

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.

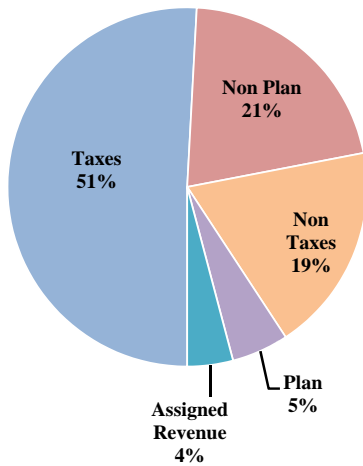
2.1.1 Introduction

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.

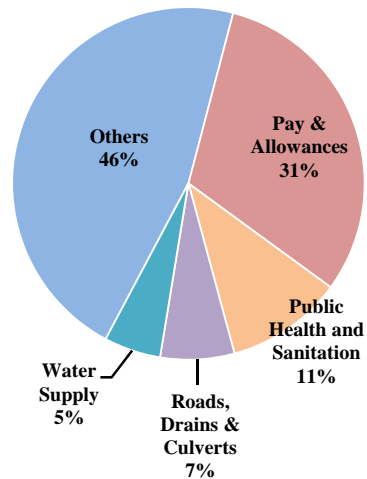
2.1.2 Financial position

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

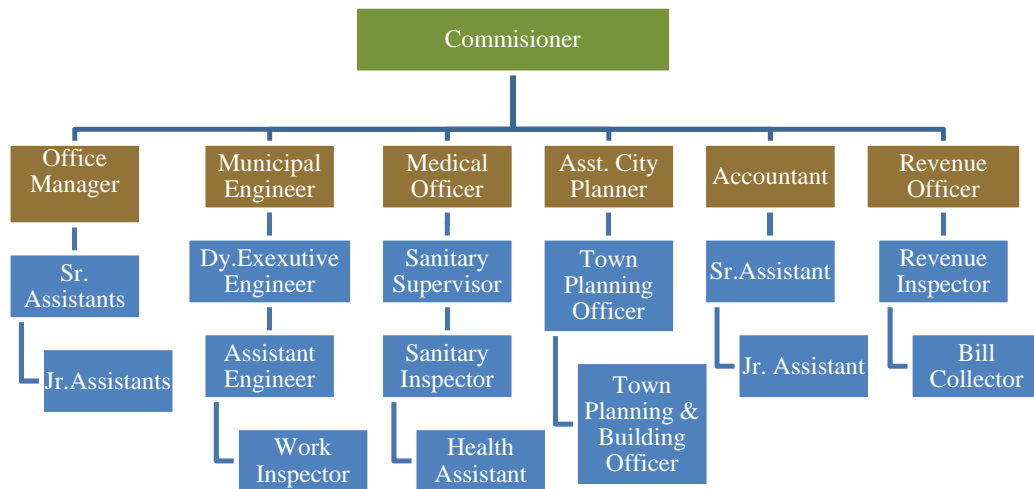


Source: Figures provided by AMC

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 *interalia* 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 *interalia* are to:

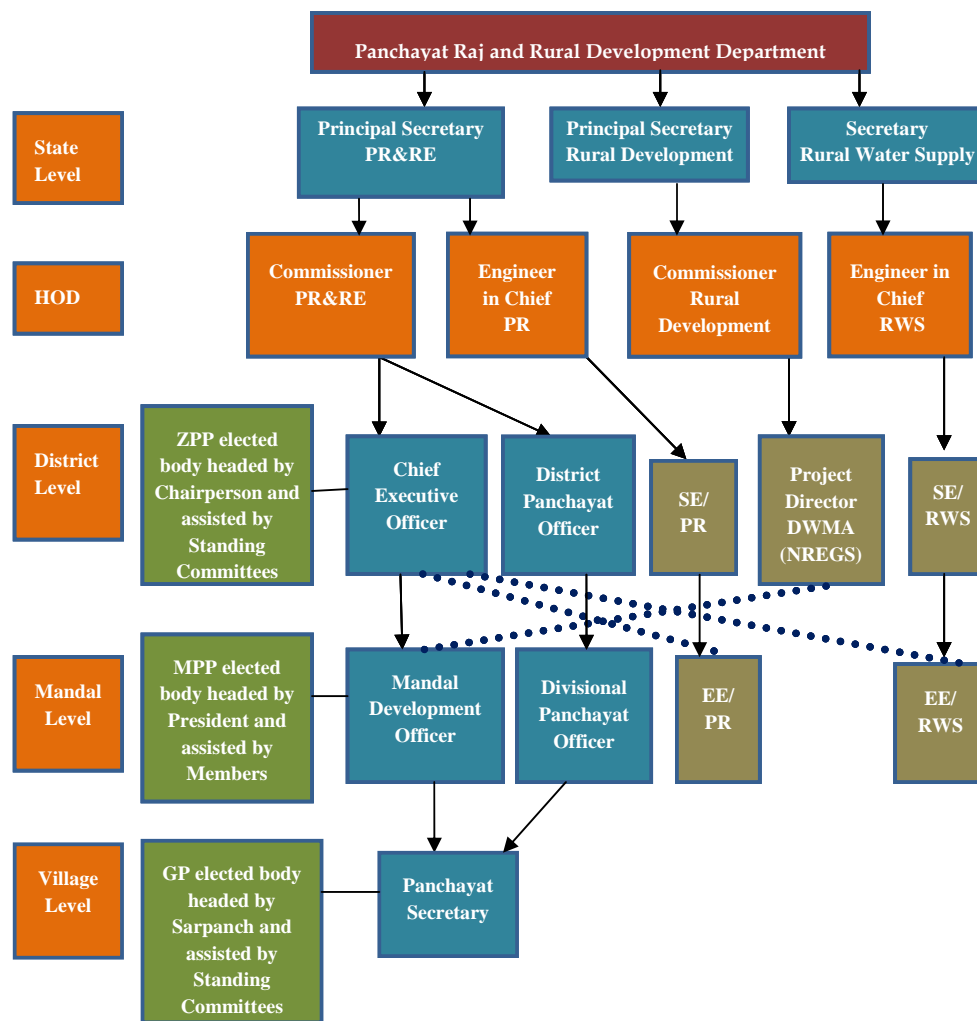
- Cancel or suspend any resolution of PRIs if the resolution is illegal, is in

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).