPP General fund and ₹ 1.66 lakh to Mines and Geology department.

¹⁴ ₹ 73.32 lakh (2007-2009) and ₹ 47.99 lakh for 2009-10 (20 per cent enhancement over the amount of 2008-09).

MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

3.2 URBAN LOCAL BODIES

3.2.1 Irregular raising of loan

The Commissioner, Nizamabad Municipal Corporation raised a loan of ₹ 61.81 lakh by pledging the funds of the Andhra Pradesh Urban Services for Poor (APUSP) scheme without obtaining the approval of the State Government.

The Nizamabad Municipal Corporation (NMC) raised (March 2006) a loan from the State Bank of Hyderabad for an amount of ₹ 61.81 lakh by pledging the APUSP scheme funds (₹ 90 lakh) parked in fixed deposits. Parking of APUSP funds in fixed deposits was irregular and was pointed out as such by the CAG in his Audit Report on the GoAP 2005-06.

Scrutiny (November 2009) of records revealed following :

- Despite being a public body, the NMC failed to be a model consumer where payment of electricity dues is concerned. Only on threat of disconnection did it decide to pay up. Lack of promptness in payments resulted in arrears piling up to ₹ 61.81 lakh. According to the provisions of HMC Act, 1955, ULBs can raise loans for a sum not exceeding ₹ 15 lakh on the security of all or any of the taxes which the Corporations are authorised to levy with the previous sanction of the Government. But the NMC, in contravention of the Act, raised the loan for ₹ 61.81 lakh without obtaining prior sanction of the Government.
- In spite of having sufficient funds¹⁵ to clear the loan obligations, NMC did not repay the amount promptly at the prescribed intervals. Except for a payment of ₹ 10 lakh (₹ 5 lakh each in March and April 2006), no payment was made towards interest till date. As on July 2010, an amount of ₹ 51.81 lakh towards principal and ₹ 25.77 lakh towards interest was pending to be cleared against the loan.

On this being pointed out, NMC replied that as per the telephonic orders of the Commissioner and Director of Municipal Administration (HOD), the loan account was opened and that, due to lack of sufficient balances in the Corporation's account and that most of the tax collections were to be utilised towards payment of salaries to the staff, the loan account dues could not be met. The reply is not acceptable as there

¹⁵ 2005-06 ₹ 96.59 lakh, 2006-07 ₹ 51.93 lakh; 2007-08 ₹ 6.09 crore; 2008-09 ₹ 7.74 crore, 2009-10 ₹ 4.41 crore.

were sufficient balances in the general fund as per the accounts of the NMC during this period.

The Commissioner, NMC thus violated the provisions of HMC Act, 1955 with regard to raising the loan and guidelines issued by the State Government with regard to the scheme funds of APUSP.

The State Government also failed to initiate action against the Commissioner, NMC, for parking the APUSP funds in fixed deposits and also for raising the loan without its approval. Failure of the Government to prescribe procedure for periodical reporting of financial position of ULBs, resulted in the matter being kept out of sight of the Government.

The matter was reported to the Government in December 2010. Reply is awaited (September 2011).

3.2.2 Construction of Rain water harvesting pits

Government orders relating to rain water harvesting pits for augmentation of ground water table were not followed by any of the 124 ULBs in the State.

Construction of rain water harvesting pits (RWHP) (Inkudu guntalu) has been recognised as an important measure for augmenting ground water table. The construction of RWHP was made mandatory (June 2000) for all categories¹⁶ of buildings – both existing as well as proposed for construction within one year. The task of ensuring compliance with this directive was entrusted to ULBs. At the time of applying for permission for construction of buildings, the applicants are required to indicate the details of RWHP that would be constructed in the building premises. To ensure that the construction of RWHP takes place, the ULBs have adopted the practice of collecting amounts upfront from the applicants. These amounts were meant to be utilised for construction of RWHPs by the ULBs in case the applicants failed to discharge this obligation. The amounts were to be returned to the applicants if they fulfill this requirement satisfactorily.

To monitor the implementation of the scheme, the State Government instructed all the Commissioners of Municipal Corporation/Municipalities to constitute a RWHP Cell in the ULBs concerned. However, it was observed that the proposed cell was not constituted in any of the 124 ULBs. Audit scrutiny (December 2009 – May 2010) of records of seven¹⁷ municipalities in this regard revealed the following.

¹⁶ Buildings having a plot size of 300 sq.mtrs and above which was further reduced to 200 sq.mtrs in February 2005.

¹⁷ Palacole, Janagaon, Korutla, Nandyala, Ichapuram, Proddutur, Miryalaguda Municipalities.

- An amount of ₹ 81.36 lakh was collected during the period from 2001-02 to 2009-10 which was lying with the ULBs without being put to use gainfully as envisaged under the scheme.
- In the case of existing buildings also, the ULBs failed to effectively ensure that the building owners complied with this statutory requirement.
- The State Audit department also did not watch the compliance of this issue despite conducting regular audit of the accounts of Municipalities.

The matter was reported to the Government in January 2010. Reply is awaited (September 2011).

3.2.3 Undue benefit to contractors

In Guntur, Eluru and Korutla ULBs, works were awarded with an excess tender premium of ₹ 1.41 crore, thereby extending undue benefit to contractors.

State Government issued orders in November 2004 stipulating that the awarded value of work should not exceed 105 *per cent* of the estimated value of the work. Even after two calls, if the tender premium quoted is more than the stipulated percentage, the matter has to be referred to the Government and the latter may order for a fresh call or may constitute a committee to award the work on nomination basis to a reputed contractor from the list to be maintained by the Department on the basis of performance of the contractors.

In contravention of the above order, three¹⁸ ULBs favoured the contractors by entrusting (2007-08) the works sanctioned under Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) with excess tender premium ranging from 21.75 to 24.11 *per cent* over the estimated contract value. This had resulted in an avoidable expenditure of ₹ 92.96 lakh against the value of work completed to the end of January 2011 and a committed liability of ₹ 48.36 lakh for the value of works executed but not paid. Details in this regard are given in **Table 3.2** below.

¹⁸ Eluru Municipal Corporation, Korutla Municipality and Guntur Municipal Corporation.

Table 3.2

(₹ in lakh)

ULB	Estimated cost	Contract value	Percentage of premium	Percentage of premium in excess of 5 % ceiling	Payment towards excess tender premium	Committed liability
Guntur MC	310.19	400.52	29.11	24.11	67.65	22.99
Eluru MC	38.47	48.77	26.77	21.75	4.38	0.00
Korutla Municipality	65.77	84.82	28.96	23.97	11.70	7.82
	50.90	65.68	29.04	24.02	6.97	8.14
	41.45	53.07	28.03	23.03	2.26	9.41
Total					92.96	48.36

There were no records in the ULBs showing the following.

- Prior permission obtained from the Government before entrusting the works above the tender ceiling.
- Directions issued by the State level implementing authorities of APURMSP for meeting the excess cost over the estimated value due to entrusting works over the tender ceiling.

Thus, entrustment of works to the contractors by the above ULBs over the prescribed ceiling limit of tender premium resulted in the exchequer being saddled with an avoidable extra expenditure of ₹ 1.41 crore (paid ₹ 92.96 lakh and committed liability ₹ 48.36 lakh).

The matter was referred to the Government in March 2011. Reply is awaited (September 2011).

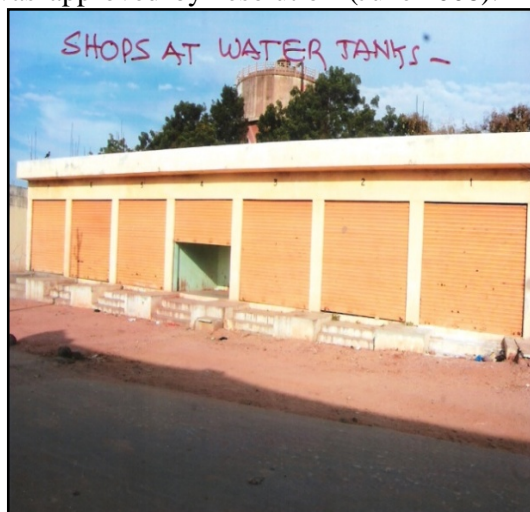
3.2.4 Non-augmentation of revenue

The Commissioner, Sadasivpet Municipality took up the construction of stalls and shopping complexes without entering into prior tie up with the parties for their lease. Coupled with this, the State Government's delay in issuing directions with regard to waiver of goodwill is contributing to delay in recouping the cost of construction (₹ 68.19 lakh) and earning revenue of ₹ 7.88 lakh per annum.

Scrutiny (April 2010) of records of Sadasivpet Municipality revealed that the Municipality took up (2003) construction of vegetable stalls, meat and beef shops and shopping complex (91 shops¹⁹) under IDSMT scheme and completed (November 2007) them at a cost of ₹ 68.19 lakh.

As per the Government orders of July 1998, all the shops were to be constructed on goodwill basis. The ULBs were directed to collect the goodwill amount in four installments i.e. 25 per cent immediately on approval of the project, 25 per cent when the construction comes up to lintel stage, 25 per cent after the roof is laid and the balance 25 per cent when the shops are handed over. However, the Municipality took up the construction of the stalls without entering into prior tie up with the parties for leasing out the shops.

It was only in March 2008 i.e., three months after the completion of the construction, auctions were held indicating the goodwill amount and monthly rent. There was no response to the auction notice. Municipal Council opined that public would be interested in taking the shops on lease if vegetable stalls and meat and beef shops are let out without goodwill and the same was approved by resolution (June 2008). In respect of shops at National Highway, the Council fixed the goodwill at ₹ 50,000. Accordingly auctions were conducted in December 2008. However, bidders participated in auction insisted for waiver of goodwill in respect of shops at National Highway too. The Municipal Commissioner referred (March 2009) the matter to Commissioner and Director of Municipal Administration for waiver of goodwill. Approval of State Government is yet to be accorded (March 2011).



¹⁹ 24 meat and beef shops at Siddapur Road, 50 vegetable stalls at Durgamma temple near water tank and 17 shops in a shopping complex at NH 9 Road.

Thus, failure of the Municipality in ensuring firm demand before commencement led to non-augmentation of revenue of ₹ 54.93 lakh²⁰ besides locking up of the existing revenue resources of ₹ 68.19 lakh being the expenditure incurred on construction in idle assets. The State Government's delay in issuing directions with regard to waiver of goodwill is also contributing to further delay in recouping the cost of construction and earning revenue.



The matter was referred to the Government in April 2011. Reply is awaited. (September 2011).

3.2.5 Payment of family pension

The Commissioners of Kovvur Municipality and Anantapur Municipal Corporation made irregular excess family pension payments aggregating ₹ 10.49 lakh to the pensioners.

Directorate of State Audit is entrusted with the task of verifying the correctness of pension particulars of retired municipal employees and issue of Pension Payment Order (PPO). On the basis of PPO so issued, the accounts wing of Municipal Corporation submits the claims of pension to the Commissioner for making payment of pension to the pensioners/family pensioners.

The DDOs are required to verify the genuineness of pension claims by obtaining life/employment/marriage certificates from the pensioners every year in the month of November.

Test check of pension payment records revealed the following cases of non-compliance with the relevant rules:

- Scrutiny (August 2009) of records of Kovvur municipality revealed that enhanced family pension was paid (April 2004 to June 2008) beyond the stipulated period, resulting in excess payment to the tune of ₹ 1.43 lakh. In one particular case, the daughter of a deceased employee was extended the benefit

²⁰ Goodwill amount ₹ 28.65 lakh, rent ₹ 26.28 lakh (@ ₹ 65,700 per month from all the 91 shops) for 40 months from December 2007 to March 2011.

of family pension for entire life based on a medical certificate that she was unfit for family life, which was irregular.

- Scrutiny (July 2010) of records of Anantapur Municipal Corporation revealed that family pension was paid to the children of the deceased employees, even after providing them with compassionate employment, which was irregular. An excess payment of ₹ 9.06 lakh was made (January 2000 to February 2008) in this regard.

The State Audit also did not highlight the same despite conducting regular audit of the accounts of Municipal Corporations/Municipalities.

The Commissioner, Kovvur Municipality stated (August 2009) that matter would be examined and necessary action would be taken accordingly. The Commissioner, Anantapur Municipal Corporation replied (August 2010) that action would be taken to recover the excess payments from the employees concerned.

The matter was referred to the Government in March 2011. Reply is awaited (September 2011).

Hyderabad
The

(K.R. SRIRAM)
Accountant General (LBAA)
Andhra Pradesh

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

APPENDICES

Appendix-1

(Reference to Paragraph 1.3 Page 4)

Statement showing roles and responsibilities of each level of organisational set-up of Panchayat Raj Institutions

S.No	Organisation/ Agency authority	Role	Responsibilities
1	Principal Secretary Panchayat Raj Department	-	<ul style="list-style-type: none"> Assist the Government in formulating policies.
2	Commissioner Panchayat Raj & Rural Employment	Head of the Department at state level.	<ul style="list-style-type: none"> Over all incharge of Panchayat Raj & Rural Employment department in the state.
Zilla Praja Parishads			
3	Chair person of ZPP	Head of the Zilla Praja Parishad having due honor for participation in Government functions in the District and competent to issue directions to the CEO for implementation of the resolutions passed by standing committee and Zilla Praja Parishad.	<ul style="list-style-type: none"> Convene and preside over the meetings of standing committees and General body. Take up with Government on major issues relating to the District for immediate intervention of Government. As a chairperson of the school education committee avails interest for improvement of literacy among the women. Supervise ZPP educational institutions.
4	Vice Chairman	Vice Chairman, in the absence of chairman for more than 15 days shall exercise the powers and functions of the chairperson.	<ul style="list-style-type: none"> To exercise the powers and functions of the chairperson in his absence for more than 15 days.
5	Standing Committees	Act Provides for	<ul style="list-style-type: none"> To watch the progress of implementation of works and schemes related to subjects assigned

S.No	Organisation/ Agency authority	Role	Responsibilities
		Constitution of seven standing committees for scrutiny of the business of the Zilla Praja Parishad.	to them.
6	Members of the standing committee	Scrutinise the subjects brought before the standing committees and take appropriate decisions.	<ul style="list-style-type: none"> • Members should get acquainted with the schemes in progress. • Review the achievement of physical and financial targets with reference to the guidelines. • Create awareness among the beneficiaries. • Evaluate the benefits in earlier years and get feedback for all programmes.
7	Chief Executive Officer	The Chief Executive authority of Zilla Praja Parishad and holds executive powers for the purpose of carrying out the functions as per provisions of the Act.	<ul style="list-style-type: none"> • Holds the executive powers for the purpose of carrying the provisions of the Act. • Shall be responsible for implementation of resolutions of Zilla Praja Parishad standing committees. • Supervise and conduct the execution of all activities of Zilla Praja Parishad. • With the approval or on the direction of the Chairman convene the Zilla Praja Parishad meetings atleast once in every month. • Have administrative control over all offices working under Zilla Praja Parishad. • As member convener of the district education committee, he has to constitute District Education Committee meetings.
8	Parishad Education Officer	Borne on the cadre of Education Department and works under the control of Zilla Praja Parishad to assist the work of management of secondary schools.	<ul style="list-style-type: none"> • Shall exercise academic and administrative course over the ZPP schools for improvement of Educational standards.
9	Accounts Officers	An overall in-charge of the Accounts and Finance of	<ul style="list-style-type: none"> • As Financial Advisor he shall offer his advice on any matter involving financial implications, accounts and budget to the CEO and

S.No	Organisation/ Agency authority	Role	Responsibilities
		Zilla Praja Parishad and acts as financial advisor and internal Auditor.	administrative officers of Zilla Praja Parishad. <ul style="list-style-type: none"> As an internal auditor he is responsible for checking accounting bills before payment and for proper maintenance of important registers.
Mandal Praja Parishads			
10	President of Mandal Praja Parishad	Install confidence in the Public to mobilize their support, cooperation in identifying their felt needs and to take steps to execute the programmes with grants provided by Government for this purpose. To enlist peoples cooperation for all Government programmes under Five year plans with involvement and participation of people in the rural areas.	<ul style="list-style-type: none"> Convene the meetings of Mandal Praja Parishads and approve the agenda. Shall have a control over MPDO for the purpose of implementation of resolutions of MPP. Should inspect the schemes implemented through Government funds. As a chairman of the Mandal Hospital Advisory Board he shall visit primary health centres for overall supervision etc. Shall act as chairman of the Mandal Education Committees.
11	Vice president of the Mandal Praja Parishad	Exercise the powers and functions of MPP in the absence of the President for more than 14 days or incapacity due to illness or resignation.	<ul style="list-style-type: none"> Responsible for all the powers and functions exercisable by the president of Mandal Praja Parishad during his absence.
12	Member of the Mandal Praja	To take part in the Mandal	<ul style="list-style-type: none"> To draw the attention of President or the Mandal Parishad Development Officer to any negligence

S.No	Organisation/ Agency authority	Role	Responsibilities
	Parishad	Praja Parishad meetings for passing the resolutions in connection with functioning of MPP.	in the execution of Mandal Praja Parishad works, waste any Mandal Praja Parishad property or the needs of any locality and may suggest any improvement which may appear desirable.
13	Mandal Parishad Development Officer	Mandal Parishad Development Officer is the executive authority of the Mandal.	<ul style="list-style-type: none"> • Shall have to implement all the resolution passed by the Mandal Praja Parishad Council. • Shall be responsible for prompt adjustment of all the Government grants to Mandal Praja Parishad. • Shall also exercise such powers of supervision over the Gram Panchayats in the Mandal as may be prescribed.
14	Mandal Education Officer	Works under the administrative control of the MPDO and acts for improvement of quality of education in primary school /upper primary schools.	<ul style="list-style-type: none"> • Inspects and visits primary / upper primary schools in the Mandal. • Assists the District Educational Officer in conducting the meetings seminars and workshops. • Implementation to innovative practices for improvement of quality of education in primary schools / Upper primary schools. • Supply of notebooks and Nationalised text books.
15	Mandal Engineering Officer	Works under the administrative control of MPDO and technical control of Deputy Executive Engineer in respect of implementation of programmes entrusted to the engineering wing of Mandal Praja Parishad.	<ul style="list-style-type: none"> • Exercises supervision and control over engineering staff of Mandal Praja Parishad. • Preparation of estimates for works sanctioned by MPP/ GPs. • Assists the MPDO in finalisation of tenders/ entrustment of works on nomination Basis. • Responsible for execution of the Engineering works in the Mandal.
16	Extension officer Panchayat Raj and Rural Development	Works under the administrative control of	<ul style="list-style-type: none"> • Assist MPDO for planning and implementation of all the rural development programmes in the mandal. • Responsible for maintenance of village wise

S.No	Organisation/ Agency authority	Role	Responsibilities
		MPDO.	<p>statistics.</p> <ul style="list-style-type: none"> • For promotion of awareness campaigns of Government programmes. • Monitor the progress of sanctions, commencement of works etc.
Gram Panchayats			
17	Sarpanch	Head of the Gram Panchayat elected by the elected members of Gram Panchayat.	<ul style="list-style-type: none"> • Presides over the meetings of the Gram Panchayat. • To supervise the working of Gram Panchayat and implementation of developmental schemes.
18	Upa-sarpanch	Exercises the powers and perform the functions of Sarpanch when the office of the Sarpanch is vacant and until new Sarpanch is elected and assumes his charge.	<ul style="list-style-type: none"> • During his charge as Sarpanch he is responsible for all the responsibilities assigned to the post of Sarpanch.
19	Members	All the members are elected representatives of the wards of the village.	<ul style="list-style-type: none"> • Shall have the right to move resolutions and to interpolate the Sarpanch on the matters connected with the administration of Panchayat.
20	Panchayat Secretary	A whole time or part time executive authority appointed by the Commissioner, Panchayat Raj for any Gram Panchayat.	<ul style="list-style-type: none"> • Responsible to exercise the executive powers for the purpose of carrying out the provisions of Panchayat Raj Act and directly responsible for fulfillment of the purpose thereof.

Appendix-2

(Reference to Paragraph 1.5.4 Page 12)

Statement showing the application of resources by Urban Local Bodies

(₹ in crore)

Application of funds		2005-06			2006-07			2007-08			2008-09			2009-10		
		Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total
a.	Roads	208.08	70.15	278.23	112.36	33.51	145.87*	463.98	136.24	600.22	645.62	213.89	859.51	279.40	90.66	370.06
b.	Drains and Culverts	71.75	12.89	84.64	46.66	6.46	53.12*	91.44	29.46	120.90	175.45	38.70	214.15	136.55	33.74	170.29
c.	Buildings	26.97	6.74	33.71	27.88	4.82	32.70*	43.94	16.08	60.02	48.14	13.93	62.07	32.83	10.75	43.58
d.	Public health and sanitation	17.17	195.89	213.06	17.86	245.90	263.76	19.66	171.42	191.08	22.70	230.42	253.12	35.95	266.06	302.01
e.	Water supply	94.48	81.32	175.80	86.21	66.51	152.72*	163.38	88.72	252.10	204.23	139.66	343.89	87.69	156.18	243.87
f.	Lighting	27.51	68.60	96.11	13.85	50.48	64.33*	43.29	133.70	176.99	104.15	163.13	267.28	49.18	172.45	221.63
g.	Remunerative enterprises	17.70	7.74	25.44	22.44	5.05	27.49*	17.49	3.79	21.28	14.44	9.16	23.60	18.58	4.37	22.95
h.	Housing	-	-	-	-	-	-	-	-	-	152.38	-	152.38 ¹	142.03	-	142.03
	Total	463.66	443.33	906.99	327.26	412.73	739.99	843.18	579.41	1422.59	1367.11	808.89	2176.00	782.21	734.21	1516.42

¹ The amount pertains to GHMC only. This was not shown separately in ULBs.

i.	Pay and allowances	-	370.42	370.42	-	533.66	533.66	-	567.99	567.99	-	624.06	624.06	-	495.32	495.32
j.	Loans Repayment	-	38.83	38.83	-	60.98	60.98*	-	46.67	46.67	-	121.07	121.07	-	23.89	23.89
k.	Depreciation (MCH)	-	-	-	-	119.66	119.66	-	-	-	-	202.26	202.26	-	221.08	221.08
l.	Other expenditure (town planning, land acquisition, management expenses, etc.)	-	721.67	721.67	-	*682.37	682.37	-	931.75	931.75	203.26	796.33	999.59 ²	65.06	1275.87	1340.93
Total		-	1130.92	1130.92	-	1396.67	1396.67	-	1546.41	1546.41	203.26	1743.72	1946.98	65.06	2016.16	2081.22
GRAND TOTAL		463.66	1574.25	2037.91	327.26	1809.40	2136.66	843.18	2125.82	2969.00	1570.37	2552.61	4122.98	847.27	2750.37	3597.64

Source: Details furnished by CDMA

² Break up for Roads, drains, buildings etc., in respect of Guntur Municipal Corporation was not furnished. This amount includes ₹ 44.97 crore non-recurring and ₹ 1.22 crore recurring expenditure pertaining to Guntur Municipal Corporation.

* Details are excluding the figures of MCH for the year 2006-07. Expenditure of MCH relating to these sectors for the year 2006-07 is included in other expenditure.

Appendix-3

(Reference to Paragraph 1.6 Page 14)

Statement showing the district wise and department wise funds devolution to PRIs during 2009-10

(₹ in lakh)

S.No	Name of the ZPP	Name of the Department					Total
		Agriculture	Animal Husbandry	Fisheries	Social Welfare	BC Welfare	
1	Adilabad	3770.36	6.00	0	0	0	3776.36
2	Ananthapur	0	0	3.50	0	0	3.50
3	Chittoor	3178.75	24.15	4.62	1.45	0	3208.97
4	East Godavari	0	14.3	0	0	0.60	14.90
5	Guntur	361.00	26.57	2.80	0	0.60	390.97
6	Kadapa	49.68	66.99	3.61	2.00	0.80	123.08
7	Karimnagar	0	0	6.00	0	1.55	7.55
8	Khammam	0	34.20	0	2.43	0	36.63
9	Krishna	0	78.67	0	0	0	78.67
10	Kurnool	5497.81	11.40	2.13	0.25	0	5511.59
11	Mahbubnagar	0	48.72	6.00	0	0	54.72
12	Medak	1002.27	63.29	4.08	0	0	1069.64
13	Nalgonda	315.97	27.77	0	0	0	343.74
14	Nellore	0	16.96	0.50	0	0	17.46
15	Nizambad	0	8.60	0	0	0.55	9.15
16	Prakasam	171.00	38.50	1.50	0.80	0	211.80
17	RangaReddy	1024.34	32.56	0	0	0.80	1057.70
18	Srikakulam	15.23	4.18	6.50	0	0	25.91
19	Visakhapatnam	0	30.42	2.00	0	0.30	32.72
20	Vizianagaram	18.39	0	2.63	0	0	21.02
21	Warangal	72.08	39.58	0.30	0	0	111.96
22	West Godavari	0	23.06	0	0	0	23.06
TOTAL		15476.88	595.92	46.17	6.93	5.20	16131.10

Appendix 4

(Reference to Paragraph No.1.8.1 Page 15)

Statement showing the powers of State Government over Local Bodies

Act/Rule/Authority	Powers exercised by Government
Section 268 of APPR Act, & Section 585 of HMC Act	<p><i>Power to make rules</i></p> <p>Government may, by notification in Gazette make rule to carry out all or any purpose of the APPR Act or HMC Act subject to approval by the State Legislature.</p>
Section 250 of APPR Act * Section 679/D of HMC Act	<p><i>Power to dissolve Local Bodies</i></p> <p>Government by notification in the gazette dissolve the Local Bodies, if it appears that they failed to exercise their powers or perform their functions or have exceeded or abused any of the powers conferred upon them by or under the Act.</p>
Section 246 of APPR Act or Section 679/A of HMC Act	<p><i>Power to cancel and suspend a resolution or decision taken by Local Bodies</i></p> <p>Government may cancel a resolution or decision taken by Local Bodies if Government is of the opinion that such resolutions are not legally passed or in excess or abuse of the powers conferred by or under the Acts or its execution is likely to cause danger to human life, health or safety or is likely to lead to riot or affray.</p>
Section 248 of APPR Act & Section 679/E of HMC Act	<p><i>Power to issue directions to the executive authority of Local Body</i></p> <p>Notwithstanding anything contained in the Act, the Commissioner or the Government is competent to issue such directions as they may consider necessary to the executive authorities of Local Bodies for their proper working. If they failed in implementation of the directions, they are liable for disciplinary action under the relevant rules (PRIs).</p>
Section 255 of APPR Act & Section 675/676 of HMC Act	<p><i>Power of entry of inspecting officers and the power to call for records etc.</i></p> <p>Government may or empower on its behalf any officer or person to enter on and inspect the records of Local Bodies or any properties under their control.</p> <p>Similarly, the Government or any officer or person duly empowered by them may call for any records or may require them any return, plan, estimate, statements, accounts or statistics or any information or report on any matter in connection with their functioning.</p>

Appendix-5

(Reference to Paragraph No.1.11.5 Page 20)

Statement showing the details of closed scheme funds retained by PRIs

(₹ in lakh)

S.No.	Name of the unit	Particulars of scheme	Period from which funds were lying unutilised / parked in bank accounts	Amount
1.	MPDO, Geesugonda, Warangal district	SGRY	April 2006	3.34
2.	MPDO, Pegadapally, Karimnagar district	Janmabhoomi, DCP	2005-06	0.21
3.	MPDO, Narava, Mahabubnagar district	Janmabhoomi, EAS, SGRY etc.	September 99 to February 2009	8.60
4.	MPDO, Zaheerabad, Medak district	SGRY	June 2006	2.27
5.	MPDO, Bibinagar, Nalgonda district	Eleventh Finance Commission	March 2004	4.60
6.	MPDO, Mothey, Nalgonda district	SGRY	March 2006	2.91
7.	MPDO, Nizamabad	Janmabhoomi	March 2005	2.85
8.	MPDO, Chandrasekharapuram	SGRY	-	0.46
9.	ZPP, Warangal	Education Grant	March 2005	507.89
10.	ZPP, Khammam	Operation Black Board	1989-90 to 1990-91	56.26
		SGRY	April 2006	27.65
Total				617.04

Appendix-6

(Reference to Paragraph No.1.11.6 Page 20)

Statement showing the details of advances pending adjustment

(₹ in lakh)

S. No.	Name of the unit	Agency to whom the amount was advanced	Period of the amount advanced	Amount
1.	MPDO, Peedamula, RR district	AEE	September 1995 to November 1999	0.85
2.	MPDO, Kulkacharla, RR district	Staff in connection with implementation of Janmabhoomi and other programmes	June 2001 to September 2007	0.51
3.	MPDO, Basheerabad, RR.district	GPs, Grama Sneha sangams and contractors in connection with NREGS and General Fund works	June 2004 to February 2010	4.77
4.	MPDO, Gollapalli, Karimnagar district	AEs and other organisations	June 2005 to 2010	9.74
5.	MPDO, Mallial, Karimnagar district	Village sarpanchas and APOs of NREGS	April to August 2007	0.66
6.	MPDO, Pegadapally, Karimnagar district	Village sarpanchas and APOs of NREGS	2010	3.68
7.	MPDO, Palamaneru, Chittoor district	Assistant Engineer	December 2004 to March 2007	1.16
8.	MPDO, V.Kota, Chittoor district	Assistant Engineer (RWS) and other officials	October 2006 to November 2008	2.75
9.	MPDO, Pakala, Chittoor district	MPTCs and other staff	April 2001 to November 2003	1.48
10.	MPDO, Kuppam, Chittoor district	MPDOs and Technical Assistants	2010	3.18
11.	MPDO, Koilakuntla, Kurnool district	Work advances to staff	April to October 2006	2.12
12.	MPDO , Tandur, Adilabad district	Sarpanchas and Assistant Engineers	September 2005 to May 2007	6.79
13.	MPDO, Neradigonda, Adilabad district	Sarpanchas, MPDO, MEO and contractors	June 2001 to December 2008	1.98
14.	MPDO, Zaheerabad, Medak district	VOs and Sarpanchas	2006-07 & 2007-08	5.74

S. No.	Name of the unit	Agency to whom the amount was advanced	Period of the amount advanced	Amount
15.	MPDO, Mothkur, Nalgonda district	MPDO	June 2005	0.10
16.	MPDO, Nizamabad	Sarpanchas	2010	1.65
17.	MPDO, Andole, Medak district	17 Sarpanchas	April 2008 to March 2009	13.58
18.	MPDO Narsipatnam, Visakhapatnam district	MPDO, Sarpanchas and other agencies	November 2001 to September 2008	82.85
19	MPDO, Parwada, Visakhapatnam district	Assistant Engineers, RWS	July 2007 to April 2008	4.45
20	MPDO, Thodangi, East Godavari district	Details not furnished	November 2003 to February 2004	5.93
21.	MPDO, Anaparthi, East Godavari district	MPDO, Assistant Engineers, Non-teaching staff	February 2005 to December 2008	5.44
22.	MPDO, Gollaprolu, East Godavari district	Details not furnished	November 2001 to June 2006	1.15
23.	MPDO, Rayavaram, East Godavari district	Assistant Engineers	March 2003 to June 2008	6.90
24.	MPDO, K. Gangavaram, East Godavari district	Assistant Engineers, RWS	May 2002 to January 2007	6.10
25	MPDO, Ongole	Survey of Indiramma houses, Sarpanchas and other staff	June 2007 to October 2007	2.82
26.	MPDO, Bestavanipeta, Prakasam district	Sarpanchas	July 2001 to July 2006	1.48
27.	MPDO, Arvadeedu Prakasam district	Assistant Executive Engineers	June 2001 to November 2004	2.76
Total				180.62

Appendix-7

(Reference to Paragraph No.1.11.7 Page 21)

Statement showing the pendency of Utilisation Certificates in PRIs

(₹ in lakh)

S.No.	Name of the Unit	Agency from whom UC is pending	Period from which UC is pending	Amount
1.	MPDO, Chakrayapet, Kadapa district	Panchayat Secretaries and SC&ST Corporation	2002-03 to 2006-07	3.41
2.	MPDO, Veerapunayanipalli Kadapa district	SC&ST Corporation	2002-03 to 2007-08	1.38
3.	MPDO, Bethamcherla, Kurnool district	Panchayat Secretaries and SC&ST Corporation	1999-2000 to 2008- 09	23.57
4.	MPDO, Koilkuntla, Kurnool district	SC, ST and Women and child welfare Corporations	2005-06 to 2007-08	2.73
5.	MPDO, Alladarg, Medak district	SC&ST Corporation	2004-05 to 2007-08	0.83
6.	MPDO, Bachannapet, Warangal	SC&ST Corporation	2001-02 to 2007-08	1.37
7.	MPDO, Geesugonda, Warangal	SC&ST Corporation	2002-03 to 2007-08	4.32
8.	MPDO, Narmetta Warangal District	SC&ST Corporation	2002-03 to 2007-08	1.15
9.	MPDO, Ongole Prakasam district	SC&ST Corporation	2002-03 to 2007-08	4.73
10.	MPDO, Chilakaluripeta Guntur district	SC&ST Corporation	2000-01 to 2008-09	3.96
11	ZPP, Warangal	DEO towards purchase of two-in-one tape recorders to ZPP secondary schools	August 2008	3.50
Total				50.95

Appendix-8

(Reference to Paragraph 1.11.11 Page 22)

Statement showing the district wise pendency of Municipal Accounts as of July 2010

S.No	Name of the district	Years for which Annual Accounts due	Arrear	Current	Total
1.	Srikakulam	2009-10	0	5	5
2.	Vizianagaram	1996-97 to 98-99, 2004-05, 2006-07 to 2009-10	8	4	12
3.	Visakhapatnam	2009-10	0	2	2
4.	East Godavari	2008-09 and 2009-10	2	7	9
5.	West Godavari	2004-05 to 2009-10	15	7	22
6.	Krishna	1996-97 to 1998-99, 2003-04 to 2009-10	22	5	27
7.	Guntur	1987-88 to 89-90, 1998-99, 2007-08 to 2009-10	11	12	23
8.	Nellore	1981-82 to 2009-10	33	3	36
9.	Prakasam	2008-09 and 2009-10	2	4	6
10.	Kurnool	1989-90 to 98-99, 2006-07 to 2009-10	30	4	34
11.	Ananthapur	2006-07 to 2009-10	7	6	13
12.	Chittoor	1994-95 to 1995-96, 2008-09 to 2009-10	5	7	12
13.	Kadapa	1980-81 to 1988-89, 1993-94, 1995-96, 1998-99, 2005-06 to 2009-10	33	6	39
14.	Adilabad	2009-10	0	7	7
15.	Karimnagar	2009-10	0	4	4
16.	Khammam	2008-09 and 2009-10	1	7	8
17.	Warangal	2009-10	0	1	1
18.	Mahabubnagar	1974-75, 1990-91 to 1994-95, 2000-01, 2009-10	6	4	10
19.	Medak	2001-02, 2002-03, 2009-10	2	5	7
20.	Nalgonda	1978-79 to 1980-81, 1993-94 to 1995-96, 2000-01, 2009-10	7	4	11
21.	Nizamabad	2008-09 and 2009-10	1	3	4
22.	Ranga Reddy	1994-95 and 1995-96, 2009-10	2	2	4
Total			187	109	296

Appendix-9
(Reference to Paragraph 2.1.2 Page 25)
Statement showing the resources of AMC

(₹ in crore)

Resources ³		2005-06	2006-07	2007-08	2008-09	2009-10	
Own Revenue							
a.	Taxes						
	i.	Property tax	6.29	5.06	10.23	8.64	12.11
	ii.	Other tax revenue (Advertisement tax, Vacant land tax, taxes on animals and taxes on carriages and carts etc.)	0.03	0.12	0.05	0.39	0.37
	Total		6.32	5.18	10.28	9.03	12.48
b.	Non-taxes						
	i.	Water charges	2.31	1.64	2.71	0.86	2.11
	ii.	Encroachment fee	0.02	0.02	0.03	0.04	0.03
	iii.	Betterment/development fee	0.23	0.25	0.19	0.13	0.17
	iv.	Building license fee	0.18	0.23	0.11	0.15	0.17
	v.	Others (water supply, donation, market fee, slaughter house fee, shops rent, trade license, land lease, layout and sub-division fee etc.)	1.49	1.75	1.51	2.18	2.13
	Total		4.23	3.89	4.55	3.36	4.61
c.	Assigned revenue						
	i.	Entertainment tax	0.41	0.45	0.38	0.30	0.19
	ii.	Surcharge on stamp duty	1.58	1.37	0.55	1.15	0.82
	iii.	Profession tax	0.77	--	--	--	-
	Total		2.76	1.82	0.93	1.45	1.01
d.	Non-plan grants		4.22	2.49	2.00	0.59	5.18
e.	Plan grants		--	0.05	0.03	--	1.26
f.	Loans		--	--	--	--	-
g.	Other income		4.97	1.48	--	1.80	-
Grand total			22.50	14.91	17.79	16.23	24.54

³ AMC did not prepare Annual Accounts from the year 2004-05. The above figures were furnished by the Commissioner and Director of Municipal Administration (CDMA), Hyderabad after obtaining the details of receipts and expenditure from ULBs concerned through regional authorities.

Appendix-10

(Reference to Paragraph 2.1.2 Page 25)

Statement showing the application of funds by AMC

(₹ in crore)

Application of funds		2005-06			2006-07			2007-08			2008-09			2009-10		
		Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total
a.	Roads	2.20	0.10	2.30	0.58	0.06	0.64	0.70	0.02	0.72	1.20	0.07	1.27	0.94	0.08	1.02
b.	Drains and Culverts	0.47	0.03	0.50	0.42	--	0.42	0.55	0.05	0.60	0.49	0.05	0.54	0.49	0.02	0.51
c.	Buildings	0.01	0.10	0.11	0.01	0.07	0.08	0.04	0.14	0.18	0.05	0.08	0.13	0.02	0.01	0.03
d.	Public health and sanitation	0.02	0.92	0.94	0.12	1.30	1.42	0.07	1.14	1.21	0.44	0.20	0.64	0.25	2.17	2.42
e.	Water supply	0.34	1.08	1.42	0.49	0.54	1.03	0.68	0.36	1.04	0.43	0.43	0.86	0.78	0.39	1.17
f.	Lighting	0.22	1.02	1.24	0.08	0.16	0.24	0.17	1.81	1.98	0.04	0.18	0.22	0.10	1.27	1.37
g.	Remunerative enterprises	0.24	0.24	0.48	0.02	0.29	0.31	--	0.24	0.24	--	--	--	-	0.23	0.23
h.	Housing	--	--	--	--	--	--	--	--	--	--	--	--	-	-	-
	Total	3.50	3.49	6.99	1.72	2.42	4.14	2.21	3.76	5.97	2.65	1.01	3.66	2.58	4.17	6.75

i.	Pay and allowances	--	5.52	5.52	--	5.35	5.35	--	5.52	5.52	--	9.30	9.30	-	6.97	6.97
j.	Loans Repayment	--	0.24	0.24	--	0.29	0.29	--	0.72	0.72	--	--	--	-	-	-
k.	Depreciation	--	--	--	--	--	--	--	--	--	--	--	--	-	-	-
l.	Other expenditure (town planning, land acquisition, management expenses, etc.)	--	5.60	5.60	--	3.48	3.48	--	2.27	2.27	--	2.94	2.94	-	8.80	8.80
	Total	---	11.36	11.36	--	9.12	9.12	--	8.51	8.51	--	12.24	12.24	2.58	15.77	18.35
GRAND TOTAL			18.35			13.26			14.48			15.90			22.52	

Appendix-11

(Reference to Paragraph 2.2.7.1(viii) Page 49)

Statement showing the deficiencies in allocation and utilisation of earmarked funds

Maintenance works	<p>In ZPP Guntur, against the total amount of ₹ 3.67 crore to be earmarked for maintenance of works during the years 2006-07 and 2007-08, a sum of ₹ 1.59 crore was utilised towards SGRY matching share resulting in short allocation of funds on maintenance works.</p> <p>In ZPP Anantapur, the expenditure on maintenance works against the annual allocations during the period covered in review ranged from 20 to 292 <i>per cent</i> (by short allocation in other sectors as discussed below) indicating improper implementation of annual plans.</p>																																																		
Funds earmarked for the welfare of SC and ST communities	<p>One-third of earmarked funds in respect of Scheduled Castes (SCs) and Scheduled Tribes (STs) is to be transferred to SC/ST Finance Corporation and balance two-thirds of the earmarked funds was to be spent by ZPP on works benefiting SCs / STs and the unspent balance at the end of each financial year was to be transferred to SC/ST Financial Corporations.</p> <p>In the test checked ZPPs it was observed that against ₹ 1.45 crore and ₹ 69.86 lakh transferrable to the SC Finance Corporation towards one-third portion of 15 <i>per cent</i> allocation of ZPP revenues by ZPP Guntur and Anantapur during the period covered in review, an amount of ₹ 1.39 crore and ₹ 50.63 lakh respectively were transferred leaving a balance of ₹ 6.12 lakh and ₹ 19.23 lakh yet to be transferred to the SC Finance Corporation as of March 2010. Further, in ZPP Anantapur, the cumulative unspent balance of ₹ 20.57 lakh to the end of March 2010 out of two-third portion of the six <i>per cent</i> earmarked funds to be expended by ZPP for the welfare of ST community were also not transferred to the ST Finance Corporation.</p> <p>MPPs:</p> <p>In 12 MPPs test checked in two ZPPs, it was noticed that cumulative balances of ₹ 11.98 lakh and ₹ 14.68 lakh earmarked for the welfare of SC and ST communities as of March 2010 were retained by the MPPs as detailed below.</p> <p style="text-align: right;">(₹ in lakh)</p> <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2">District</th> <th rowspan="2">Name of the Mandal</th> <th colspan="2">Allocations during 2005-10</th> <th colspan="2">Amount utilised including amount transferred to SC/ST Corporation during 2005-10</th> <th colspan="2">Unspent balance to the end of March 2010</th> </tr> <tr> <th>SC</th> <th>ST</th> <th>SC</th> <th>ST</th> <th>SC</th> <th>ST</th> </tr> </thead> <tbody> <tr> <td rowspan="5">ATP</td> <td>Anantapur (R)</td> <td>*--</td> <td>8.72</td> <td>*--</td> <td>5.97</td> <td>*--</td> <td>2.75</td> </tr> <tr> <td>Gooty</td> <td>11.75</td> <td>4.70</td> <td>7.98</td> <td>3.62</td> <td>3.77</td> <td>1.08</td> </tr> <tr> <td>Madakasira</td> <td>*--</td> <td>1.82</td> <td>*--</td> <td>1.32</td> <td>*--</td> <td>0.50</td> </tr> <tr> <td>Kalayandurg</td> <td>*--</td> <td>2.27</td> <td>*--</td> <td>1.43</td> <td>*--</td> <td>0.84</td> </tr> <tr> <td>Mudigubba</td> <td>3.94</td> <td>1.58</td> <td>1.04</td> <td>0.82</td> <td>2.90</td> <td>0.76</td> </tr> </tbody> </table>	District	Name of the Mandal	Allocations during 2005-10		Amount utilised including amount transferred to SC/ST Corporation during 2005-10		Unspent balance to the end of March 2010		SC	ST	SC	ST	SC	ST	ATP	Anantapur (R)	*--	8.72	*--	5.97	*--	2.75	Gooty	11.75	4.70	7.98	3.62	3.77	1.08	Madakasira	*--	1.82	*--	1.32	*--	0.50	Kalayandurg	*--	2.27	*--	1.43	*--	0.84	Mudigubba	3.94	1.58	1.04	0.82	2.90	0.76
District	Name of the Mandal			Allocations during 2005-10		Amount utilised including amount transferred to SC/ST Corporation during 2005-10		Unspent balance to the end of March 2010																																											
		SC	ST	SC	ST	SC	ST																																												
ATP	Anantapur (R)	*--	8.72	*--	5.97	*--	2.75																																												
	Gooty	11.75	4.70	7.98	3.62	3.77	1.08																																												
	Madakasira	*--	1.82	*--	1.32	*--	0.50																																												
	Kalayandurg	*--	2.27	*--	1.43	*--	0.84																																												
	Mudigubba	3.94	1.58	1.04	0.82	2.90	0.76																																												

	GNT	Ponnuru	*--	3.38	*--	2.88	*--	0.50
		Karlapalem	4.53	*--	4.03	*--	0.50	*--
		Guntur (R)	66.15	26.46	61.33	18.21	4.81	8.25
	Total	86.37	48.93	74.38	34.25	11.98	14.68	
*No shortfall noticed								
Funds earmarked for the Women and Child welfare	<p>Funds earmarked for Women and Child Welfare is to be spent by ZPP and unspent balances if any, at the end of the financial year are to be transferred to Andhra Pradesh Women Finance Corporation (APWFC).</p> <p>In the test checked ZPPs, it was observed that against the earmarked funds of ₹ 2.10 crore and ₹ 4.37 crore by ZPP Anantapur and ZPP Guntur, they incurred ₹ 1.57 crore and ₹ 4.12 crore leaving ₹ 52.98 lakh and ₹ 24.90 lakh respectively unutilised. These unspent balances were also not transferred to APWFC.</p> <p>MPPs:</p> <p>In 12 test checked MPPs, it was noticed that against the total allocation of ₹ 1.63 crore to end of March 2010, an amount of ₹ 50.19 lakh (31 <i>per cent</i>) was only incurred by the MPPs and the cumulative balance of ₹ 1.13 crore retained without transfer to APWFC.</p> <p>Thus, non-transfer of funds to the APWFC resulted in defeating the objective of utilising the funds for the welfare of women and children.</p>							
Drinking water supply	<p>In ZPP Anantapur, out of ₹ 1.26 crore earmarked for supply of drinking water, a sum of ₹ 42.88 lakh only was utilised (34 <i>per cent</i>) leaving a balance of ₹ 82.86 lakh remaining unutilised in the General Funds to end of March 2010.</p>							

GLOSSARY

AE	Assistant Engineer
AMC	Anantapur Municipal Corporation
AMR-APARD	Alimineti Madhava Reddy Andhra Pradesh Academy for Rural Development
APDPC Act	Andhra Pradesh District Planning Committee Act
APPCB	Andhra Pradesh Pollution Control Board
APPR Act	Andhra Pradesh Panchayat Raj Act
APUFIDC	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited
APURMSP	Andhra Pradesh Urban Reforms and Municipal Services Project
APUSP	Andhra Pradesh Urban Services for Poor
BRGF	Backward Region Grant Fund
BSUP	Basic Services to the Urban Poor
CAO	Chief Accounts Officer
CC roads	Cement Concrete roads
CDMA	Commissioner & Director of Municipal Administration
CEO	Chief Executive Officer
CFC	Central Finance Commission
CPO	Chief Planning Officer
CPR&RE	Commissioner Panchayat Raj & Rural Employment
CPWS	Comprehensive Protected Water Supply
CSS	Centrally Sponsored Schemes
DCB	Demand Collection and Balance
DDOs	Drawing and Disbursing Officers
DFO	District Forest Officer
DLC	District Level Committee
DME	Director of Medical Education
DPC	District Planning Committee

DRDA	District Rural Development Agency
DWMA	District Water Management Agency
DWS&SM	District Water Supply and Sanitation Mission
EFC	Eleventh Finance Commission
EFS&T	Environment, Forests, Science and Technology
ELSR	Elevated long service reservoir
FDs	Fixed deposits
FTO	Fund Transfer Orders
GoAP	Government Andhra Pradesh
GoI	Government of India
GPs	Gram Panchayats
HBA	House Building Advance
HDPE	High density polyethylene
HMC	Hyderabad Municipal Corporation
HMF&W	Health, Medical and Family Welfare
HOD	Head of Department
HUDCO	Housing and Urban Development Corporation Ltd
IDSMT	Integrate Development of Small and Medium Towns
IHSDP	Integrated Housing and Slum Development Programme
INDIRAMMA	Integrated Novel Development in Rural and Model Municipal Areas
ISL	Individual Sanitary Latrines
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LD	Liquidated damages
MA&UD	Municipal Administration and Urban Development
MIS	Management Information system
MLD	Million litres per day
MoPR	Ministry of Panchayat Raj
MPDO	Mandal Parishad Development Officer
MPLADS	Member of Parliament Local Area Development Scheme
MPPs	Mandal Praja Parishads
NFFWP	National Food for Work Programme

NIC	National Informatic centre
NIRD	National Institute of Rural Development
PABR	Penna Ahobillum Balancing Reservoir
PD	Personal Deposit
PPO	Pension Payment Order
PR	Panchayat Raj
PR&RD	Panchayat Raj and Rural Development
PREDs	Panchayat Raj Engineering Divisions
PRIA soft	Panchayat Raj Institution Accounting Software
PRIs	Panchayat Raj Institutions
PT	Property tax
PWS	Protected Water Supply
RBI	Reserve Bank of India
RD	Rural Development
RR Act	Revenue Recovery Act
RWHP	Rain Water Harvesting Pits
RWS	Rural Water Supply
SC	Scheduled Caste
SFC	State Finance Commission
SGRY	Sampoorna Grameena Rozgar Yojana
SJSRY	Swarna Jayanti Shahari Rozgar Yojana
SLB	Service Level Benchmarking
ST	Scheduled Tribe
STEP-UP	Skill Training for Employment Promotion amongst Urban Poor
SWM	Solid Waste Management
TAGs	Technical Advisory Groups
TFC	Twelfth Finance Commission
TGS	Technical Guidance and Supervision
TSC	Total Sanitation Campaign
UC	Utilisation Certificate

UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
UIG	Urban Infrastructure and Governance
ULBs	Urban Local Bodies
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USEP	Urban Self Employment Programme
UWEP	Urban Wage Employment Programme
UWSP	Urban Women Self-help Programme
W&CW	Women and Child welfare
ZGS	Zilla Grandhalaya Samstha
ZPPs	Zilla Praja Parishads
ZPTC	Zilla Parishad Territorial Constituencies