# Overview

# 1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from performance audit of selected programmes of Panchayat Raj and Rural Development (PR & RD) and Municipal Administration and Urban Development (MA & UD) departments implemented with involvement of local bodies, and compliance audit of local bodies.

This Report also contains overview of finances and accounts of local bodies and observations on financial reporting.

# 2 Background

Government of India (GoI) enacted the 73rd and 74th Amendments to the Constitution to empower local self governing institutions like the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). GoI further entrusted implementation of key socio-economic developmental programmes to PRIs and ULBs.

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

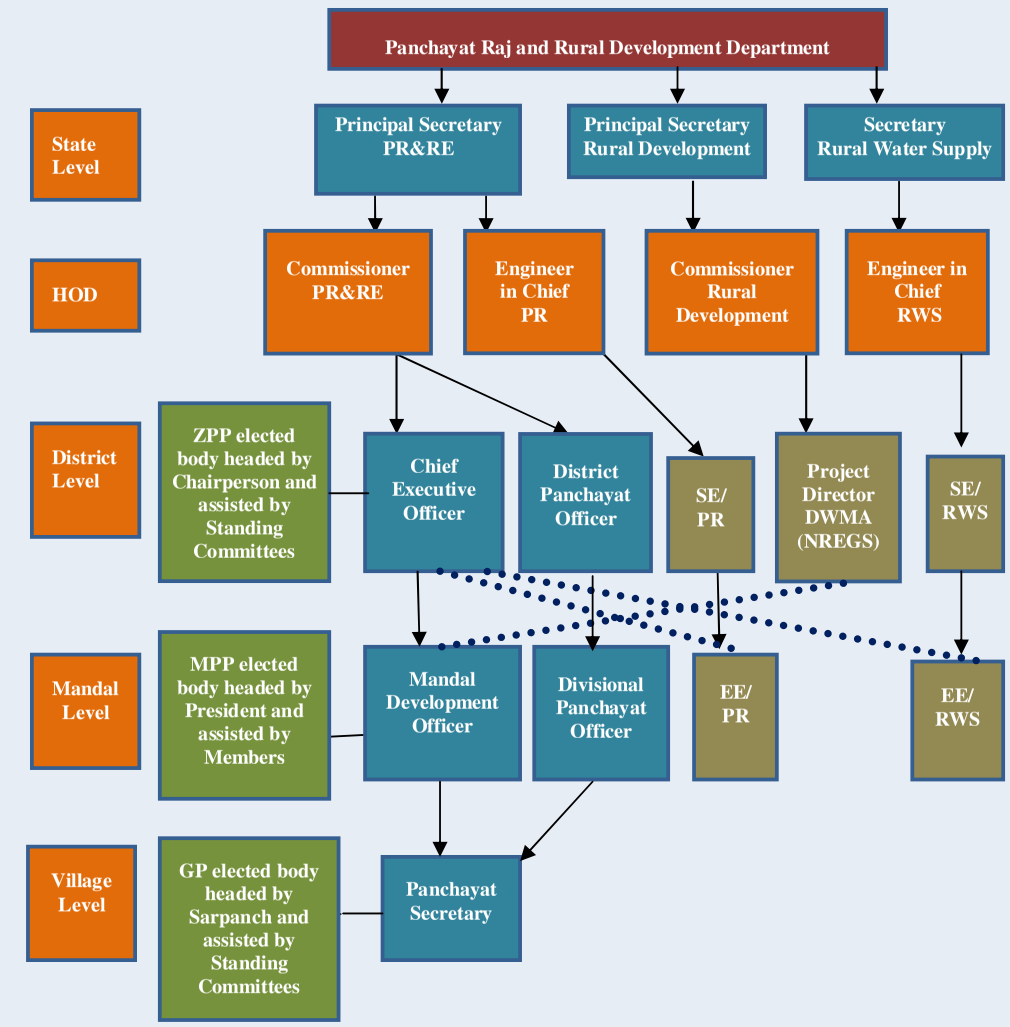
Accordingly, State Government enacted Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system at Village, Mandal and District levels. Further, Andhra Pradesh Municipal Corporations Act, 1994 was enacted to set up Municipal Corporations in the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

As of 31 March 2013, there were 22,711 PRIs in Andhra Pradesh comprising 22 Zilla Praja Parishads (ZPPs), 1,097 Mandal Praja Parishads (MPPs) and 21,592 Gram Panchayats (GPs) and 182 ULBs comprising 19 Municipal Corporations, 117 Municipalities and 46 Nagar Panchayats.

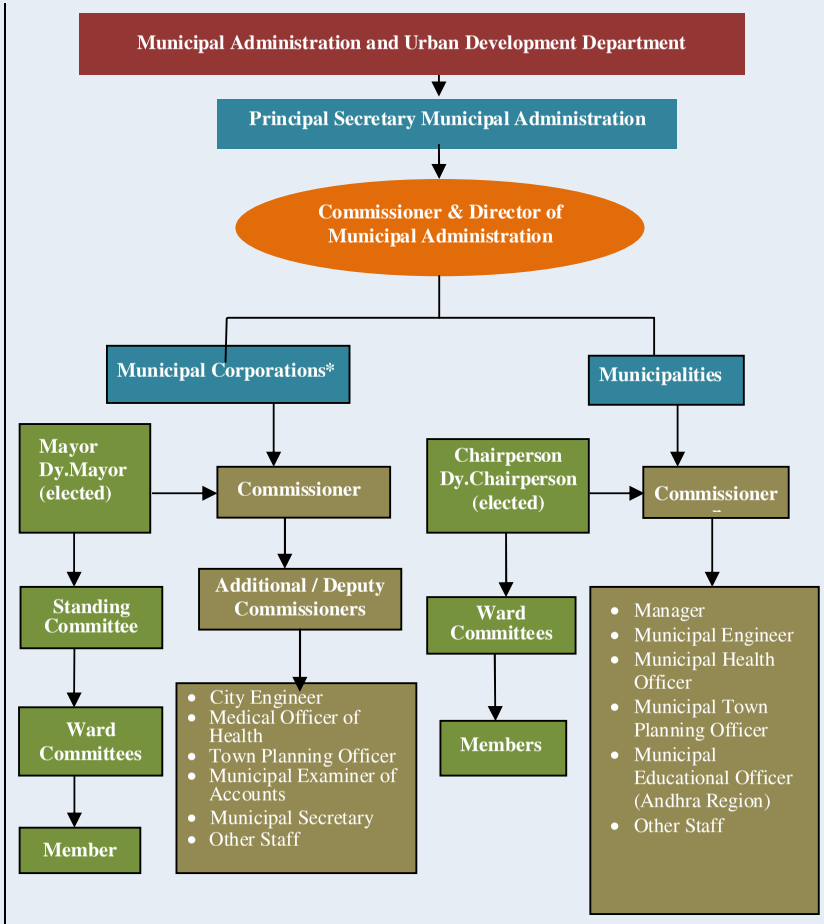
# 3 Organisational set-up

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

## Organisational set-up of PRIs and ULBs




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 them, meet at intervals prescribed by the Act. Similarly, in respect of the Councils, the Municipal Ward Committees meet at prescribed intervals to transact business, make regulations and scrutinise 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 of revenue collections, preparation of annual budget and sanctioning of works. 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.

# 4 Significant Audit Observations

This Audit Report includes results of two Performance Audits and one compliance audit paragraph on PRIs and ULBs. Draft Performance Audits and compliance audit paragraph were forwarded to Government and replies received have been duly incorporated in the Report. Significant audit findings relating to these audits and paragraph are discussed below:

## 4.1 Implementation of Pradhan Mantri Gram Sadak Yojana

***Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched by Government of India in 2000 with the objective of providing road connectivity to all eligible rural habitations by way of all-weather roads in such a way that all eligible habitations with a population size of 1,000 and above were covered by 2003 and habitations of population size of 500 and above were covered by end of 2007.***

***Performance Audit of PMGSY was earlier carried out in 2005 covering execution of rural roads in Andhra Pradesh during 2000-05 and findings featured in Audit Report (Civil) of Comptroller and Auditor General of India for the year ended 31 March 2005. This Report brought out several lapses in implementation of PMGSY in areas of planning, financial management, execution of works, quality control and monitoring. Eight years since, it was decided to carry out another performance audit of PMGSY to assess whether State Government had taken adequate corrective measures to improve implementation of the programme. Audit scrutiny revealed that lacunae pointed out in earlier Report of CAG on this subject have not been addressed adequately and several lapses continue to persist. Significant audit findings on various issues are as follows:***

- ***State Government was yet to release ₹210.73 crore being the prorata cost of 298 bridge works (cleared by GoI in September 2010) despite completion of***

***149 works and its share of ₹10.21 crore in respect of works sanctioned by GoI during 2012-13.***

***(Paragraph 2.6.2)***

- ***Required studies, surveys and transect walks were not carried out with due diligence while preparing Detailed Project Reports (DPRs) resulting in many works either remaining incomplete or unawarded and also dropped subsequently.***

***(Paragraph 2.7.1)***

- ***There were deficiencies in tendering process and some works were tendered before obtaining technical sanctions from appropriate authorities.***

***(Paragraph 2.8)***

- ***Works were closed despite non-construction of bridges; non-laying of road to complete stretch; stoppage of works by contractors and improper execution of works which resulted in non-achievement of objective of providing all-weather connectivity to eligible habitations.***

***(Paragraph 2.9)***

- ***Programme guidelines/provisions were not complied with in execution of side drains etc., and roads were in damaged condition due to non/improper maintenance.***

***(Paragraphs 2.9.4 and 2.11)***

- ***Quality control mechanism at State level was not effective and there was shortfall in quality control tests.***

***(Paragraph 2.10)***

- ***Financial management was ineffective and was marked by non-release of sufficient funds for maintenance of roads, non-adjustment of advances, non/improper maintenance of key registers etc.***

***(Paragraphs 2.11 and 2.12)***

## 4.2 Total Sanitation Campaign/Nirmal Bharat Abhiyan

***Government of India (GoI) launched Total Sanitation Campaign (TSC) in 1999 for sustainable reforms in rural sanitation sector. TSC was renamed as "Nirmal Bharat Abhiyan" (NBA) in 2012, with objective of accelerating sanitation coverage in rural areas through renewed strategies and saturation approach. Performance Audit of Total Sanitation Campaign/Nirmal Bharat Abhiyan revealed the following:***

- ***Despite availability of funds, there was shortfall in achievement of physical targets planned under IEC during 2010-13. Against ₹469.63 crore to be utilised towards various IEC activities during 2008-13, Government utilised only ₹32.41 crore.***

***(Paragraph 3.7.1)***

- ***Instances of sanctioning two or more IHHLs to same beneficiary and allotment of same ID number to different beneficiaries were noticed.***

***(Paragraph 3.7.2)***

- ***In Mahbubnagar district, even though progress reports of District Water and Sanitation Mission (DWSM) showed cent per cent achievement, scrutiny of records in test checked units revealed shortfall in construction of toilets in schools indicating incomplete/incorrect depiction of district level data. In Anantapur district, construction of toilets in schools was not taken up during 2008-12.***

***(Paragraph 3.7.3)***

- ***About 48 per cent of physically verified schools did not provide separate toilets for girls.***

***(Paragraph 3.7.3)***

- ***State Government did not take effective action in setting up Production Centres, which not only resulted in non-utilisation of funds from Revolving Fund but also deprived beneficiaries of availability of material required for construction of IHHL at reasonable cost in their villages.***

***(Paragraph 3.7.7)***

- ***Financial management suffered from delay/non-release of programme funds to DWSM agencies, diversion of GoI funds (₹5.48 crore) towards State share and parking of funds in fixed deposits.***

***(Paragraph 3.8)***

- ***Government has not conducted any evaluation studies to assess effectiveness of implementation of programme in the State.***

***(Paragraph 3.10)***

## 4.3 Compliance Audit

- ***Non-compliance with Government rules and lack of internal controls resulted in possible misappropriation of revenue collections amounting to ₹84.67 lakh and temporary misappropriation of ₹36.43 lakh in Sangareddy Municipality.***

***(Paragraph 4.1)***