

Chapter-3

Compliance Audit Paragraphs

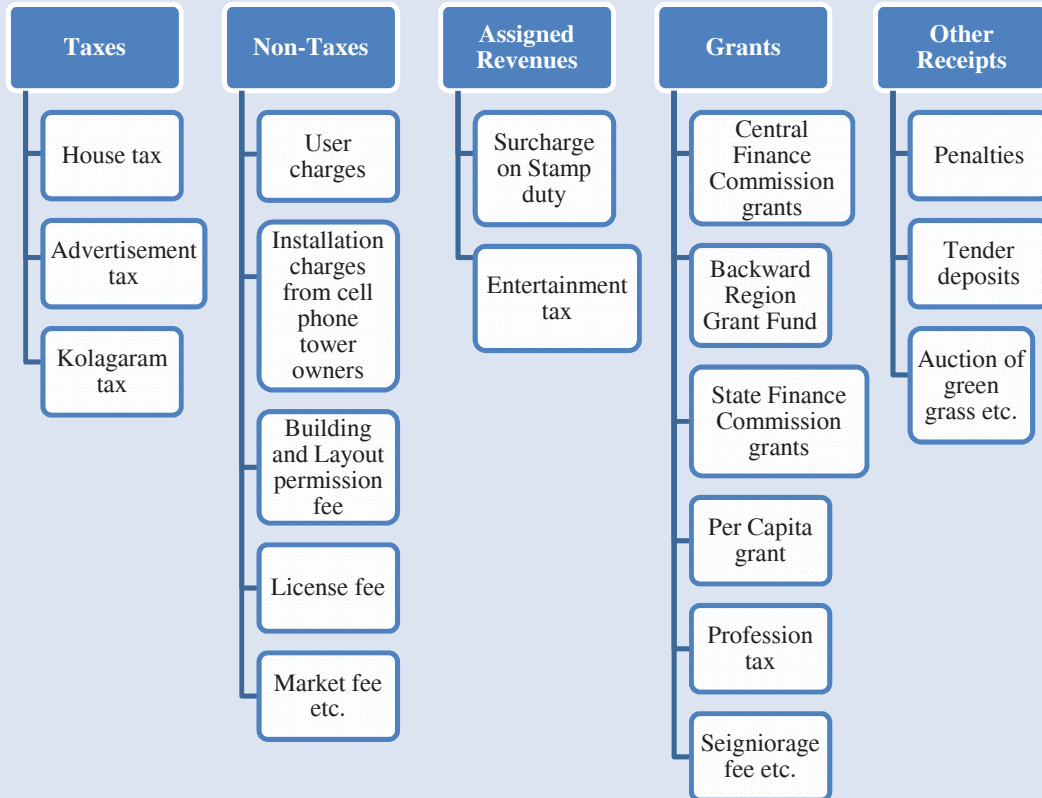
Panchayat Raj and Rural Development Department

3.1 Receipts of Panchayats

3.1.1 Introduction

Andhra Pradesh Panchayat Raj (APPR) Act, 1994 provided for constitution of Gram Panchayats (GPs) in the State in conformity with 73rd Constitutional Amendment Act to empower local self-governing institutions. As of 31 March 2014, there were 21,567 GPs in the State.

Andhra Pradesh Panchayat Raj Act, 1994 empowers the GPs to levy and collect direct and indirect taxes. Apart from tax revenue, GPs also receive assigned revenues¹ and grants-in-aid from Central and State Governments. All these receipts are credited to the Gram Panchayat Fund. Details of tax and other sources of revenue of GPs are given below:



3.1.2 Audit framework

Audit of 100 GPs (*Appendix-3.1*) was carried out between April and September 2014 with the objective of reviewing if the GPs have assessed, levied, collected and accounted for tax and non-tax revenue during the period 2011-14 in compliance with

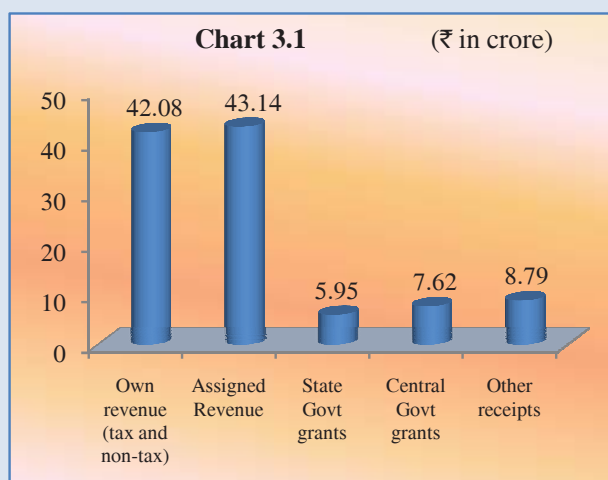
¹ Surcharges on Stamp Duty and Entertainment Tax are collected by Department of Stamps and Registration and Department of Commercial taxes respectively and apportioned to Local Bodies in the form of assigned revenue

the relevant provisions of Andhra Pradesh Panchayat Raj Act, 1994 and Rules/orders issued by State Government thereto, from time to time. Audit sample comprised of five districts² selected on the basis of population.

Audit methodology involved test-check of records in the selected GPs, and where records were not maintained or not made available for Audit, properties coming under the purview of these GPs were physically inspected along with the officials of Panchayat Raj department to verify their existence and correctness of tax levied. Photographs were taken to substantiate audit findings, where necessary.

3.1.3 Receipts of GPs

During the period 2011-14, GPs test-checked in audit (100 Nos.) received a total amount of ₹107.58 crore³.



While assigned revenue and grants to the GPs are at the discretion of the Government, GPs are directly responsible for generation of tax and non-tax revenues. Given the autonomy of GPs in assessment, levy, collection and account of tax revenue, proper discharge of these functions goes a long way in empowering the local government institutions and providing them with the required financial autonomy.

Source: Annual Accounts of GPs

Audit findings on own revenue (taxes and non-taxes) of GPs test-checked in audit are discussed in the following paragraphs.

3.1.4 Tax Revenue

Tax revenue includes house tax, advertisement tax, kolagaram tax etc. While house tax is levied on all houses in the village on the basis of either annual rental value⁴ or capital value⁵, kolagaram or katarusum is levied on village produce sold in the village by weight or quantity. Tax on advertisements erected, exhibited or displayed in the

² Chittoor, East Godavari, Guntur, Mahbubnagar and Rangareddy

³ This excludes data relating to eight GPs (Chittoor: 2 GPs and Mahbubnagar: 6 GPs) due to non-production of Annual accounts (2011-14) and data pertaining to 2013-14 in respect of 25 GPs due to non-compilation of data/finalisation of accounts

⁴ Annual Rental Value of a house shall be deemed to be the gross annual rent at which the house may reasonably be expected to be let out from month to month or year to year, less deduction of 10 per cent of such annual rent in lieu of all allowances for repairs etc. On this Gram Sabha would decide the rate ranging from 2-20 per cent of the annual value. The rental value in respect of each house would be assessed by the executive authority i.e., Panchayat Secretary

⁵ Capital value: Total estimated value of land and the estimated present cost of erecting the house after deducting a depreciation of reasonable amount which shall in no case be less than 10 per cent of such cost. On this, the Gram Sabha would decide the rate ranging from 1/8th per cent to 1 per cent of the capital value

village is collected by the GPs with the approval of Zilla Praja Parishad. Audit findings on taxes are discussed below:

3.1.4.1 House tax

House tax is levied every year at rates prescribed by GP and the owner of the property is required to pay the tax within thirty days of commencement of the year. In case of default, GPs are empowered to initiate action against them. Scrutiny of records of test-checked GPs revealed the following:

i. Assessment and Levy of tax

Audit scrutiny of assessments of 20,220 properties in 76⁶ out of 100 GPs revealed that, all the GPs were following the capital value method for computation of house tax except four⁷ GPs which were following annual rental value method. While nine out of 14 GPs⁸ in Mahbubnagar district were not levying house tax as of March 2013, four of them started levying from April 2013.

- Assessment registers/physical assessment (where assessment registers were not maintained) relating to 4,194⁹ properties of 58 GPs revealed that due to short computation of capital value on account of adoption of Sub-Registrar office (SRO) rates incorrectly, these GPs sustained a loss of ₹2.93 crore.
- In respect of 16,026 properties (including 331 State Government buildings) relating to 46 GPs of Chittoor, East Godavari, Guntur, Mahbubnagar and Rangareddy districts, no tax was levied although the properties were being used, resulting in loss of revenue. Loss of revenue based on measurements made available in respect of 15,661 properties relating to 9 GPs¹⁰ amounted to ₹2.07 crore.
- Scrutiny of records further revealed that although the State Government directed (December 2012) the GPs to revise assessment of house tax, none of the GPs test-checked in Audit had revised the rates as of September 2014. Reasons for non-compliance with Government orders were not on record.

Government confirmed (November 2014) that most of the GPs were following capital value method for computation of tax and stated that District Panchayat Officers (DPOs) would be requested to issue instructions to all the Panchayat Secretaries to follow the orders/instructions issued from time to time and appoint Revision officers to complete the revision within three months.

⁶ Chittoor: 14 GPs, East Godavari: 17 GPs, Guntur: 17 GPs, Mahbubnagar: 10 GPs and Rangareddy: 18 GPs

⁷ V.Kota and Kuppam in Chittoor district and Makthal and Kothakota in Mahbubnagar district

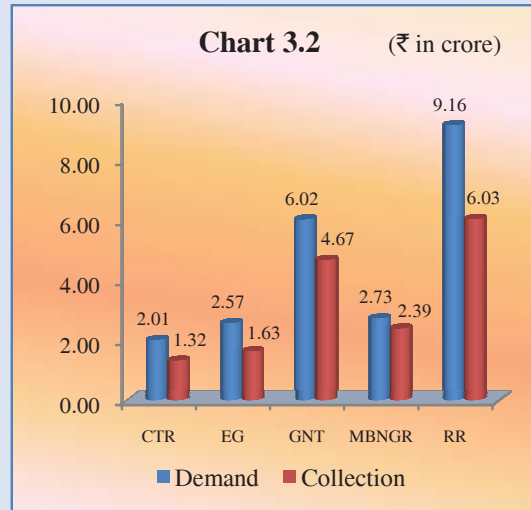
⁸ Six GPs did not furnish annual accounts

⁹ Chittoor: 97 properties, East Godavari: 232 properties, Guntur: 1,719 properties, Mahbubnagar: 65 properties and Rangareddy: 2,081 properties

¹⁰ Vadlamudi, Nambur, Vejudla and Venigandla of Guntur district, Karni of Mahbubnagar district and Dabilpur, Jawaharnagar, Kokapet and Shamshabad of Rangareddy district

ii. Collection of house tax

Collection of taxes is watched through Demand, Collection and Balance (DCB) register. District-wise details of demand raised and actual collection of house tax by 59 out of 100 sampled GPs (as rest of GPs did not maintain DCB) during 2011-14 is given alongside. It includes details of both current as well as arrears. Percentage of collection of house tax *vis-à-vis* demand ranged from 63 to 88 per cent in the test checked GPs of five districts. There were no documented reasons for poor collection of taxes.



Source: GP Records

- Due to non/improper maintenance of DCB registers by 41¹¹ out of 100 GPs, Audit could not verify the correctness of ₹4.18 crore collected by these GPs towards House tax.
- As per State Government orders (November 1996), irrecoverable tax can be written off by GPs, subject to fulfilment of certain conditions including finalisation of list of proposed waiver amounts with proper justification by executing authority, maintenance of register to this effect by GPs and sanction orders issued by District Panchayat Officer (DPO) and District Collector for every amount exceeding ₹150 and ₹1,000 respectively. However, there were no records to justify waiver of ₹2.25 lakh by 14¹² GPs during 2011-14¹³. In the absence of records, correctness of waiver of these tax dues could not be verified in audit.
- Though an amount of ₹6.45 crore was due as of March 2014 in the test checked districts, none of the test-checked GPs initiated any action against defaulters from whom tax was due. The concerned GPs did not attribute any reasons in this regard.

Government replied (November 2014) that DPOs would be directed to issue instructions to Panchayat Secretaries to adhere to the instructions issued with regard to writing off the taxes to avoid loss to GPs due to their negligence.

3.1.4.2 Kolagaram Tax

As per Section 60 of APPR Act, 1994, GPs are empowered to levy tax at specific rates on eleven items¹⁴ of village produce sold in the village as Kolagaram Tax.

¹¹ Chittoor: 13 GPs, East Godavari: 6 GPs, Mahbubnagar: 16 GPs and Rangareddy: 6 GPs

¹² Chittoor: 1 GP, East Godavari: 5 GPs and Guntur: 8 GPs

¹³ 2011-12: ₹1.48 lakh; 2012-13: ₹0.51 lakh; 2013-14: ₹0.26 lakh

¹⁴ turmeric, jaggery, tamarind, chillies, onions, cashew nuts, banana leaves, fruits, bricks/tiles/glass beads, eggs, ghee

Audit scrutiny revealed that Kolagaram tax was not levied in 53¹⁵ out of the 100 test checked GPs, despite raising crops/poultry, preparing bricks/goods. None of these GPs initiated any proposal in this regard with the Gram Sabhas, although it would fetch revenue.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of Kolagaram tax to avoid loss to GPs due to their negligence.

3.1.4.3 Advertisement tax

As per Section 63 of APPR Act, 1994 taxes on advertisements erected, exhibited or displayed in public view have to be collected by GP after approval of Zilla Parishad. However, none of the test-checked GPs maintained any information with regard to advertisements/hoardings etc. Therefore, Audit team carried out a physical survey along with the officials of the department to identify the hoardings in these GPs.

Physical survey revealed that 36¹⁶ out of 100 GPs did not levy any advertisement tax despite existence of advertisement boards/hoardings. No proposal for imposition of such tax was put forward in the Gram Sabhas of these villages depriving the potential revenue to the GPs.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of Advertisement tax and ensure that no loss is caused to GPs due to their negligence.

3.1.5 Non-Tax Revenues

Non-tax revenue includes user charges, building and layout permission fee, license fee (business and trade), fines and rents from markets and shops etc. As 56¹⁷ GPs test-checked did not maintain any DCB registers for non-tax revenues, Audit could not verify the correctness of taxes collected as per demand during the period 2011-14.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to maintain registers for non-tax revenues.

3.1.5.1 User Charges

As per Government orders (March 2002), every GP has to levy user charges annually for providing street lighting, pucca drainage and drinking water. These charges are calculated in such a way that cost of operation and maintenance is distributed among all the households utilising the particular service. Demand has to be raised separately for these items based on the details maintained for the purpose.

¹⁵ Chittoor: 7 GPs, East Godavari: 15 GPs, Guntur: 14 GPs, Mahbubnagar: 9 GPs and Rangareddy: 8 GPs

¹⁶ Chittoor: 3 GPs, East Godavari: 13 GPs, Guntur: 9 GPs, Mahbubnagar: 1 GP and Rangareddy: 10 GPs

¹⁷ Chittoor: 15 GPs, East Godavari: 9 GPs, Guntur: 9 GPs, Mahbubnagar: 16 GPs and Rangareddy: 7 GPs

Audit, however, observed that against the expenditure of ₹34.16 crore incurred on civic amenities by 84 GPs¹⁸ during 2011-14, only 59 GPs test-checked in audit collected user charges in respect of water tax component amounting to ₹5.13 crore. While only two GPs collected ₹1.36 lakh towards lighting component, none of the GPs collected any amount towards drainage component. The additional expenditure was met from other sources of GP fund. Further, there was no system in place to maintain a separate register for raising demand.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of User charges.

3.1.5.2 Building Permission

As per Section 121 of APPR Act, 1994 no building should be constructed and no addition or alteration can be made to an existing building without permission of GP. The GP should accord building permissions only after collecting the fee¹⁹ and observing the setback norms as prescribed in Andhra Pradesh Land Development (Layout and Building Permission) Rules, 2002. Building permission Register is to be maintained with the details of name of the person to whom permission is accorded, measurement of the plot, survey number, plinth area and permission fee collected. The builder is required to complete construction within two-three years²⁰ from the date of according building permission and in case construction is not completed within this period, GP needs to collect the renewal fee for delayed constructions.

Scrutiny of records of test-checked GPs revealed the following deficiencies:

- i. In 20 out of 100 GPs, 4,612²¹ buildings were constructed/under construction without obtaining building permission during 2011-14. Loss of revenue on account of non-collection of building permission fee in respect of 87 out of these unauthorised buildings (to the extent measurement data was made available to audit) in Chittoor, East Godavari, Guntur and Rangareddy districts was ₹43.36 lakh²².
- ii. Building Permissions Register (BPR) was not maintained in 28²³ out 100 GPs. Even in those GPs where this register was maintained, required details relating to the extent of land/plinth, permission number and date, permission period, assessment number in respect of completed buildings etc., were missing. In the absence of these details, audit could not verify the correctness of fees/renewal fee

¹⁸ Eight GPs (Chittoor: 2 GPs and Mahbubnagar: 6 GPs) did not furnish annual accounts, while remaining eight GPs (Chittoor: 7 GPs and Rangareddy: 1 GP) did not incur any expenditure towards maintenance of water, lighting and drainage as per annual accounts

¹⁹ ₹10 per sq. meter of built up area for residential and ₹20 per sq. meter in respect of non-residential area in respect of major GPs and ₹2 per sq. meter of built up area for residential and ₹4 per sq. meter in respect of non-residential area in respect of minor GPs

²⁰ Three years for GPs within Urban Development Authority (UDA) and two years for non-UDA areas

²¹ Chittoor: 1,678 buildings, East Godavari: 12 buildings; Guntur: 19 buildings, Mahbubnagar: 2,864 buildings and Rangareddy: 39 buildings

²² Chittoor: 5 GPs, 27 buildings ₹0.10 lakh, East Godavari: 1 GP, 12 buildings ₹0.02 lakh, Guntur: 2 GPs, 19 buildings ₹15.81 lakh and Rangareddy: 2 GPs, 29 buildings ₹27.43 lakh

²³ Chittoor: 7 GPs, East Godavari: 1GP, Guntur: 5 GPs, Mahbubnagar: 13 GPs and Rangareddy: 2 GPs

(for delayed constructions) collected on the properties for which permission was given and brought to tax net.

Government Order of April 2012 stipulated that a tenant/owner (GP areas covered by Urban Development authorities) should be given possession only after obtaining occupancy certificate from the local authority. The owner has to submit a notice of completion through the registered architect and licensed builder/developer along with prescribed documents and plans to the Sanctioning Authority (GP).

However, Audit scrutiny revealed that none of the test checked GPs was issuing occupancy certificates to the concerned tenants/owners. Also the owners of the buildings had not submitted completion reports to GPs. In the absence of this procedure, Audit could not verify whether (i) all the buildings were brought in to tax net after completion (ii) renewal fee was collected for belated construction.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued while according building permissions.

3.1.5.3 *Layout permission*

As per Andhra Pradesh Land Development (Layout and Building Permission) Rules 2002, every person or a corporate body or the Government or a private corporate body who intends to undertake or carry out layout or development work should seek permission from the Executive Authority (GP) for development of layout duly paying the layout fees. Further, the developers should assign 10 *per cent* of the land in the name of GP for development of Parks, Educational Institutions, etc.

Further, as per Rule 12(2) of rules *ibid*, DPO should take action in case of unauthorised layouts, besides also holding the executive authority responsible for allowing such unauthorised layouts.

Scrutiny of records and physical survey revealed the following deficiencies:

- i. There were 77 unauthorised layouts in 11 GPs²⁴ out 100 GPs on 295.03 acres of land. As no efforts were made by GPs to identify these unauthorised layouts, they sustained loss of revenue amounting to ₹8.35 lakh due to non-collection of layout permission fee and penal charges. Assignment of 10 *per cent* of land i.e., 29.50 acres as required in the name of GP was also not made. Further, there were 23 unauthorised layouts in four²⁵ GPs in respect of which details of land could not be ascertained.
- ii. In respect of six authorised layouts (191.72 acres) in Guntur (Nambur: one layout) and Rangareddy (Aliabad: five layouts) districts, 10 *per cent* of the developed land (19.17 acres) was not handed over to GPs in violation of Government orders.

²⁴ Chittoor:1 GP, East Godavari:3 GPs, Guntur:3 GPs; Mahbubnagar:3 GPs and Rangareddy:1 GP

²⁵ Chittoor: 1GP, Mahbubnagar: 1GP and Rangareddy: 2 GPs

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for according layout permissions.

3.1.5.4 License Fee on business entities

As per Section 119 of Andhra Pradesh Panchayat Raj Act, 1994 licence fee is to be levied and collected annually on all businesses carried out in GPs. Physical survey revealed that six²⁶ GPs did not collect any amount towards license fee despite existence of business activities in their jurisdiction.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for granting license for the business activities.

3.1.5.5 Market fee

GPs are authorised to provide places for use as public markets and levy market fee on vendors at such rates as they may think fit. Scrutiny of records of Kothakota and Bijinepally of Mahbubnagar district revealed short collection of ₹29.70 lakh during 2011-14 towards market fee relating to weekly and daily markets.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued while levying marketing fee.

3.1.5.6 Non-Collection of regularisation fee from Cellular companies

As per Government orders of October 2012²⁷, the local authorities are empowered to accord permission to Cellular Companies for installation of towers on payment of ₹15,000 for ground based towers and ₹12,000 for roof top towers. Besides, an annual license fee of ₹1,000 is to be levied and an amount of ₹10,000 is to be collected for regularisation of towers installed prior to the issue of orders.

Audit observed existence of 300 cell towers in 76 out of 100 GPs test checked in audit. Against ₹34.50 lakh²⁸ due to be collected towards installation, regularisation and annual license fee on these towers, only 33 GPs of four districts²⁹ collected ₹6.72 lakh as of March 2014. None of the GPs in Rangareddy district had collected any amounts in this regard.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for according permission for installation of cell towers and to collect regularisation charges in respect of already existing cell towers.

²⁶ East Godavari: 1 GP, Guntur: 1 GP and Mahbubnagar: 4 GPs

²⁷ G.O.Ms.No.334 dated 09 October 2012 of PR&RD department

²⁸ Information pertaining to year of erection of cell phone towers is not available in GPs, hence minimum amount was calculated (regularisation charges of ₹10,000) and annual license fee was calculated from October 2012–March 2014

²⁹ Chittoor: 3 GPs, East Godavari: 11 GPs, Guntur: 7 GPs, Mahbubnagar: 12 GPs

3.1.5.7 Fish ponds

As per State Government orders (March 1999), GP has to entrust the maintenance of fish tank to the existing fishermen co-operative societies. Where there are no co-operative societies, GP has to conduct open auction of tanks and utilise the receipts towards village development. Fish ponds are mainly prevalent in East Godavari and Guntur districts of five test-checked districts. Physical verification of the following GPs of these two districts revealed the following:

- i. In five GPs³⁰ auctions for fish tanks were not conducted, resulting in non-generation of revenue of ₹9.59 lakh (to the extent data was available in respect of 3 GPs).
- ii. Physical survey in Vadlamudi GP of Guntur district revealed that the area of fish growing tanks was less than the area included in GP records due to encroachment of 16.66 acres of land.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to auctioning of fish ponds.

3.1.6 Accountal of collections

3.1.6.1 Remittance of collections

Revenue collected by bill collectors (house tax, water tax, building permission, rents etc.) are initially taken in Irusulnama/chitta register, which comprises the details of day/category wise collections with names of the persons from whom taxes were collected. These receipts are subsequently posted in Cash Book and remitted on the next day to treasury through challans after duly entering challan number in Cash Book and Irusulnama register. Scrutiny of remittance particulars of tax/non-tax collections pertaining to test-checked GPs revealed the following:

- i. In Manthangode, Ajjakollu and Chagadone GPs of Mahbubnagar district, an amount of ₹1.64 lakh, ₹0.25 lakh and ₹0.34 lakh respectively were withdrawn (2011-14) from treasury through self-cheques. However, there were no expenditure details for these amounts, indicating possible misappropriation of funds.
- ii. Twenty one³¹ GPs remitted ₹1.26 crore into treasury with a delay ranging from 2 to 238 days, indicating possible temporary misappropriation of funds.
- iii. Instances of not carrying the details of challan number and date of remittance in Irusulnama or Chitta register were noticed in almost all the test-checked GPs, which raises doubts about proper remittance of revenues collected.

³⁰ East Godavari: Patathungapadu and Velugubanda (July 2010-October 2011; ₹0.29 lakh); Guntur: Nandigama (2012-14; ₹7.30 lakh), Panidam(2012-13; ₹2 lakh) and Bhrugubanda

³¹ East Godavari: 8 GPs, Guntur: 3 GPs, Mahbubnagar: 1 GP and Rangareddy: 9 GPs

iv. In V.Kota GP of Chittoor district separate bank accounts were opened in Syndicate bank, State Bank of India and Saptagiri grameena bank in the names of Panchayat Secretary and transactions were being operated irregularly through these banks instead of through treasury, as stipulated by the APPR Act, 1994.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to remittance of collections.

3.1.6.2 Improper maintenance of cash book

Cash book has to be closed periodically and reconciled with the treasury pass book to arrive at correct cash balances under attestation of Executive Authority (GP). However, scrutiny of records in test-checked GPs revealed cases of non-closing of Cash Books at prescribed intervals, non-attestation of entries, entries in pencil, non-reconciliation with treasury. Audit is therefore unable to vouch for the correctness of transactions.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to maintenance of cash book.

3.1.6.3 Diversion of funds

Section 75 of APPR Act, 1994 stipulates the purposes to which the gram panchayat fund may be applied. However, 12³² out of 100 GPs test-checked diverted ₹3.79 lakh from General Fund to the accounts of District Panchayat Office/Divisional Panchayat Offices to meet their office contingencies in violation of the Act.

Contrary to the provisions of Section 76 of APPR Act, 1994, ₹3.36 lakh was utilised to the meet the election expenditure in two³³ GPs.

Government reiterated various provisions of Rules issued by them on preparation of budget and appropriation of funds and stated (November 2014) further that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to those instructions to see that no loss is caused to GPs.

3.1.7 Conclusion

As brought out in the foregoing paragraphs, there is no systematic mechanism in the GPs for ensuring correct assessment, demand, collection and accountal of various tax and non-tax revenues. Due to non-maintenance of demand, collection and balance registers by some GPs, correctness of the amounts collected towards tax revenue could not be vouchsafed in audit. Efforts to initiate action against defaulters were lacking in almost all the test-checked GPs leading to arrears. Kolagaram and Advertisement taxes were neglected. As regards non-tax revenues, user charges for providing street lighting, pucca drainage and drinking water supply were not collected based on actual usage. Instances of unauthorised buildings were noticed in test-

³² East Godavari: 8 GPs and Rangareddy: 4 GPs

³³ East Godavari: 1 GP and Guntur: 1 GP

checked GPs resulting in loss of revenue in the form of non-collection of building permission fee. Collection of layout permission fees, license fee on business activities, regularisation fee from cellular companies etc., were neglected. There were cases of delayed remittance of tax/non-tax collections into treasury.

Municipal Administration and Urban Development Department

3.2 Greater Visakhapatnam Municipal Corporation: Receipts, accountal and management of core services

3.2.1 Introduction

The Greater Visakhapatnam Municipal Corporation (GVMC) was formed in November 2005 covering an area of 533 sq kms. The Corporation is responsible for providing civic amenities and infrastructure facilities to the Visakhapatnam city, which had a population of 18.69 lakh as per 2011 Census.

Audit of GVMC was carried out during October – December 2014 covering the transactions of the Corporation during the period 2009-14 with the objective of verifying if the Corporation had assessed, levied, collected and accounted for its receipts properly and incurred expenditure in accordance with the relevant provisions of Hyderabad Municipal Corporation Act, 1955³⁴ and Rules/orders issued by the State Government from time to time.

3.2.2 Receipts of GVMC

The main sources of revenue of the Corporation are taxes (property tax, vacant land tax and advertisement tax), non-taxes (water tax, trade license fee, rents, building license fee, etc.), grants-in-aid from State Government (assigned revenue, State Finance Commission etc.) and Government of India (Central Finance Commission, JNNURM³⁵ etc.). Other receipts include loans, deposits, advances, contributions etc.

Receipts of the Corporation during 2009-14 are given in Chart 3.3. While own revenue constituted 49 *per cent* of total receipts, other receipts (including State Government and GoI grants) accounted for 51 *per cent*. Corporation could realise only ₹4,167³⁶ crore (42 *per cent*) against its budgeted receipts of ₹9,895³⁷ crore during the last five years.

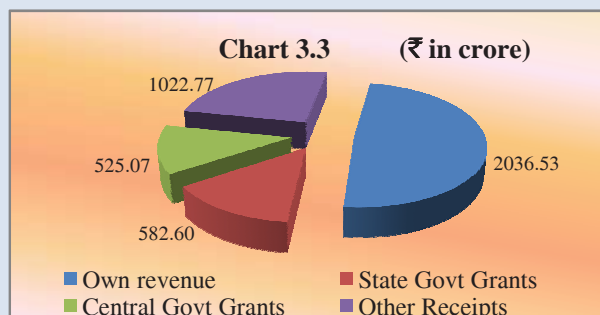
³⁴ All the Corporations in the State are governed by the Hyderabad Municipal Corporation Act 1955

³⁵ Jawaharlal Nehru National Urban Renewal Mission

³⁶ Own Revenue: ₹2,036 crore, State Government Grants: ₹583 crore, GoI Grants: ₹525 crore and other receipts: ₹1,023 crore

³⁷ Own Revenue: ₹3,562 crore, State Government Grants: ₹1,309 crore, GoI Grants: ₹3,138 crore and other receipts: ₹1,886 crore

While it could not mobilise its resources for various reasons as brought out in the subsequent paragraphs, it did not receive the anticipated grants from the State Government towards per capita grant³⁸ and also surcharge on stamp duty³⁹.



Source: GVMC Annual Accounts

3.2.3 Assessment of taxes/non-taxes

Property tax (PT) is levied on all properties within the jurisdiction of the Corporation on the basis of Annual Rental value of the building. Advertisement Tax is levied on advertisements erected, exhibited or displayed within the Corporation area and collected in advance at the rates fixed by the Commissioner. As regards non-tax revenue, water tax is collected according to the rates fixed and notified by Standing Council of GVMC separately for bulk water consumers⁴⁰ and other residential/non-residential categories. Audit findings relating to assessment of these major revenues are discussed below.

Property tax

Current rates were being implemented from 2010. During the years 2011-14, Corporation assessed PT for 4.14 lakh properties and raised demand for ₹858.73 crore. Despite revision of rates in 2010-11, it continued to raise demand at pre-revised rates in respect of 32 Gram Panchayats which were merged with GVMC in November 2005 resulting in loss of revenue.

Audit compared the number of PT assessments with the number of electricity connections as of March 2014. While 6.20 lakh low tension (LT) service connections were provided by Electricity department⁴¹ up to 2013-14 under residential category, Corporation assessed PT in respect of only 3.67 lakh residential properties. Given the huge variation (41 per cent) between the number of electricity connections and PT assessments, the possibility of omitting several properties from the tax net cannot be ruled out. GVMC stated that survey would be conducted to identify such houses. Audit findings relating to assessment of six major test-checked properties are given in **Appendix-3.2**.

³⁸ ₹ 8 per head, which amounts to ₹8.27 crore for 2009-14

³⁹ Stamp duty not apportioned ₹34.15 crore for 2009-14

⁴⁰ Bulk water consumers include industries, public sector units, SEZs and Central Government organisations

⁴¹ Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL)

	Further, there was eight years delay in raising (June 2014) demand towards PT amounting to ₹2.56 crore for the period from 2006-07 to 2013-14 in respect of 11 ancillary industries existing within the Special Economic Zone (SEZ) area.
Advertisement tax	As of December 2014, 36 agencies erected/exhibited 2,350 advertisements ⁴² in GVMC area. Due to adoption of incorrect rates in respect of advertisements with mobile media (173 vehicles) and traffic umbrellas (52 Nos.) for the period 2011-14, the Corporation sustained a loss of revenue amounting to ₹59.64 lakh ⁴³ .
Water tax	<p>GVMC provides water to residential and non-residential houses and commercial establishments on submission of prescribed application and payment of water charges as notified from time to time. As of September 2014, Corporation has given water connections to 1,63,023 consumers including 1,59,705 residential and 3,318 non-residential houses and commercial establishments.</p> <p>According to the rates fixed and notified by Standing Council of GVMC, the bulk water consumers are required to pay initially non-refundable capital contribution charges and advance consumption charge as security deposit while obtaining water connection. For this purpose, the consumers enter into agreement with GVMC for a period of five years. Scrutiny of bulk water supply records revealed that Corporation was supplying water without collecting capital contribution charges amounting to ₹5.38 crore from three bulk water consumers and differential advance consumption charges amounting to ₹5.82 crore from fifteen bulk water consumers</p>

3.2.4 Collection of taxes and non-taxes

Collection of taxes is watched through Demand, Collection and Balance (DCB) register maintained separately for all taxes and non-taxes. Audit findings relating to collection of taxes and non-taxes by GVMC are discussed below.

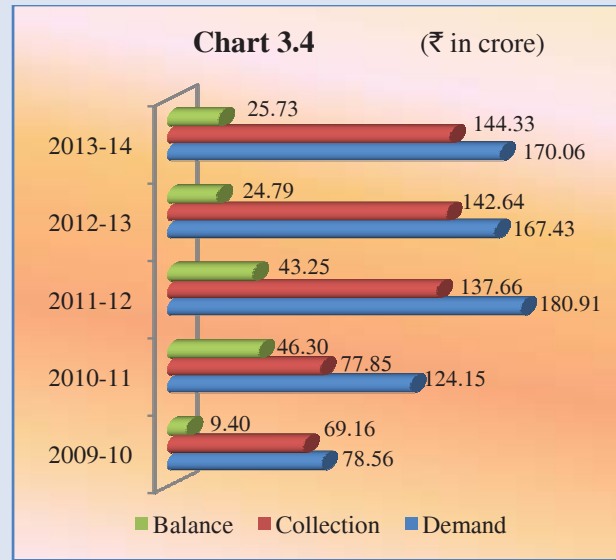
⁴² hoardings (854), lollypops/pole boards (580), advertisements on bus shelters (633), Archs (17), uni-poles (7), traffic umbrellas (57), advertisements on moving media (202)

⁴³ Traffic umbrellas (₹37.25 lakh) and mobile media (₹22.39 lakh)

3.2.4.1 Property tax

As of September 2014, ₹25.73 crore was pending towards PT collections. These dues include ₹10.47 crore due from 66 State Government properties for the period 1985-86 to 2014-15. Year wise details (2009-14) of demand, collection and balance in respect of property tax are shown in chart alongside.

Detailed audit findings relating to six major test-checked properties are given in *Appendix-3.3*. Despite specific provisions in HMC Act 1955 for penalising tax defaulters, GVMC has not initiated any action for collection of tax from the defaulters.



Source: DCB statements

Note: Collection as per DCB is ₹571.64 crore whereas it was ₹559.19 crore as per annual accounts

3.2.4.2 Advertisement tax

As per para 5 of Advertisement tax Rules, 1967, the tax has to be collected in advance. However, as per the last five years data, an amount of ₹2.23 crore was in arrears as of December 2014.

3.2.4.3 Water tax

As of September 2014, ₹22.93 crore was to be realised by GVMC on account of water tax. This includes ₹9.43 crore pertaining to residential and ₹13.50 crore pertaining to non-residential and commercial units. In case of bulk consumers, if the monthly consumption charges are not paid within due date, consumer connection will be disconnected without issuing any notice and a penalty of ₹10,000 can be levied for reconnection after clearing pending bills by the assessee. Although an amount of ₹10.82 crore was pending (December 2014) from 65 bulk consumers, Corporation did not levy any penalty.

3.2.4.4 Regularisation fee from cellular companies

As per Government orders of August 2013, GVMC is empowered to accord permission to Cellular Companies for installation of towers on payment of ₹one lakh. Besides, an annual license fee of ₹5,000 is also to be collected for renewal.

Audit observed that 607 cell towers were erected in the Corporation area up to 2013-14. Against ₹2.54 crore due for recovery towards installation and annual license fee on these towers to end of March 2014, GVMC collected only ₹67 lakh as of December 2014.

3.2.5 Accountal of collections

3.2.5.1 Delay in remittances

Corporation collects the taxes and non-taxes through eSeva centres managed through Axis Bank and through other designated banks⁴⁴. Amount collected through these centres/banks are to be transferred to the General Fund account. Further Rule 7 (Part-I) of Andhra Pradesh Treasury Code categorically states that amounts collected should be remitted without any delay.

Scrutiny of records revealed that the collections at eSeva centres were not brought into the Cash Book. Online statement relating to eSeva collections and their remittance into GVMC fund revealed that in respect of 21 transactions during 2012-14, an amount of ₹24.45 crore was remitted in to the fund with a delay ranging from 3 to 209 days, which is violative of provisions mentioned in Andhra Pradesh Treasury Code.

3.2.5.2 Maintenance of PD account

Corporation was allotted three Personal Deposit accounts for General fund, Thirteenth Finance Commission grants and Assembly constituency Development Programme (ACDP) respectively. Detailed examination of PD account maintained for General fund along with relevant Cash Book and Treasury Pass Book for the period 2009-14 revealed procedural irregularities like non-posting of transactions in Cash book, non-carry forward of opening and closing balances, variation between cash book and treasury pass book (ranging from ₹11.65 crore to ₹17.51 crore) etc.

3.2.6 Management of municipal lands

GVMC surveyed its lands in 2009, and as per asset register it possessed 1,890 lands worth ₹186.91⁴⁵ crore. However, it did not maintain title deeds for any of these properties. Further, the list of lands leased out to private parties was also not made available to audit despite specific request. As per assets register of GVMC, 38 lands (65.39 acres) were under encroachment as of December 2014. Action taken if any, to remove the encroachments was not forthcoming from the records.

3.2.7 Management of core services

In compliance with GoI's instructions under JNNURM, GVMC prepared a City Development Plan (CDP) in 2005 to ensure planned growth of city covering a time frame of 20 years. Audit findings on delivery of two core services stated in the CDP relating to water supply and sewerage are discussed below:

3.2.7.1 Water supply

GVMC is responsible for planning, designing, implementing, operating and maintaining water supply and sewerage systems. It meets the expenditure towards these components through its own resources (water and sewerage cess) besides

⁴⁴ IDBI, ING-Vysya Bank and ICICI

⁴⁵ Market value as of April 2009

receiving grant/loans from GoI/State Government/financial institutions. Corporation formulated (2005) the following strategies and action plans for implementation during 2006-2012 with regard to water supply.

- Meter all the connections to prevent wastage
- Ensure promotion of suitable cost effective and sustainable measures for water conservation and utilisation in the city
- Augment the water sources and prevent wastage of water
- Increase the number of connections to cover the entire city
- All the poor localities to be covered by piped water
- Keeping the under water levels analysis in view, restriction to be imposed on digging borewells which indirectly helps increase water level

i. Implementation of plans

As regards augmentation for supply of water, the Corporation had initiated (March 2009) the following two major schemes under JNNURM. Status of these projects is given below:

Sl.No.	Project Details	Audit observations
1.	<p><i>Refurbishment of comprehensive water supply in North Eastern Zone of Central Area of GVMC</i> Administrative sanction: 2 March 2009 for ₹190.18 crore Technical sanction: 23 May 2009 Dates of entrustment: 12 December 2009 Stipulated period of completion: 36 months Present status: Incomplete Expenditure: ₹141.22 crore</p>	<p>As per the agreement conditions 80 per cent payment shall be made after supply of the specified pipe/MDPE pipe for Meters, 10 per cent after laying and joining of the pipe/erection of pipe and specials and the remaining 10 per cent against testing of the pipe/fixing up of Meters. In violation of the agreement, Corporation paid an excess amount of ₹4.65 crore, by allowing 5 per cent excess on pipes (₹1.46 crore), 40 per cent payment on house service connections (₹3.19 crore).</p>
2.	<p><i>Comprehensive water supply system in old city of GVMC area</i> Administrative sanction: 2 March 2009 for ₹47.93 crore Technical sanction: 23 May 2009 Dates of entrustment: 12 December 2009 Stipulated period of completion: 24 months Present status: Incomplete Expenditure: ₹37.50 crore</p>	<p>Despite planning for completion of the project by December 2011, Corporation did not complete the works as of December 2014. Although extension of time was granted up to June 2014, there were still three 7,900 KL reservoirs to be taken up, while 5,850 KL Reservoir at Sand hill and procurement of pump sets were partially completed. GVMC stated that in view of delay in handing over the site, delay in getting permission from other departments etc., the works were delayed and the agency had been granted extension of time up to June 2014. GVMC also stated that further extension/action against the agency was under consideration.</p>

ii. Performance vis-à-vis service level benchmarks

A Service Level Benchmarking (SLB) initiated (2008) by the Union Ministry of Urban Development (MoUD) as part of urban reforms agenda under JNNURM, provided a common framework for monitoring and reporting on service level indicators along with guidelines on how to operationalise the framework across all the

ULBs in the country. However, it was observed that barring redressal of complaints, cost recovery in water supply services and quality of water supply, none of the other targets was achieved in Visakhapatnam due to non-completion of water supply improvement and strengthening works. SLBs issued by GoI, targets set for the last three years 2011-14 and their achievement as of October 2013 (details up to December 2014 were not provided by Corporation despite specific request) are tabulated below:

Table 3.1

Indicator	Benchmark by GoI	As of October 2013	
		Target	Achievement (%)
Coverage of water supply connections	100%	4,44,667	3,68,092 (83%)
Per capita supply of water	135 lpcd	135 lpcd	100-110 lpcd
Extent of metering water connections	100%	1,42,383	32,478 (23%)
Extent of non-revenue water (NRW)	20%	20%	33 %
Continuity of water supply	24 hrs	24 hrs	1 hr
Quality of water supplied	100%	3,83,605	3,83,555 (100%)
Efficiency in redressal of complaints	80%	80 %	100%
Cost recovery in water supply services	100%	₹110 crore	₹127 crore (115%)
Efficiency in collection of water supply charges	90%	₹8,900 lakh	₹4,700 lakh (53 %)

Source: GVMC records

3.2.7.2 Sewerage

Considering the key challenges including non-existence of comprehensive master plan for sewerage, lack of efficient communication strategy, inadequate sewerage treatment facilities resulting in discharge of sewerage into water bodies, and very low recycling and reuse of waste water noticed while preparing CDP, Corporation identified 478 sq.km of length of sewer lines to cater to the needs of households in the City. For this purpose, it had projected construction of sewerage treatment plants of 159 MLD capacity and 750 km underground drainage lines. However, as of December 2014, it could cover only to the extent of 225 km UGD lines by constructing 26 MLD⁴⁶ capacity STP. Out of two major projects⁴⁷ sanctioned under JNNURM during 2006-07, Corporation completed only one project (sewerage system to old city area). Though the other project covering 129.38 sq.km was scheduled for completion by November 2009, was delayed due to land disputes, non-receipt of Railway permissions, etc., and was re-scheduled for completion by end of December 2014.

⁴⁶ In addition to existing 175 km UGD and 25 MLD capacity STP

⁴⁷ (1) providing sewerage system in old city area and (2) providing sewerage system to Central part of Visakhapatnam

i. Efficiency in meeting Performance Indicators

As with water supply, MoUD stipulated SLBs as part of urban reforms agenda under JNNURM. However, it was observed that due to non-completion of projects, out of 11 items of targets, except two items, none of these targets was achieved in Visakhapatnam. SLBs issued by GoI, targets set for the last three years 2011-14 and the achievement as of October 2013 (details up to December 2014 were not provided by Corporation despite specific request) and their achievement are tabulated below:

Table 3.2

Indicator	Benchmark by GoI	As of October 2013	
		Target	Achievement (%)
Coverage of toilets	100%	3.59 lakh	2.04 lakh (57 %)
Coverage of sewage network services	100%	3.59 lakh	0.92 lakh (26 %)
Collection efficiency of the sewage network	100%	149 MLD	30 MLD (20%)
Adequacy of sewage treatment capacity	100%	149 MLD	70 MLD (47 %)
Quality of sewage treatment	100%	730 (No. of treated effluent samples passed in the previous year)	730 (100%) (No. of treated effluent samples tested in the year)
Extent of reuse & recycling of treated sewage	20%	30 MLD	0.90 MLD (3 %)
Efficiency of redressal of consumer complaints	80%	250	200 (80%)
Efficiency of cost recovery of sewage management	100%	₹370 lakh	₹222 lakh (60%)
Efficiency in collection of sewage charges	90%	₹148 lakh	₹126 lakh (85%)
Coverage of Storm water drainage network	100%	1,670 kms	1,170 kms (70%)
Incidence of water logging and flooding	0	0	Maximum of 10 (average during the monsoon period)

Source: GVMC Records

3.2.7.3 Solid Waste Management

Government of India (GoI) notified Municipal Solid Waste (MSW) Management and Handling Rules in 2000 to regulate management and handling of waste. As per these Rules, every Municipal authority is responsible for management of waste scientifically by adopting proper methodology for collection, storage, segregation, transportation, processing and disposal of municipal solid waste. MSW Rules, 2000 also specified the criteria⁴⁸ for benchmarking the performance of each of these processes.

⁴⁸ Organising house-to-house collection or community bin collection, Organising awareness programmes for segregation of wastes and to promote recycling or reuse of segregated materials. While bins for storage of biodegradable wastes are to be painted green, bins for storage of recyclable wastes are to be painted white and those for storage of other wastes should be painted black. Transportation vehicles should be so designed that multiple handling of wastes, prior to final disposal, is avoided. Municipal authorities should adopt suitable technology or combination of such technologies to make use of wastes so as to minimise burden on landfill. Land filling should be restricted to non-biodegradable, inert waste and other waste that are not suitable either for recycling or for biological processing

During 2009-14 Visakhapatnam urban generated 14.75 lakh MT of MSW at an average of 808 MT per day.

Audit findings on implementation of SWM by GVMC are given below:

- i. In order to segregate waste into bio-degradable and non bio-degradable at source, GVMC estimated a requirement of six lakh plastic bins of red and green colour at an estimated value of ₹1.80 crore. Against this, it procured only 40240 bins⁴⁹ at a cost of ₹15.79 lakh from the Twelfth Finance Commission grants. Considering the huge gap between the requirement and procured quantities of plastic bins, the possibility of waste being mixed up and transported to dump yard at Kapuluppada cannot be ruled out.
- ii. Assessment of the requirement of vehicles for transportation of waste was not forthcoming from the records made available to audit. Currently, 336 vehicles of different categories are used for transportation of dumper bins and open waste from primary collection points to intermediary transfer stations and to final dumping yard. Although the Commissioner and Director of Municipal Administration (CDMA) accorded (January 2011) sanction for procurement of 150 mini tippers at an estimated cost of ₹6.68 crore from Twelfth Finance Commission grants for usage under SWM, GVMC procured only 120 mini tippers at a cost of ₹4.32 crore. Contrary to the orders, it had procured 18⁵⁰ office vehicles at a cost of ₹1.34 crore.
- iii. As per MSW Rules, 2000 suitable technology or combination of such technologies is to be adopted to utilise waste and minimise burden on landfill. GVMC has not initiated adequate steps in this regard barring windrows compost pits set up at some places for processing waste. No scientific landfills were established by GVMC as of December 2014 and all the waste is being dumped in the dumping yard at “Kapuluppada” without segregation.
- iv. MSW Rules require every municipal authority to monitor performance of waste management, improve landfill sites as per rules, identify new landfill sites for future use, reclaim the landfill sites etc. Rules further stipulated that AP Pollution Control Board (APPCB) should monitor compliance with prescribed quality standards as regards maintenance of ground water, ambient air, leachate⁵¹ quality etc. Despite lapse of 14 years, GVMC has neither set up any scientific landfill site nor improved the existing dump yards. This could result in mixing of effluents with ground water and expose the citizens to pollution and health hazards.

⁴⁹ 20,120 Red bins and 20,120 Green bins

⁵⁰ 4 Tata sumo Grande Jeeps, 6 Bolero Jeeps, 6 Mahindra Thar jeeps and 1 each of Tata Safari and Toyota Fortuner

⁵¹ liquid pollutant flowing out of garbage

3.2.8 Expenditure Management

3.2.8.1 Incomplete GIS survey

In compliance with GoI guidelines on JNNURM, GVMC resolved (July 2008) to develop a multi-faceted Geographical Information System (GIS) to identify (a) each property and its utility, (b) electrical network in each locality, (c) water supply provided to each locality etc. Accordingly, an agreement was concluded by it with an agency in October 2009 with a stipulation to complete the work in 12 months i.e., by October 2010 for an agreement value of ₹3 crore. Scope of the work included detailed and comprehensive survey of all dwelling units, developing numbering system, fixing the number plates, providing GIS application software, supply and installation of International Business Machines server (IBM server) etc. Audit findings in this regard are discussed below:

- i. The agency reported that it had surveyed about 3,52,000 properties and overall assignment was completed by 1 September 2011 barring fixation of door number plates and supply and fixing street name boards for ₹91.12 lakh. However, the record (Measurement Books) of GVMC revealed that survey was conducted only in respect of 2,01,543 properties.
- ii. Although retention at 5 *per cent* (apart from a bank guarantee for ₹15 lakh) of agreement value towards security deposit was provided in agreement, no such amount was withheld from the payments released to the consultant. Similarly, no deduction was made towards service tax for ₹9.41 lakh.
- iii. Bank guarantee for ₹15 lakh though lapsed in September 2012 was not revalidated.

GVMC replied (December 2014) that the server is installed with GIS software and concerned programming application. However, as the tasks of fixing numbers/name boards to streets, data integration etc., is still pending the same is still not utilised.

3.2.8.2 Utilisation of funds for salaries to non-teaching staff

State Government issued orders in September 2013 for payment of salaries of teaching and non-teaching staff working in schools under the control of GVMC through treasury, as was done in respect of teaching and non-teaching staff working in Government schools under the department of Education. GVMC did not send the details of non-teaching staff to District Audit Officer for recommending the admissibility of their pay bills through the treasury and for onward submission of report to this effect to Government. As a result, funds to the tune of ₹3.38 crore paid towards salaries to the non-teaching staff for the period from September 2013 to August 2014 were drawn from municipal fund.

3.2.8.3 Non-adjustment of contributory pension amounts to Individual accounts

Corporation failed to register with National Securities Depository Limited (NSDL) individual identification numbers of the staff for adjustment of contributory pension

of both individual as well as the Corporation. As a result, pension contributions of ₹6.57 crore for the period from 2009-10 to date (August 2014), which was due to be credited to individual accounts, was not done. Of this, while an amount of ₹2.62 crore was parked in current account maintained in State Bank of Hyderabad, balance amount of ₹3.95 crore was lying in General Fund of the Corporation. Commissioner, GVMC replied that necessary action would be taken in this regard.

3.2.8.4 Unfruitful expenditure towards construction of office buildings

State Government sanctioned (September 2008) construction of three office buildings at an estimated cost of ₹6.52 crore⁵² under GVMC fund. Corporation took up these works with Municipal funds and awarded (March 2010) to the contractor for completion in 12 months. Although the construction of Zonal office and Self-employment training center was completed (March 2013) and final bill paid for ₹5.07 crore⁵³, they were not put to use as of December 2014. GVMC stated that action will be taken to put those buildings to use. As regards Hostel building, the work was stopped in May 2012 after executing the works valuing ₹1.07 crore. The balance items including fixation of doors and windows, flooring, electrification, sanitation, painting etc., were not taken up due to lack of sufficient funds. GVMC replied that balance works would be taken up after availability of funds.

3.2.8.5 Central Finance Commission grants

Twelfth Finance commission grants amounting to ₹3.42 crore were parked in fixed deposits (₹3.04 crore) and saving account (₹37.88 lakh) without utilisation. GVMC authorities without assigning any reasons for non-utilisation stated that the unspent balance of Twelfth Finance commission grants would be remitted to Government. Under Thirteenth Finance Commission grants, State Government released ₹13.18 crore and ₹16.97 crore respectively during 2010-11 and 2011-12. Audit scrutiny revealed that GVMC submitted Utilisation Certificate (UC) for the full amount of receipt, instead of the amount of actual expenditure of ₹27.59 crore. Further, in violation of guidelines (Thirteenth Finance Commission) State Government released (December 2014) ₹8.70 crore to the Corporation towards first installment of 2012-13 despite non-existence of elected body from February 2012 to date (December 2014).

The matter was referred to Government (January 2015); reply has not been received (March 2015).

⁵² (1) Zonal Office (Zone-1) at Mudasarlova: ₹1.42 crore (2) Hostel block for trainees: ₹1.07 crore, (3) Building for self-employment training: ₹4.03 crore

⁵³ Zonal office ₹1.33 crore and Self-employment training centre ₹3.74 crore

3.3 Payment for fuel charges by Greater Hyderabad Municipal Corporation

There was no supporting evidence for payment of ₹86.66 lakh shown by Greater Hyderabad Municipal Corporation to have been incurred on consumption of fuel and disposal of garbage.

Greater Hyderabad Municipal Corporation (GHMC) is in possession of 773 vehicles, of which 442 vehicles are used for collecting, lifting and transporting garbage generated in the twin cities of Hyderabad and Secunderabad. The remaining vehicles are used for other purposes like transporting water, dog van, ambulance etc. During the period 2012-14, GHMC incurred ₹162.49 crore towards fuel charges, repairs and maintenance of heavy vehicles.

Records of fuel consumption and fleet of vehicles with GHMC pertaining to the period 2012-14 were test checked in Audit during January - March 2014. Audit scrutiny revealed that the 25 tonner and 10 tonner garbage loader vehicles of GHMC report to the Caretakers of garbage transfer stations⁵⁴ (Imlibun, Tankbund and Yousufguda) for claiming fuel coupons for each trip to the dump yard at Jawaharnagar (35-40 kms away from transfer stations). These trips are recorded at Jawaharnagar Weigh Bridge. Audit scrutiny revealed that despite specific instructions (May 2013) from Executive Engineer, Solid Waste Management and Transport to the Caretakers of all the transfer stations to correlate the number of fuel coupons issued with the trips recorded at Jawaharnagar dump yard, in respect of 4,105⁵⁵ fuel coupons issued during June-December 2013, there was no corresponding entry of the vehicle at Jawaharnagar dump yard.

There was thus, no supporting evidence for payment of ₹86.66 lakh⁵⁶ shown by GHMC to have been incurred on consumption of fuel and disposal of garbage. The matter was referred to Government (August 2014); reply has not been received (March 2015).

⁵⁴ Intermediary collection centre between initial collection points and dump yard at Jawaharnagar

⁵⁵ Imlibun transfer station (1,497 trips), Tankbund transfer station (695 trips) and Yousufguda transfer station (1,913 trips)

⁵⁶ Imlibun transfer station ₹30.55 lakh, Tankbund transfer station ₹13.47 lakh and Yousufguda transfer station ₹42.64 lakh

3.4 Unauthorised Advertisement boards in Hyderabad

Greater Hyderabad Municipal Corporation has not initiated adequate action for removal of unauthorised hoardings/advertisement boards, leading to leakage of revenue.

Advertisements are grouped⁵⁷ into hoardings, mobile and bus shelter advertisements and further grouped into four categories⁵⁸ based on area where these are erected/exhibited within the limits of Greater Hyderabad Municipal Corporation (GHMC). Permissions for erection of new hoardings/uni-poles (except for renewals) were not being accorded from January 2011. As per the provisions⁵⁹ of Hyderabad Municipal Corporation (HMC) Act, 1955, the Commissioner, GHMC is vested with the powers to accord, regulate and collect fee as approved by the Corporation, for permissions granted or renewed to erect/exhibit/fix/retain the sky-sign or advertisement on any post, pole, standard frame or any land, building, wall, hoarding etc.

Audit scrutiny (November – December 2013) of records and further verification of data obtained (October – December 2014) from GHMC revealed that barring the above Act, GHMC had no specific policy with regard to selection of sites to erect advertisement hoardings/sky-signs, norms for periodicity of field survey for identifying unauthorised hoardings etc.

As of October 2014, there were 2,419 sky-signs, hoardings etc., in GHMC area. Audit inspected 500 sky-signs/hoardings/wall paintings with advertisement inspectors during December 2013, and noticed 82 advertisement boards without Advertisement Index Number (AIN) and erection of lit hoardings in 30 cases, where permission has been obtained for non-lit hoardings. Audit revisited all these 112 (82+30) advertisement boards in December 2014 along with the officials of GHMC and noted that there were 41 advertisement boards without AIN and 19 advertisement boards were lit despite obtaining permission under non-lit category. Absence of AIN and violation of permission orders indicate unauthorised boards and result in leakage of revenue to GHMC.

GHMC sanctioned 55 posts of Advertisement Inspectors in April 2013 for monitoring unauthorised advertisements and regulating them. However, as of December 2014, only five Inspectors were in position, which would make it difficult to closely monitor unauthorised advertisements in Hyderabad city. Since GHMC has not initiated adequate action for removal of unauthorised hoardings/advertisement boards, there is leakage of revenue to the Corporation, which, in the absence of details with GHMC, cannot be quantified in Audit.

The matter was reported to the Government (January 2015); reply has not been received (March 2015).

⁵⁷ 17 categories of hoardings, 16 categories of Mobile Advertisements; 10 categories of Bus Shelter

⁵⁸ Category A - Core areas of GHMC; Category B - peripheral areas of erstwhile MCH and areas not included in Category A; Category C and D - Newly merged municipalities in GHMC

⁵⁹ Section 420, 421 & 622 (2)

3.5 Violation of Act provisions in implementation of Employees' Provident Fund (EPF) scheme in ULBs

Authorities of 12 Municipalities failed to ensure recovery of EPF contributions from wage bills of contract labour and their remittance to the Fund Commissioner.

The Government of Andhra Pradesh instructed (February 2007) Commissioners of the Urban Local Bodies to establish a mechanism for ensuring that the contract labour are paid minimum wages as prescribed by the Commissioner of Labour under Minimum Wages Act, 1948 apart from contribution (both Government's as well as workers') towards Provident Fund (PF) and Employees' State Insurance (ESI) under Contract Labour (R&A) Act, 1970. The recoveries effected by the Municipalities from the wage bills of contract labour on account of PF have to be remitted to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges ranging from 17 per cent (for delays less than 2 months) to 37 per cent (six months and above).

Scrutiny (September 2012 to April 2013) of records of twelve Municipalities⁶⁰ relating to recovery and remittance of PF contributions revealed the following:

- i. Commissioner, Mahbubnagar Municipality did not recover PF contribution amounting to ₹77.71 lakh from wage bills of labour for the period from July 2007 to March 2011 in violation of the provisions of Act.
- ii. An amount of ₹4.14 crore (details are given in **Appendix-3.4**) recovered from wage bills towards PF contribution for the period from January 2007 to February 2013⁶¹ by eleven Municipalities was not remitted to the Fund Commissioners concerned as of August 2014, in violation of the provisions of the Act.
- iii. Commissioner, Hindupur Municipality remitted PF contributions amounting to ₹1.13 crore during January 2002 to March 2011, without enclosing the employee-wise details. This had resulted in individual fund accounts of employees not being given the corresponding credits.
- iv. Damage charges amounting to ₹80.63 lakh⁶² (including interest) were levied by Fund Commissioners for delay in remittance of contributions by the Commissioners of Hindupur and Kavali Municipalities for the period 2001-09. However, details of payment of these damage charges were not made available to audit despite specific requests.

⁶⁰ Bhongir, Bodhan, Hindupur, Kadiri, Kavali, Mahbubnagar, Nandyal, Saluru, Sangareddy, Tadipatri, Tandur and Vizianagaram

⁶¹ Details thereafter were not furnished to audit despite specific request

⁶² Hindupur: ₹47.96 lakh and Kavali: ₹32.67 lakh

Thus, there was non-compliance with Act provisions relating to recovery and remittance of PF contributions coupled with non furnishing of employee-wise details of recovery and remittance to the Fund Commissioner by the above Municipalities.

The matter was reported to Government in December 2014; reply has not been received (March 2015).

**Hyderabad
The**

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Principal Accountant General (G&SSA)
Andhra Pradesh and Telangana**

Countersigned

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The**

**(SHASHI KANT SHARMA)
Comptroller and Auditor General of India**