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## **Performance Audit**

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## Municipal Administration and Urban Development Department

### 2. Functioning of Guntur Municipal Corporation

#### Executive Summary

Guntur Municipal Corporation (GMC) is responsible for providing civic services and infrastructure facilities in its jurisdiction covering a population of 7.43 lakh (as per 2011 Census). The Corporation is empowered to levy and collect taxes to meet the expenditure on these services. The Performance Audit of GMC was conducted (during April to July 2018), covering the period 2013-18. The Audit objective was to assess levy, collection and accounting of taxes, efficient management of land and adequacy in providing civic services.

Performance Audit of GMC was conducted, covering the period 2013-18, in seven selected areas viz., Property Tax, Vacant Land Tax, Building Permissions (major revenue yielding functions), Management of lands, Water supply, Drainage and Solid Waste Management (major expenditure areas). The overview of audit findings is given below:

#### **Property Tax**

Property Tax was not assessed and levied in respect of 107 cases out of 6,116 cases regularised under Building Penalisation Scheme and 55 cases out of 822 cases where occupancy certificates were issued, due to lack of coordination between Town Planning Wing and Revenue Wing. This resulted in loss of revenue of ₹1.16 crore.

*(Paragraph 2.4.1 (a) (iii))*

#### **Library Cess**

GMC collected (2007-18) ₹27.95 crore towards Library Cess but did not transfer the same to 'Zilla Grandhalaya Samstha' as of June 2018, instead, the amount was credited to its General Fund.

*(Paragraph 2.4.1 (b) (iii))*

#### **Short levy/collection of Building Permit Fee**

Scrutiny of 575 selected out of 11,175 Building permission cases revealed short levy/collection of ₹4.50 crore due to incorrect computation.

*(Paragraph 2.4.2.1 (a))*

#### **Water supply system**

GMC had not installed water meters in 1,01,679 households (53 per cent of 1,91,515 households). Thus, the objective of minimising wastage, ascertaining the actual quantity and economic pricing of water could not be ensured.

*(Paragraph 2.6.1 (a) (ii))*

### **Water supply services**

The Project 'Comprehensive Planning of Water Supply Services Improvements in Guntur' sanctioned in 2012 could not be completed due to improper planning of GMC, which resulted in non-achievement of objective of providing 135 'Litres per Capita per Day' of water to all residents and distribution of satisfactory levels of piped water to meet domestic needs and the needs of commercial establishments.

(Paragraph 2.6.1 (b))

### **Solid Waste Management**

Solid waste was not segregated and not scientifically disposed off. GMC awarded contract for lifting of garbage from Commercial and institutional establishments. The contract firms were, however, covering only 2,000 of the 19,259 establishments which were contrary to the agreement conditions.

(Paragraph 2.7)

## **2.1 Introduction**

Guntur Municipal Corporation (GMC) covers an area of 159 Sq.km. It was upgraded as Corporation in March 1994. The population of GMC was 7.43 lakh as per 2011 Census and consisted of 1.91 lakh households. Functioning of GMC is governed by Andhra Pradesh Municipal Corporations Act, 1994<sup>8</sup>. It falls under Capital Region Development Authority (CRDA) of Andhra Pradesh<sup>9</sup>. GMC provides civic amenities to the residents of Guntur city.

The main source of GMC revenue comes from Own revenue, Assigned revenue and Government grants. Own revenue of GMC comprises of receipts from tax and non-tax revenue. Tax revenue includes Property Tax (PT), Advertisement Tax (Advt. Tax) and Vacant Land Tax (VLT). Major non-tax revenue comprises of receipts from Building permission fee, Building Penalisation Scheme (BPS) charges, Trade Licence fee, water charges, drainage charges, layout permission fee, rental income from shops, etc. Assigned revenue is the Appropriation of surcharge on stamp duty received from Stamps and Registration Department. Major expenditure was incurred for providing amenities and infrastructure viz., water supply, drainage, solid waste management, etc. GMC also received

<sup>8</sup> Under Section 14(1) of Andhra Pradesh Municipal Corporations Act 1994, all the provisions of the Greater Hyderabad Municipal Corporation Act, 1955 as amended by Act No.13 of 2008 (July 2008) shall apply mutatis-mutandis to this Act

<sup>9</sup> The Government of Andhra Pradesh established CRDA (December 2014) for development of New Capital Area of the State for the purpose of planning, co-ordination, execution, supervision, financing, funding and for promoting and securing the planned development of the Capital Region and Capital City Area for the State of Andhra Pradesh

grants from State and Central Governments. The major revenues received during 2013-18 are shown in **Table 2.1**.

**Table-2.1: Major revenue sources of GMC during 2013-18**

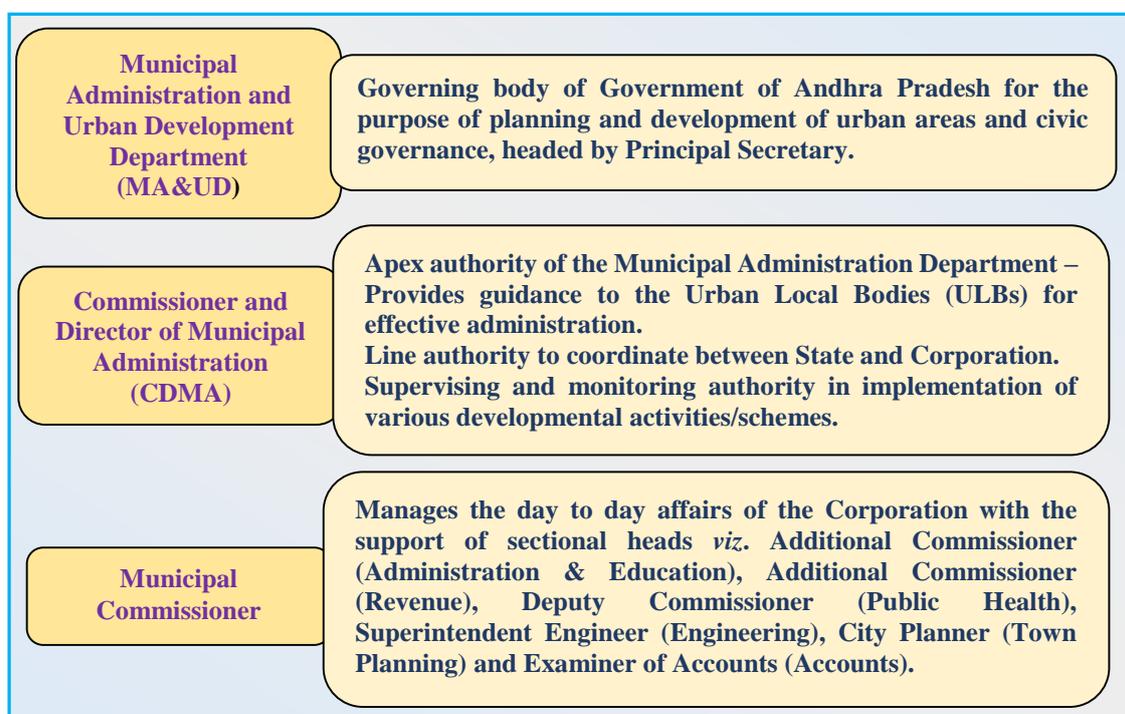
(₹ in crore)

Year	PT	Advt Tax	VLT	Building Permit Fee	BPS charges	Trade Licence Fee	Rents, Leases etc.	Water charge	Sewerage	Assigned Revenue	GoI Grant
2013-14	91.51	2.02	1.33	10.49	0.49	0.92	3.58	6.86	0.43	21.28	0.07
2014-15	47.80	1.37	2.12	33.34	0.20	16.97	4.59	3.43	0.42	32.00	5.74
2015-16	48.91	1.81	2.44	37.99	0.02	1.44	6.58	9.02	0.35	31.99	14.00
2016-17	51.82	1.92	4.29	48.06	9.46	0.89	4.80	10.27	0.45	21.31	0.00
2017-18	61.92	0.01	9.71	4.79	0.07	0.12	3.90	13.91	0.04	0.00	0.00

Source: Annual Accounts of GMC

## 2.2 Organisational set up

The Municipal Commissioner manages the day to day affairs of the Corporation. Organisational hierarchy of the Corporation is detailed below:



## 2.3 Audit framework

### 2.3.1 Audit objectives

Performance Audit of GMC was conducted in seven selected areas viz., Property Tax, Vacant Land Tax, Building Permissions, Management of lands (major revenue yielding functions), Water supply, Drainage and Solid Waste Management (major expenditure areas) with the objective of assessing whether:

- the assessment, levy, collection and accounting of Property Tax, Vacant Land Tax and Building Permit Fee were efficient and effective
- management of GMC land was efficient

- iii. provision of safe drinking water supply and drainage was adequate and
- iv. management of solid waste was effective.

### **2.3.2 Audit criteria**

Following were the Audit criteria:

- AP Municipal Corporation Act, 1994
- The Greater Hyderabad Municipal Corporation Act (GHMC), 1955<sup>10</sup>
- Manuals on (i) Water Supply and Treatment (ii) Sewerage and Treatment and (iii) Operation and Maintenance of Water Supply Systems issued by Central Public Health and Environmental Engineering Organisation (CPHEEO)<sup>11</sup>
- National Water Policy, 2012<sup>12</sup> and State Water Policy, 2008
- Andhra Pradesh Regulation of Receipts and Expenditure Rules, 1968
- Andhra Pradesh Manuals on Asset Management and Accounts
- Relevant scheme/project guidelines and Service level benchmarks
- Solid Waste Management Rules, 2016 issued by GoI
- Orders and Circulars issued by State Government and GoI from time to time

### **2.3.3 Audit sample**

Five *per cent* of total properties assessed/permissions issued during the review period (2013-18) were selected in respect of Property tax, Vacant Land Tax (VLT) and Building permissions. Works in respect of water supply and drainage were selected on the basis of expenditure<sup>13</sup> for conducting the Performance Audit. Selection was made through stratified random sampling method (*Appendix-2.1*). Land records maintained by GMC and major areas in implementation of Solid Waste Management (SWM) were also covered in this audit.

### **2.3.4 Audit scope and methodology**

Performance Audit of GMC, covering the period 2013-18, was conducted between April and July 2018. Audit methodology involved scrutiny of relevant records/documents at the Office of Commissioner of GMC, Andhra Pradesh Urban Finance and Infrastructure Development

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<sup>10</sup> Section 14(1) of AP Municipal Corporations Act, stipulates that all the provisions of GHMC Act 1955 shall be applicable mutatis mutandis to a Corporation under this Act

<sup>11</sup> Under Ministry of Urban Development, Government of India (GoI). There are no specific manuals followed by the State Government except the CPHEEO Manual

<sup>12</sup> Issued by Ministry of Water Resources, GoI

<sup>13</sup> All the water supply works with estimated cost of ₹10.00 lakh and above and all drainage works with estimated cost of above ₹50.00 lakh

Corporation (APUFIDC) and Public Health Engineering Division. Apart from scrutiny of records, physical verification of site was also conducted with the Departmental officials.

An Entry conference was held (February 2018) with the representatives of the Government/Corporation wherein audit framework was explained. Exit conference was held (November 2018) with the representatives of Government/Corporation and audit findings were discussed. Replies of the Government have been suitably incorporated in the report.

### **2.3.5 Acknowledgement**

Audit acknowledges the co-operation and assistance extended by the officials of GMC and Government during the course of audit.

## **Audit Findings**

### **2.4 Assessment, Levy, Collection and Accounting of Property Tax (PT), Vacant Land Tax (VLT) and Building permit fee (BPF)**

The Assessment, Levy, Collection and Accounting of PT, VLT and BPF were examined by Audit and were not found to be efficient and effective for the following reasons:

#### **2.4.1 Assessment, Levy, Collection and Accounting of Property Tax**

##### **a) Assessment**

##### **(i) Revision of Annual Rental Value**

As per Section 197A of GHMC Act, 1955 and recommendations of 13<sup>th</sup> Finance Commission, State Government constituted (March 2011) Property Tax Board (PTB) to provide assistance and technical guidance to Urban Local Bodies (ULBs) for proper assessment, revision and improvement in collection of PT.

Sections 197 and 199 of the Act, empowers GMC to levy Property Tax (PT) on lands and buildings on the basis of Annual Rental Value (ARV)<sup>14</sup> of the buildings. Accordingly, GMC fixed the ARV by notifying (May 2002) the rates for each category<sup>15</sup> of the building. Revenue wing of GMC discharges the functions of assessment, levy and collection of PT.

<sup>14</sup> Section 212 (a) of GHMC Act- **Annual Rental Value** of the lands and buildings shall be deemed to be the gross annual rent at which they may reasonably be expected to be let from month to month or from year to year with reference to location, type of construction, plinth area, age of the building, nature of use, etc.

<sup>15</sup> Categorised into residential, non-residential again on type of construction, etc.

Section 226 of the Act and Rule 7(5) of GHMC (Assessment of Property Tax) Rules, 1990 provide for revision of the rates of monthly or yearly rents once in five years for assessment of Property Tax (PT).

GMC last revised the ARV of residential and non-residential buildings in 2002 and 2007 respectively. GMC did not receive any recommendations from the PTB in this regard as of July 2018 except work plans for collection of taxes and non-taxes.

While accepting the audit observation, Government agreed to the fact that ARV requires revision for every five years and stated (November 2018) that upward revision of ARV was required and same would be taken up after receiving the recommendations from Property Tax Board.

### **(ii) Assessment and levy of Property Tax**

Section 197 of the Act empowered the GMC to levy Property Tax (PT) at the rate not less than 15 *per cent* and not more than 30 *per cent* of the rateable<sup>16</sup> value for residential and non-residential properties. GMC levied the tax at a rate of 24.92 *per cent* on residential properties and 32.57 *per cent* on non-residential properties on rateable value. This showed that GMC levied more tax on non-residential properties contrary to the provisions of the Act.

### **(iii) Lack of coordination between the wings of GMC**

Town Planning wing of GMC is responsible for regulation of planning activities like issue of building permissions, occupancy certificates, identification of unauthorised constructions etc., and Revenue wing is responsible to assess and collect various taxes and non-taxes.

During the review period 2013-18, GMC had assessed 15,830<sup>17</sup> properties. Of these, audit test checked 793 assessments (Five *per cent*). Cross verification of assessments with the database of occupancy certificates issued and regularisation of unauthorised buildings revealed that:

Property Tax was not assessed and levied in respect of 107 cases out of 6,116 cases regularised under Building Penalisation Scheme and in 55 cases out of 822 cases where occupancy certificates were issued. Lack of coordination between Town Planning wing and Revenue wing resulted in non-levy and loss of revenue of ₹1.16<sup>18</sup> crore.

Government accepted (November 2018) the fact of non-assessment and assured that such cases may not arise in future as GMC had entered into

<sup>16</sup> rateable value is the annual rent which is expected minus a rebate allowed for repairs or on any other account

<sup>17</sup> residential properties: 14,515 and non-residential properties: 1,315

<sup>18</sup> ₹0.98 crore towards 107 regularised cases and ₹0.18 crore towards 55 cases where Occupancy Certificates were issued

ERP (Enterprise Resource Planning) platform to provide internal communication among all the wings. Government did not furnish the reasons for higher tax rate on non-residential properties.

To start with, GMC must do a similar cross verification of assessment with regard to all the cases to establish the total revenue leakage and plug it. For the long term GMC needs to build its digital solutions so as to institutionalise coordination between the above two wings.

#### **(iv) Assessment of taxes on Government Properties**

- Central Government properties were exempted from payment of property tax and in lieu of property tax, Service Charges are leviable for the services provided by the Corporation. As of March 2018, an amount of ₹18.02 crore<sup>19</sup> (**Appendix - 2.2**) towards Service Charges was due from 144 Central Government Properties since 1993.

Further, GMC also did not enter into Memorandum of Understanding (MoU) with Heads of Departments of Central Government for collection of Service Charges, which was contrary to the State Government instructions (May 2010).

State Government assured (November 2018) that a special drive would be conducted to recover these dues and also orders for waiver of penalties would be issued as an incentive.

- An amount of ₹40.97 crore<sup>20</sup> was due from 260 State Government properties as of March 2018. The dues were pending since 1983-84.

Government assured (December 2018) that action would be taken to collect tax from the State Government properties by addressing the concerned Departments.

#### **b) Collection of Property Tax**

Collection of Property tax was watched through Demand, Collection and Balance (DCB) register. Position of DCB during the period 2013-18<sup>21</sup> is given in **Table- 2.2**.

<sup>19</sup> including arrears and penalty on arrears

<sup>20</sup> including arrears and penalty on arrears

<sup>21</sup> excluding State Government and Central Government properties

**Table-2.2: DCB Particulars of Property Tax in GMC**

Year	Demand			Collection			Balance			Percentage of collection
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
2013-14	3,717.75	4,854.04	8,571.79	1,117.84	3,604.77	4,722.61	2,599.91	1,249.27	3,849.18	55.09
2014-15	3,849.18	5,047.68	8,896.86	1,024.16	3,930.09	4,954.25	2,825.02	1,117.59	3,942.61	55.69
2015-16	3,942.61	5,415.68	9,358.29	780.86	4,300.03	5,080.89	3,161.75	1,115.65	4,277.40	54.29
2016-17	4,277.40	5,951.52	10,228.90	808.27	4,731.34	5,539.61	3,469.13	1,220.18	4,689.31	54.16
2017-18	4,689.31	6,531.74	11,221.10	866.95	5,335.84	6,202.79	3,822.36	1,195.90	5,018.26	55.28

Source: Data furnished by GMC

**(i) Collection efficiency :**

The efficiency of collection was below the target<sup>22</sup> fixed by the Government for each year. An amount of ₹50.18 crore (44.72 per cent) including ₹38.22 crore of arrears as of March 2018 was pending for collection. The collections shown in the DCB furnished by GMC are, however, not consistent with annual audited accounts of GMC as detailed in the **Table 2.3**.

**Table-2.3: Property Tax collections as per DCB Register and Annual Accounts**  
(₹in lakh)

Year	PT as per Annual Accounts	PT as per DCB	Difference
2013-14	9,151.35	4,722.61	(+) 4,428.74
2014-15	4,780.45	4,954.25	(-)173.80
2015-16	4,890.97	5,080.89	(-)189.92
2016-17	5,182.47	5,539.61	(-)357.14
2017-18	6,191.77	6,202.79	(-) 11.02

**(ii) Loss of Revenue of ₹17.19 crore due to non-enforcement**

As per Section 269 read with 278 A of the Act, the Commissioner of the Corporation may recover the dues by distraint warrant<sup>23</sup> and sale of the moveable property of the defaulter, if PT is not paid by the assesees within fifteen days from the service of notice.

Audit noticed that an amount of ₹23.04 crore was pending from top 1,000 defaulters (since 1982) identified by GMC (as of March 2018). The following omissions were noticed by audit:

- Audit noticed that 104 properties escaped distraint for which a demand of ₹3.01 crore was pending. Distraint warrant cannot be served after expiration of three years from the date on which tax becomes due. These taxpayers escaped from recovery of tax due to limitation of time (lapse of three years) as of June 2018.

<sup>22</sup> 2013-14 (90 per cent), 2014-15 (92 per cent) and 2015-16 to 2017-18 (100 per cent)

<sup>23</sup> 'distraint' means seizure and holding of movable property as security for payment of tax and its sale in case of non-payment and 'warrant' means a command (which is enforceable)

- If for any reasons the distraint or a sufficient distraint of the defaulter's property is impracticable, the defaulter may be prosecuted before a Judicial Magistrate<sup>24</sup>. No prosecution shall be instituted after expiration of a period of six years from the date on which prosecution might first have been commenced. GMC did not institute prosecution. As of June 2018, out of top 1,000 defaulters identified, GMC could not prosecute 55 properties (demand pending for ₹2.26 crore) due to expiry of time limit.
- If distraint could not be made and prosecution not instituted for realisation of tax, a civil suit may be filed within nine years from the date on which the tax becomes due. No suit shall be filed after expiry of nine years from the date on which a suit might first have been instituted i.e., the day when tax became due. GMC did not file Civil Suits. Audit assessed that Civil Suits against 117 defaulters (demand pending for ₹17.19 crore) could not be instituted due to expiry of nine years as of June 2018. Thus, non-enforcement of Act provision led to revenue loss of ₹17.19 crore.

Government during exit conference (November 2018) agreed to the audit observation on Civil Suits and stated that there were other means of recovery such as invoking of Revenue Recovery Act and compliance would be intimated.

### **(iii) Irregular retention of amounts collected**

Corporation shall levy and collect Library Cess and Education Cess at the rate of 8 and 2.33 *per cent* of PT respectively. The amounts collected along with PT should be remitted to Zilla Grandhalaya Samstha (ZGS) in respect of Library Cess and to Education Department in respect of Education Cess. It was noticed in Audit that:

- GMC collected (2007-18) ₹27.95 crore towards Library Cess. The amount was, however, not transferred to ZGS as of June 2018. GMC, instead of remitting the amount to ZGS, credited the same to its General Fund.

GMC replied (November 2018) that an amount of ₹8.69 crore out of ₹27.95 crore was transferred to ZGS during 2007-18. The fact, however, was that about 70 *per cent* of the Library Cess collected was retained by GMC. Without the funds meant for their use the libraries suffered from inadequate infrastructure facilities. GMC collected ₹9.16 crore towards Education Cess during the period 2007-18. The amount collected was, however, credited to the General Fund instead of remitting to the Education Department.

<sup>24</sup> Section 269(3) of GHMC Act, 1955

Government stated (December 2018) that action was being taken to make remittances to the concerned Department in a phased manner.

This indicated that GMC irregularly retained the funds belonging to the other departments.

*Annual Rental Value (ARV) the basis for assessment of Property Tax, has to be revised every five years for augmenting revenue resources. GMC had not revised the ARV for residential properties since 2002 and for non-residential properties since 2007. Due to lack of coordination between Town planning and Revenue wings, Property tax was not assessed and levied in respect of 107 of 6,116 properties regularised under Building Penalisation Scheme and 55 of 822 properties where occupancy certificates were issued. Despite State Government instructions in this regard, GMC had not entered into Memorandum of Understanding with the HoDs of the Central Government properties for collection of Service charges in lieu of property tax. Failure to enforce the provisions of the Act in collection of Property Tax resulted in loss of revenue for GMC of ₹17.19 crore. The amounts collected under Library Cess and Education Cess were irregularly retained with GMC.*

***Recommendation 1:*** To start with GMC must do a cross verification of existing assessments with the database of occupancy certificates issued and regularisation of unauthorised buildings with regard to all the cases to establish the total revenue leakage and plug it. For the long term, GMC needs to build its digital solutions to institutionalise coordination between the Town Planning and Revenue wings. A comprehensive database of all taxable properties is to be established and updated regularly for stopping leakage of revenue due to non-assessment. Collection of PT must be made efficient and enforcement through civil suits etc. needs to be strengthened. GMC should transfer the cess funds collected to the related departments.

## **2.4.2 Assessment, Levy, Collection and Accounting of Vacant Land Tax**

### **a) Assessment and Levy of Vacant Land Tax**

Section 199(3) of GHMC Act, 1955, provides for levy (at half *per cent* of the estimated capital value of the land) of tax on Vacant Lands, which are not used exclusively for agricultural purposes or are not occupied or adjacent and appurtenant to buildings. Further, the Commissioner had to prepare inventory by identifying the names of the owners of vacant lands or layout plots for levying of Vacant Land Tax (VLT) by approaching the

concerned Sub-Registrar. GMC collected an amount of ₹19.89 crore towards VLT for the years 2013-18.

As per Government Orders, VLT was to be levied from 2<sup>nd</sup> half year of 2013-14. Audit test-checked 275 cases out of 5,503 VLT cases assessed by GMC during 2013-18. Audit scrutiny revealed short levy of ₹2.95<sup>25</sup> crore due to not assessing the VLT from the 2<sup>nd</sup> half year of 2013-14. There may be similar such short levy in other cases not covered in the test audit. GMC may, therefore, internally examine all the cases with a view to ensure that the taxes are levied as per provisions of the Act and Rules.

#### b) Collection and Accounting of Vacant Land Tax

Review of DCB register revealed that the maximum efficiency in collection was only 17.64 per cent (2016-17). An amount of ₹32.77 crore including ₹21.50 crore of arrears as of March 2018 was pending collection as given in **Table 2.4**. Closing Balance was not carried forward in subsequent year correctly during any of the financial years. It was noticed that collection figures shown in DCB register were not matching with those of the Annual accounts.

**Table-2.4: DCB particulars of Vacant Land Tax**

Year	Demand			Collection			Balance			Percentage of collection
	Arrear	Current	Total	Arrear	Current	Total	Arrear	Current	Total	
2013-14	941.60	434.54	1,376.14	90.08	43.34	133.42	851.52	391.20	1,242.72	9.70
2014-15	1,275.80	504.66	1,780.46	125.37	90.29	215.66	1,150.43	414.37	1,564.80	12.11
2015-16	1,591.63	798.30	2,389.93	121.78	158.72	280.50	1,469.85	639.58	2,109.43	11.74
2016-17	2,057.09	1,063.38	3,120.47	301.81	248.49	550.30	1,755.28	814.89	2,570.17	17.64
2017-18	2,412.61	1,234.13	3,646.74	262.25	107.19	369.44	2,150.36	1,126.94	3,277.30	10.13

(₹ in lakh)

Source: Data furnished by GMC

Government during exit conference (November 2018) stated that they were now maintaining data in an ERP (Enterprise Resource Planning). System details were, however, not furnished.

#### 2.4.2.1 Assessment, Levy, Collection and Accounting of Building Permit fee

Section 428 and 433 of GHMC<sup>26</sup> Act, 1955 require every person who intends to erect or make addition/alteration to a building, to apply for permission. Permission will be accorded after collecting the fee fixed by the Corporation. Government issued comprehensive Building Rules, 2012

<sup>25</sup> 2014 (112 cases) ₹0.83 crore; 2015 (79 cases) ₹1.24 crore; 2016 (21 cases) ₹0.80 crore; 2017 (one case) ₹0.08 crore

<sup>26</sup> Section 14(1) of AP Municipal Corporations Act, 1994 along with provisions of GHMC Act, 1955 shall be applied mutatis mutandis to a Corporation under this Act

(April 2012) to bring uniform stipulations. Section 437 of GHMC Act, 1955 prescribes a time limit of 30 days for disposing of applications seeking Building Permission. Failing which, the permission is deemed to have been granted and construction can be commenced, and such construction cannot be treated as unauthorised.

**a) Improper assessment and short levy**

As per section 622(2) of GHMC Act, 1955, for every such licence or written permission, a fee may be charged at such rate as shall, from time to time, be fixed by the Commissioner with the sanction of the Corporation. Building Permit fee was revised in March 2013 and March 2015. Audit scrutiny of selected 575 cases out of 11,175 Building permission cases related to 2013-18 revealed short levy/collection of ₹4.50 crore in 113 cases due to incorrect computation as discussed in **Table-2.5**.

**Table-2.5: Short Levy/Collection of Building Permit fee**

Sl. No.	Audit Observation	Short levy (₹in lakh)
1	Government ordered <sup>27</sup> (April 2012) to levy City Level Infrastructure Impact Fee (CLIIF) on all the buildings of height above 15 metres, with a view to ensure development of city level infrastructure facilities. In respect of two building permissions <sup>28</sup> issued in 2016-17, short assessment by GMC lead to consequential short levy of CLIIF.	225.31
2	Government ordered (June 2012) to collect shelter fee at ₹600 (revised to ₹1,500 in 2017) per Sq.mtr of the project from Group Housing/Group Development Schemes whose extent of land is more than 3,000 Sq.mtrs and up to five acres on 20 per cent of total site area.  The shelter fee was not collected/short levied from three out of 48 eligible building permissions accorded in 2017-18 ( <i>Appendix-2.3</i> ).	42.18
3	As per Gazette Notifications (March 2013 and April 2015), Building License Fee (BLF) has to be levied at ₹75 per Sq.mtr of built up area (site area above 500 Sq.mtrs). However, BLF was short levied in respect of 32 building permissions accorded during 2013-18.	53.25
4	As per Gazette Notifications (March 2013 and April 2015), GMC has to levy Rain Water Harvesting (RWH) charges at ₹25 per Sq.mtr of site area. RWH charges were short levied in respect of 18 building permissions accorded during 2013-18.	6.86

<sup>27</sup> G.O.Ms.No.168 MA&UD dated 07.04.2012 (Rule 21)

<sup>28</sup> Building Application Nos. 1021/0895/B/GNTC/RAGR/2016 – ₹201.53 lakh and 1021/0712/B/GNTC/G.N/2016 – ₹23.78 lakh

Sl. No.	Audit Observation	Short levy (₹in lakh)
5	As per Gazette Notifications (March 2013 and April 2015), the Debris Charges shall be levied at ₹3,500 per unit (site area above 500 Sq.mtrs). These charges were short levied in respect of 22 building permissions accorded during 2013-18.	13.35
6	In accordance with Gazette Notification No.39, dated 16.04.2015, the Betterment charges are to be levied at ₹125 per Sq.mtr of site area. In addition, 30 <i>per cent</i> of betterment charges are also to be collected as External Betterment charges. These charges were short levied in respect of five building permissions accorded in 2016-18 ( <i>Appendix-2.4</i> ).	80.34
7	Government orders (December 2009) <sup>29</sup> stipulated that GMC has to collect one <i>per cent</i> Cess (Labour Cess) on estimated Cost of “Building and Other Construction Work” at the time of according Building Permission. Labour Cess was short levied in respect of 30 building permissions accorded during 2014-18 ( <i>Appendix-2.5</i> ).	23.68
8	As per Gazette Notifications (March 2013 and April 2015), GMC has to collect Urban Development Authority (UDA) charges at ₹60 per Sq.mtr. UDA charges were short levied in respect of one building permission (8,688.56 Sq.mtrs) issued in August 2014.	5.21
<b>Total</b>		<b>450.18</b>

Government assured (November 2018) that the shortfall cases noticed by audit would be re-verified and requisite fee would be collected by giving notices to the owners.

GMC should examine all other cases which are not test checked also to comply with the Government directions.

#### b) Inspection of Buildings and Monitoring

- (i) Government has fixed (February 2016) timelines<sup>30</sup> for inspection of buildings after grant of permissions to check whether the building is being constructed as per agreed plan and to check other conditions of site. After inspection of buildings, they shall submit field inspection report online within 48 hours. Penalties may be levied if deviations

29 GO.Ms. No.112, Labour Employment Training & Factories (Lab. II) Department, dated 15.12.2009, Proceedings of the Commissioner & Inspector General of Registration & Stamps A.P. Hyderabad No: MV6/12658/2012 dated 02.02.2013 & MV6/10974/2009, dated 07.07.2015 and as per the provisions of Building and Other Constructions Workers Welfare Cess Act, 1996

30 All buildings-within 10 days of permission and in every 30 days thereafter; Assistant City Planner to inspect all the buildings above 300 Sq.mtrs. site area- once in three months and City Planner to inspect 10 *per cent* of the building randomly-once in three months

were noticed from sanctioned plan and conditions thereof. GMC did not conduct inspections as per the timelines prescribed. As such, it could not identify the deviations, if any, in time.

Government replied (December 2018) that during initial stages due to software problems the process of post verification and report was delayed. Government further stated that stipulation of inspecting the buildings within ten days after grant of permission was now being complied with. Government, however, did not furnish the supporting documents substantiating its contention.

- (ii) Sections 428, 433 and 452 of the Act, empowers the Corporation to take all necessary steps for the demolition of any construction made without prior permission. Scrutiny of 793 Property Tax cases revealed that there were deviations and unauthorised constructions in 36 cases (residential 29 and non-residential seven). No action was taken against such unauthorised constructions.

Government assured (December 2018) that appropriate action would be taken to arrest the unauthorised constructions and penalty would also be imposed and collected.

***Levy of Vacant Land Tax was not in accordance with Government orders. The collection efficiency of vacant land tax is very low. Due to incorrect computation and short levy of Building Permit fee, GMC had lost revenue of ₹4.50 crore in 113 out of 575 test checked cases. GMC did not conduct inspections to identify the unauthorised construction and to identify deviations from sanctioned plan.***

### **2.4.3 Devolution of Funds, Functions and Functionaries**

The 74<sup>th</sup> constitutional amendment defined the formal process of decentralised governance in ULBs. Article 243W of the constitution authorised the State legislatures to enact laws to endow the Local Bodies with powers and authority as may be necessary to enable them to function as institutions of self-government and make provisions for devolutions of powers and responsibilities. Accordingly, State Government enacted Andhra Pradesh Municipal Corporations Act, 1994 to set up Municipal Corporations in the State. 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 of Andhra Pradesh. Municipalities are governed by the Andhra Pradesh Municipalities Act, 1965.

The 74<sup>th</sup> Constitutional Amendment Act, 1992 identified 18 functions for ULBs as incorporated in the Twelfth Schedule to the Constitution. All the

functions mentioned in this Schedule were devolved to ULBs in the State except 'Fire Services'.

Article 243Y of the Constitution had made it mandatory for the State Government to constitute a State Finance Commission (SFC) within one year from the commencement of the Constitutional Amendment Act and thereafter on expiry of every five years to review the financial condition of the ULBs and to make recommendations to the Governor for devolution of funds. Third SFC was constituted in January 2003 and submitted its report in 2008. State Government, however, issued orders for implementation of the recommendations of SFC only in December 2013. Against ₹489.38 crore recommended by SFC for devolution of funds to ULBs every year, Government agreed to release only ₹123.12 crore per annum. While ₹319.52 crore per annum was not accepted by the Government, ₹46.74 crore per annum was treated as fulfilled on the grounds of budget allocation during earlier years in respect of salaries paid by Government. No SFC was constituted in 2013. The committee of Ministers and Secretaries felt that recommendations of Third Finance Commission could be applied for the period 2010-2015 also. AP Government constituted the Fourth SFC in January 2018 for the period commencing from 1 April 2020.

Consistent with the devolution of functions and responsibilities, the ULBs were to be provided with matching funds, broader tax and non-tax revenue base for revenue generation, increased share of State revenue and higher flow of grant in aid from Government. The transfer of functions was not accompanied by placement of matching funds by the State for efficient discharge of the functions thereby rendering transfer of functions meaningless. Guntur Municipal Corporation did not receive any assigned revenue and GoI Grant in 2017-18 and its own resources were limited as detailed in Table-2.1.

#### **2.4.4 Non-maintenance of Comprehensive database**

Section 214 of GHMC Act, 1955 specified that the Commissioner shall maintain the assessment book containing details of all taxable properties (including vacant lands) in its jurisdiction. GMC, however, maintained ward-wise assessment book wherein only the details of such properties on which they had levied and collected taxes, were recorded. Audit noted that properties were assessed only when the owners approached GMC or whenever new properties were identified by Revenue officials during their regular field visits. Comprehensive database comprising of survey number

details of all taxable properties along with land area, built up area etc., was not maintained in coordination with Town Planning wing of GMC and Registration Department (To obtain the details of properties registered in the respective years).

Further, Government instructed (March 2012) Urban Local Bodies (ULB) for broadening the tax base by instituting Geographic Information System (GIS) for mapping of properties and rationalisation of house number system. GMC started mapping of properties belatedly in November 2017. Mapping was still in progress as of July 2018.

GMC replied (November 2018) that database could not be updated as Registration department did not respond to their copious correspondence. Further, GIS mapping, which was under progress, would help in compiling the database with unassessed and under assessed properties, vacant lands, unauthorised taps, drainage connections, etc. and tax would be levied accordingly. GMC needs to obtain data from Registration Department to identify vacant lands.

#### **2.4.5 Lapses in Accounting of Receipts**

All monies received by the Commissioner or under his authority shall be brought into accounts, as soon as they are received<sup>31</sup>. Andhra Pradesh Municipal Accounting Manual specified that the closing balance of cash as per Cashier's cash book shall be verified daily with the physical cash balance at all the cash collection offices and must be signed by the person verifying the cash.

- (i) Receipts of GMC were credited to either bank or treasury. However, no receipts were recorded in the cash book. Monthly Reconciliation was also not carried out with treasury account. Due to which, audit could not verify the correctness of receipts of GMC during the period 2013-18.
- (ii) An amount of ₹6,70,550 was collected towards UDA (Urban Development Authority) charges during 2013-15. However, an amount of ₹63,260 only was credited to the bank account. There was possible misappropriation of ₹6.07 lakh (*Appendix-2.6*).

GMC replied (November 2018) that the cases pointed out by audit would be verified and notices would be issued to the Building owners for any shortfalls.

The misappropriation by way of short remittance to the bank needs investigation and responsibility to be fixed. Not recording daily

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<sup>31</sup> as per Rule 16 of Regulation of Receipts and Expenditure Rules, 1968

receipts and short remittance to the bank is escaping attention of DDO because of non-reconciliation of accounts, all of which provides ample scope for misappropriation of public funds.

GMC may ensure proper accounting of receipts and initiate measures to fix the responsibility for short remittances noticed.

- (iii) As per Building Rules (Rule 19(6) of Andhra Pradesh Building Rules, 2017), City Level Infrastructure Impact Fee (CLIIF) should be collected from the buildings of height more than 15 mtrs. Funds received towards CLIIF should be credited into a separate escrow account<sup>32</sup>. Half of the amount levied and collected should be utilised for development of infrastructure in the same area and the balance towards the improvement of city level capital infrastructure. GMC collected an amount of ₹13.34 crore towards CLIIF during 2013-18. However, GMC credited the entire amount into General Fund Account (PD Account) instead of separate escrow account.

Regarding maintenance of escrow account, Government during exit conference (November 2018) stated that Finance Department instructed to operate PD account for transparency of transactions.

The fund is intended to improve infrastructure in the area of collection, by drawing action plans. However, audit noticed that these amounts were deposited in General Fund Account. In the absence of escrow account audit could not verify the utilisation of the amounts collected towards CLIIF.

## 2.5 Management of Lands

Review of the Management of GMC lands revealed inefficiencies due to the following reasons:

### 2.5.1 Possession of title deeds

The Corporation shall record the increase or decrease in values arising on account of revaluation of the fixed assets<sup>33</sup>. GMC had fixed assets<sup>34</sup> measuring 12,15,365.43 Sq.mtrs as of July 2018. The value of these assets, recorded as of April 2009 was ₹572.90 crore. GMC stated that they did not have the title deeds to these assets which were continuing since the establishment of Guntur Municipality and assured to take action to obtain the same from Revenue Department. Non-possession of title deeds was fraught with the risk of losing ownership of its own lands.

GMC replied (November 2018) that site plans were already prepared to develop the un-protected open spaces in phased manner.

<sup>32</sup> vide GO Ms No. 119 dated 28.03.2017

<sup>33</sup> required as per Municipal Accounting Manual and Asset Management Manual

<sup>34</sup> dumping yards, municipal markets, shops, open space lands, etc.

Government during exit conference (November 2018) agreed to look into the cases.

## 2.5.2 Encroachment of lands

As per Manual of Roles and Responsibilities of various functionaries in ULBs, GMC is responsible for detection and protection of layout open spaces.

- (i) The Corporation had open space land of 2,58,680 Sq.mtrs. An extent of 80,411 Sq.mtrs (31.09 *per cent*) of land was encroached by various private parties as of July 2018. The market value of this land (March 2009) was ₹18.91 crore<sup>35</sup>. GMC did not initiate adequate action for removing these encroachments as of July 2018.
- (ii) GMC identified (May 2008) that a political party encroached land measuring 1,637 Sq. yards adjacent to the land it had taken on lease. The value of land encroached as of March 2009 was ₹1.10 crore. The party constructed compound wall around the entire land and requested (June 2015) for allocation on lease basis for a period of 99 years. The request was pending Government's approval as of July 2018. Due to which GMC was neither collecting lease rent nor taking possession of the encroached land.

## 2.5.3 Leasing of lands

As per Regulation of Receipts and Expenditure Rules, 1968, lease deed should be executed<sup>36</sup> for each case of lease. The Municipal Council may renew<sup>37</sup> the lease for a period of three years at a time. Government may extend the lease period without public auction beyond three years. Government further amended (February 2011) the procedure for renewal<sup>38</sup>.

Audit test-checked two out of three lease agreements entered by GMC and noticed that:

- (i) GMC leased out (August 1999) land measuring 1,000 Sq. yards, at Pitchikulagunta, Arundalpet, Guntur (Survey No.826) to a political party by entering lease agreement for a period of three years at a lease rent of ₹25,000 per annum. The party's request (June 2015) for

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<sup>35</sup> GMC did not update the value of assets thereafter

<sup>36</sup> specifying the duration of the lease, the amount of each instalment of the rent or fees to be collected etc.

<sup>37</sup> if the present lessee agrees to renew the lease in his favour at an amount which will be at 33½ *per cent* above the earlier rent or the prevailing market value of such shops situated in the vicinity, whichever is higher

<sup>38</sup> rent at 10 *per cent* of the current market value of the property per annum i.e., both building and land as per market value of the land and construction rates of the structures and buildings fixed by the Registration Department (or) rent at 33½ *per cent* above the earlier rent (or) prevailing rent of such properties in the vicinity, whichever is higher

allocation of entire land on lease basis for a period of 99 years was pending Government's approval as of July 2018. Lease rent was not revised on the current market value which resulted in loss of revenue of ₹48.52 lakh<sup>39</sup> for the leased land (1,000 Sq.yards) as of July 2018.

- (ii) GMC leased out (August 1974) land admeasuring 8,345 Sq.yards at Arundalpet to a school for a period of 25 years at the rate of ₹50 per annum, with the approval of the Government. The lease was extended from time to time for every three years. GMC had not collected the lease rent at 10 per cent of market value since February 2011. This resulted in loss of revenue of ₹3.20 crore<sup>40</sup> as of July 2018.

GMC replied (November 2018) that both the above cases were still pending with Government and appropriate action would be taken soon after the receipt of orders from Government.

Thus, the inaction of the Government to finalise the above leases resulted in loss of revenue of ₹3.68 crore to GMC.

***GMC did not initiate adequate action for removing encroachments on its lands. Due to inaction and lack of coordination with the Government Departments in fixing lease rents and in obtaining their approval, GMC suffered revenue loss of ₹3.68 crore.***

## 2.6 Water Supply and Drainage

Review of the provision of safe drinking water and drainage system was found to be inadequate for the reasons detailed below:

### 2.6.1 Water Supply

The Central Public Health Engineering and Environment Organisation (CPHEEO) Manual specified the basic arrangements<sup>41</sup> of water supply. Commissioner shall manage<sup>42</sup> all municipal water works and maintain the same in good repair and efficient condition and shall cause all such alternations and extensions to be, from time to time, made in the said water works as shall be necessary or expedient for improving the said works.

<sup>39</sup> market value of the land is ₹6,690 per Sq.yard as on April 2009; Total value for 1,000 square yards is ₹66,90,000 and 10 per cent of the market value is ₹6,69,000. Lease rent for eight years (March 2011 to July 2018) is ₹53,52,000. Loss of Revenue is ₹48,52,033 (₹53,52,000 minus ₹4,99,967 collected by GMC)

<sup>40</sup> market value of the land is ₹5,017 per Sq.yard as on February 2011. Total value for 8,345 square yards is ₹4,18,66,865 and 10 per cent of the market value is ₹41,86,686. Lease rent for eight years (March 2011 to July 2018) is ₹3,34,93,488. Loss of Revenue is ₹3,19,85,955 (₹3,34,93,488 minus ₹15,07,533 amount collected by GMC)

<sup>41</sup> planning, identification of source of supply, development and transmission, water treatment, distribution system, testing and other related administrative aspects

<sup>42</sup> Section 343 of GHMC Act, 1955

## a) Water Supply System

GMC has three water sources<sup>43</sup> with treatment capacity of 117.20 Million Litres per Day (MLD). The City was divided into 10 Distribution Zones with a pipeline length of 611km. Against the present water demand<sup>44</sup> of 122.11 MLD, 90 MLD water was being supplied.

- (i) GMC had not installed the water flow meters for measuring the water flow in water supply systems<sup>45</sup>. In the absence of flow meters GMC could not assess the transmission losses in supply of water.

GMC replied (November 2018) that proposals for supply of meters were pending administrative approval<sup>46</sup> from Project Director of Andhra Pradesh Municipal Development Project (APMDP).

- (ii) Metering<sup>47</sup> of water supply is desirable to minimise the wastage and to maintain the economic pricing of water. However, GMC had not installed the meters in 1,01,679 households (53 per cent of 1,91,515 households). Thus, the objective of minimising wastage, ascertaining the actual quantity and economic pricing of water could not be ensured.

- (iii) To provide house service connections, a project was sanctioned (March 2016), with an estimated cost of ₹22.02 crore under AMRUT<sup>48</sup>. Only 56,902 of 1,01,679 non-metered households were proposed to be covered. The work was entrusted (April 2017) to a contractor at a cost of ₹18.73 crore with a stipulation to complete by April 2018. As per agreement conditions, the contractor has to conduct the detailed survey for identification of households, which was not done. Only 15 per cent of the work was executed by the contractor as of June 2018. The contractor was allowed to continue without extension of time. Liquidated damages of ₹1.87 crore<sup>49</sup> were

<sup>43</sup> **Guntur canal** system with pump house & Water Treatment Plant(WTP) at Takkellapadu, **Kommamur canal** system with pump house & WTP at Sangam Jagarlamudi and **Mangalagiri** system with pump house at Mangalagiri &WTP at Takkellapadu

<sup>44</sup> as per the DPR of 'Comprehensive Planning of water supply services improvements in Guntur'

<sup>45</sup> which is an indispensable requirement for the purpose of assessment of source and its development, transmission, treatment, distribution, control of wastage, etc.

<sup>46</sup> proposal of GMC (November 2017) for 24x7 water supply was technically finalised (September 2018) by the ENC (PH)

<sup>47</sup> as per para 1.2.2 of CPHEEO Manual on Operation and Maintenance of Water Supply Systems

<sup>48</sup> **Atal Mission for Rejuvenation and Urban Transformation(AMRUT)**- The objective of AMRUT is to (i) ensure that every household has access to a tap with assured supply of water and a sewerage connection; (ii) increase the amenity value of cities by developing greenery and well maintained open spaces (e.g. parks) and (iii) reduce pollution by switching to public transport or constructing facilities for non-motorised transport (e.g.walking and cycling)

<sup>49</sup> 10 per cent of contract value

not imposed on the contractor as per milestones for delay in execution of work.

- (iv) The Corporation collected water charges at the rate of ₹80 per month from February 2001. During 2013-18, against the expenditure of ₹83.55 crore on Operation & Maintenance (O&M) costs, GMC collected only ₹45.40 crore towards water charges. This indicated that water charges were not sufficient to cover the O&M costs. As per CPHEEO manual water charges shall cover at least O&M costs. However, no review was undertaken by the Corporation to revise water charges.

GMC assured (November 2018) to review the water charges.

- (v) Collection of water charges was watched through Demand, Collection and Balance (DCB) register. Efficiency of collection was up to 66 per cent during the review period against the benchmark of 90 per cent<sup>50</sup>. An amount of ₹8.72 crore and ₹3.96 crore was pending collection as of December 2017 from the private parties and Government properties respectively. This indicated that GMC had not taken effective steps for collection of water charges.

GMC assured (November 2018) that a decision would be taken for effective collection of water charges at the earliest.

- (vi) As per the revised (2012) National Water Policy, ULBs shall publish water accounts and water audit reports duly indicating measures taken to curb leakages and pilferages. GMC was not conducting the water audits<sup>51</sup> for identifying the leakages and pilferages in water supply.

GMC replied (November 2018) that action would be taken to reduce the leakages and pilferages.

#### **b) Water Supply Services Improvements Project**

GMC had taken up a new project 'Comprehensive Planning of Water Supply Services Improvements in Guntur' with the objective of providing 135 lpcd<sup>52</sup> of water to all residents, cater to the water demand for fire services, industrial and commercial needs in addition to meeting domestic water demand. Detailed Project Report (DPR) was prepared in July 2012.

<sup>50</sup> Service Level Benchmark of 13<sup>th</sup> Finance Commission

<sup>51</sup> as per Chapter 15 of O&M manual

<sup>52</sup> Litres Per Capita Per Day

Government sanctioned (June 2012) the Project with an estimated cost of ₹460 crore<sup>53</sup>. Package-I<sup>54</sup> was entrusted (February 2014) to a contractor at a cost of ₹277.03 crore with a stipulation to complete the work within 24 months. Package-II<sup>55</sup> was entrusted (June 2013) to another contractor at a cost of ₹88.50 crore with a stipulation to complete the work within 24 months.

- (i) State Government insisted in its comprehensive order<sup>56</sup> (July 2003) that inter departmental clearances were to be obtained before commencement of work to ensure uninterrupted execution of works. GMC approached for inter-Departmental permissions only after the packages were taken up by the contractors. As a result, the project was delayed and not completed even after a lapse of six years from the date of approval (June 2012). An amount of ₹311.33 crore was paid to the contractors as of July 2018.

GMC stated (November 2018) that delays occurred due to non-receipt of approvals from various Departments, ban on sand quarrying during July 2014 and December 2014, unexpected rains, change of designs, site conditions, etc.

The reasons stated by GMC were those which ought to have been dealt with at the planning stage itself and were contrary to the directions contained in the comprehensive order of the Government.

- (ii) CPHEEO Manual envisaged that water supply projects shall be designed normally to meet the requirements for a period over thirty years after completion of the project duly taking into consideration all the factors (industrial, commercial, educational, social and administrative) governing the future growth and development of the project area. The Environmental Hygiene Committee suggested a minimum water supply of 135 lpcd as service level benchmark. DPR was prepared by taking 2011 as base year and the years 2026 and 2041 were considered as prospective and ultimate years respectively. Water requirement and proposals made are detailed in the **Table-2.6**.

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<sup>53</sup> Government grant: ₹322.00 crore (70 per cent), World Bank Loan: ₹92.00 crore (20 per cent) and ULB Share: ₹46.00 crore (10 per cent)

<sup>54</sup> construction of intake well cum pump house in Krishna River, construction of rapid gravity water treatment plants, construction of balancing reservoirs, elevated service reservoirs, etc.

<sup>55</sup> supply, laying, jointing, testing and commissioning of clear water distribution main in 23 water supply hydraulic zones in Guntur

<sup>56</sup> G.O.Ms.No.94 Irrigation and CAD (PW-COD) Department dated 01.07.2003

Table-2.6: Details of Water Requirement and proposals made in DPR

(figures in MLD)

Clear Water Demand (in MLD)										
Description	Clear water demand	Per capita domestic demand	For Floating population	For Fire fighting	For Institutional and commercial	For Industrial needs	For un-accounted water	Total water demand	Proposed water demand	Deficiency
Base year 2011	Core area	90.98	4.90	2.33	5.57	2.40	15.93	122.11	122.11	24.98
	Merged	21.18	0.00	0.54	0.00	0.00	3.26	24.98		
	Total	112.16	4.90	2.87	5.57	2.40	19.19	147.09		
Prospective year 2026	Core area	114.44	5.95	2.63	7.03	2.76	19.92	152.73	157.20	24.87
	Merged	24.94	0.00	0.57	0.00	0.00	3.83	29.34		
	Total	139.38	5.95	3.20	7.03	2.76	23.75	182.07		
Ultimate year 2041	Core area	143.84	7.00	2.95	8.93	3.17	24.88	190.77	157.20	71.40
	Merged	32.24	0.00	0.66	0.00	0.00	4.93	37.83		
	Total	176.08	7.00	3.61	8.93	3.17	29.81	228.60		

Raw Water Demand ( in MLD)					
Description	Clear Water Demand	Filtration and Transmission losses	Total Raw water Demand	Proposed	Deficiency
Base year 2011	147.09 (128.70)*	14.71 (0.00)	161.80 (128.70)	161.80	0.00
Prospective year 2026	182.07	18.21	200.28	174.50	25.78
Ultimate year 2041	228.60	22.86	251.46	220.00	31.46

Source: DPR of the Project

\*Figures shown in brackets represent current water supply at GMC

From the above table, it is noticed that there was deficiency in assessment of Clear Water Demand for the prospective year (2026) of 24.87 MLD and for Ultimate year (2041) of 71.40 MLD. Similarly, there was deficiency in assessment of Raw Water Demand for the Prospective year (2026) of 25.78 MLD and for Ultimate year (2041) of 31.46 MLD. This indicated that proper assessment of water demand was not made and the demands proposed in the DPR did not meet the future requirements of the City.

Government replied (December 2018) that as per the revised DPR as against clear water demand of 152.74 MLD (2026) for core area of the town, clear water of 157.20 MLD was taken up for 2026 which was in excess by 4.46 MLD.

It was, however, noted that since the total water demand for the prospective year (2026) was 182.07 MLD for core area and merged area together (Table 2.6), the proposed water demand of 157.20 MLD in the revised DPR would still fall short of the requirement of entire city population.

- (iii) GMC paid (July 2013 and July 2014) interest free Mobilisation Advance (MA) of ₹8.85 crore to the contractor under package-II. MA shall be recovered when the payment to the contractor exceeded 30 per cent of the contract value. It shall be recovered in five instalments (at the rate of 20 per cent) from the interim payments made to the contractor. Recovery of MA should have been commenced from

6<sup>th</sup> Running Account (RA) bill (exceeded 30 *per cent*) in March 2015 and completed by 10<sup>th</sup> RA bill. GMC paid an amount of ₹47.67 crore to the contractor (July 2018)<sup>57</sup> which covered the MA of ₹5.54 crore. However, MA for an amount of ₹3.31 crore<sup>58</sup> was pending recovery as of July 2018. This resulted in undue benefit to the contractor.

GMC replied (November 2018) that Mobilisation Advance of ₹7.15 crore was recovered upto 13<sup>th</sup> RA bill and the balance amount of ₹1.70 crore would be recovered from the future bills. GMC did not furnish supporting documents.

- (iv) As per the agreement, GMC shall levy delay damages at the rate of 0.05 *per cent* of the contract price per day (maximum 10 *per cent*) for non-execution of work as per milestones. Five milestones were fixed for Package-I till completion of the work (February 2016). Extension of Agreement Time (EoAT) was sanctioned from time to time upto December 2017 with a condition to impose delay damages. The value of work done to the end of 5<sup>th</sup> milestone (February 2016) was ₹182.98 crore with a shortfall of ₹94.05 crore. GMC imposed delay damages of ₹37.86 lakh on the contractor for non-adherence to the 2<sup>nd</sup> and 3<sup>rd</sup> milestones. Thereafter, no damages were imposed on the contractor even though the work was not completed as per milestones.

***GMC had not installed the water flow meters in 1,01,679 households for measuring the water flow in water supply systems. No review was undertaken by the Corporation to revise water charges though water charges were not sufficient to cover the O&M costs. Efficiency of collection was up to 66 per cent against the benchmark of 90 per cent. 'Comprehensive Planning of Water Supply Services Improvements in Guntur' project was pending and the objective of providing 135 lpcd of water to all residents was yet to be realised. There were deficiencies in assessment of water demand and the demands proposed in the DPR did not meet the future requirements of the City. Mobilisation Advance for an amount of ₹3.31 crore was pending recovery giving undue benefit to the contractor and no damages were imposed on the contractor even though the work was not completed as per milestones.***

### c) **Water Quality Monitoring**

Water supply and treatment laboratories with adequate facilities including qualified manpower are essential for inspection and evaluation of the suitability of water supplied for public use. GMC covered 1,91,515 households for water supply. Audit noticed that:

<sup>57</sup> up to 12<sup>th</sup> RA bill paid in June 2017

<sup>58</sup> ₹8.85 crore (amount paid) minus ₹5.54 crore (amount recovered)

- (i) A well-equipped laboratory could be divided into several units, viz., laboratory for conducting physical, chemical, bacteriological, biological and virological analysis, a preparation room and store.

GMC had two labs at water treatment plants located at Takkellapadu and Sangam Jagarlamudi. These were not equipped for conducting tests with respect to the 33 parameters<sup>59</sup> prescribed under CPHEEO manual. Only sample tests for five parameters<sup>60</sup> were conducted at these laboratories. Records were, however, not maintained at these laboratories to show how many samples were drawn and to establish its frequency.

- (ii) Water Supply and Treatment Manual (CPHEEO) prescribed that the samples are to be collected from different points on each occasion, with minimum of one sample per 10,000 of population per month, with a maximum interval of one day between successive samples to confirm the water quality.

GMC with a population of 7.43 lakh requires a minimum of 74 samples per month (888 in a year). However, GMC derived 51 samples on four occasions during the entire year 2017-18, which was inadequate. It was noted that GMC did not have proper quality monitoring mechanism.

- (iii) Water Supply and Treatment Manual while prescribing above laboratory tests, also specified that the samples are to be collected from distribution system to confirm the water quality.

The Regional Public Health laboratory, Guntur was conducting sample tests on random basis as it was not fully equipped. It was noticed from the test reports<sup>61</sup> for the year 2017-18 that the Regional laboratory was examining only 18 parameters as against the 33 prescribed.

Government replied (December 2018) that water quality tests viz., pH value, Electro conductivity, Alkaline and Total Dissolved Solids (TDS) were being conducted at two water treatment laboratories<sup>62</sup> which were provided with adequate testing equipment.

The reply is not acceptable as these laboratories were not fully equipped, were not conducting tests for all the prescribed parameters and adequate samples were also not being collected.

Thus, GMC was not ensuring supply of safe drinking water to its residents.

<sup>59</sup> Hardness, pH value, Turbidity, Alkaline, Electro-conductivity and Total Dissolved Solids, Presence of Chlorides, Sulphates, Fluoride, Nitrates, Calcium, Copper, Zinc, Arsenic, Cadmium, Chromium, Cyanides, Lead, etc.

<sup>60</sup> pH value, Turbidity, Alkaline, electro-conductivity and Total Dissolved Solids

<sup>61</sup> conducted on 21 April 2017, 5 July 2017, 16 March 2018 and 19 March 2018

<sup>62</sup> at Takkellapadu Head works and Sangam Jagarlamudi water works

d) **Supervisory Control and Data Acquisition Project**

As part of Information System Improvement Plan (ISIP), Supervisory Control and Data Acquisition (SCADA) system was proposed to facilitate real time information from remote terminal units located at the water treatment plant, reservoir, flow meter, pumping stations, etc. and transmit to a central control station where the information is updated, displayed and stored manually or automatically. SCADA is useful to have the real time information on water networks to curb leakages, pilferages and unauthorised connections.

Government of India approved (March 2010) the proposal for ₹4.38 crore subject to achievement of milestones of work<sup>63</sup> and released 1<sup>st</sup> instalment of ₹1.32 crore (May 2010). GMC entrusted (September 2010) the work to a contractor at a cost of ₹2.86 crore with a stipulation to complete in twelve months (September 2011) along with three-year maintenance period from the date of commissioning of the project.

GMC granted Extension of Agreement Time (EoAT) up to March 2012. Deviations<sup>64</sup> during work execution and failure of electronic equipment due to power fluctuations, state bifurcation, etc. caused the firm to seek for EoAT up to December 2014. GMC paid an amount of ₹1.73 crore as of November 2011.

The firm requested (October 2015) GMC to conduct third party inspection and release the balance payment of ₹1.13 crore by claiming that the work was completed in December 2014. Contrary to this, GMC stated (July 2018) that the firm had not completed the work. Details of deficiencies were not on record. GMC did not pursue the matter for completion/commissioning. This resulted in rendering the expenditure of ₹1.73 crore incurred towards the project infructuous.

Government replied (December 2018) that the agency was instructed to put in use the systems established under SCADA and the balance amount would be released only when the agency rectify the defects identified and operationalise the systems established under SCADA. Government further stated that, systems would function within a short span of time.

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<sup>63</sup> **30 per cent** -approval of proposals by sanctioning committee; **30 per cent**- three months after release of 1<sup>st</sup> instalment subject to satisfactory achievement of deliverables and review by Ministry of Urban Development (MoUD); **30 per cent**- three months after release of 2<sup>nd</sup> instalment subject to satisfactory achievement of deliverables and review by MoUD and **10 per cent** - on completion of all activities & achievement of outcomes and after evaluation of impact of the project

<sup>64</sup> like increase in size of chambers, and heavy leakages during construction period, most of the electronic equipment and indicators were burnt due to heavy power fluctuation

The fact remained that due to non-completion of the project, GMC could not ensure the real time information on water networks to curb leakages, pilferages and un-authorized connections. Further, GMC had also foregone an amount of ₹3.07 crore as it failed to achieve the milestones for receipt of balance grant from GoI.

***GMC did not have proper water quality monitoring mechanism. Supply of safe drinking water was not assured by GMC as the laboratories were not conducting tests for all required parameters. Supervisory Control and Data Acquisition Project was incomplete and GMC could not ensure real time information on water to curb leakages.***

### **2.6.2 Drainage**

The objective of a public waste water collection and disposal system is to ensure that sewage or excreta and sullage discharged from communities is properly collected, transported, treated to the required degree and finally disposed off without causing any health or environmental problems.

GMC had to maintain Demand, Collection and Balance (DCB) registers for watching the collection of drainage tax. However, no such registers were maintained even though GMC had given 18,028 drainage connections. Government assured (December 2018) to maintain the DCB registers.

#### **a) Drainage system**

- (i) CPHEEO Manual envisaged preparation of a City sanitation plan to replace existing septic tanks and to improve drainage system. However, GMC has not prepared City sanitation plan as per manual provisions. Though GMC had 1,853 km length of open drains, Comprehensive action plan towards maintenance of these open drains was not prepared and implemented.

Government stated (December 2018) that GMC had prepared pin point programme for drain cleaning and sweeping.

- (ii) The length of the existing sewerage network was 121.50 km which covered only the city area to the extent of 25 per cent. GMC had only one Sewerage Treatment Plant (STP) at Suddapallidonka. During joint physical verification (July 2018), Audit noticed that one out of the two units of STP was under repair and that basic records relating to treatment of sewerage were also not maintained at either of the units. The report (June 2018) on water borne diseases recorded in GMC<sup>65</sup> showed a Diarrhoea outbreak (653 cases) in March 2018 due to contamination of drinking water on account of water pipeline leakage in Anandpet and Sangadigunta areas under GMC.

<sup>65</sup> during the period 2013-18 was prepared by Public Health section of GMC

Government stated (December 2018) that necessary precautionary measures were taken to arrest diarrhoea in the above areas and also assured maintenance of records at plant site.

#### b) **Comprehensive Underground Sewerage Scheme**

The project 'Comprehensive Underground Sewerage Scheme' in Guntur, was sanctioned by the Government of India<sup>66</sup> (March 2015) with an estimated cost of ₹903.82 crore<sup>67</sup>. Government designated the Engineering-in-Chief (ENC)/Public Health as Project Implementing Agency and Andhra Pradesh Urban Finance and Infrastructure Development Corporation (APUFIDC) as the nodal agency.

The work was entrusted (September 2016) to a Joint Venture firm at a cost of ₹853.35 crore with a stipulation to complete within 36 months (by September 2019). As of July 2018, an amount of ₹219.60 crore was paid.

Scrutiny of records revealed that:

- (i) GoI, while communicating the list of empanelled consultants for DPR preparation (July 2007) for the projects sanctioned under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), advised to follow a transparent tender procedure for selection of consultancy firms. However, GMC selected the consultancy firm on nomination basis without following the due tender procedure. This was contrary to the guidelines and deprived the project of the benefit of competitive pricing.

Government replied (December 2018) that to submit DPR in time, the project was entrusted to a JNNURM empanelled firm with the approval of council.

The reply is not convincing as GMC selected the firm on nomination basis and work order was given in July 2012. However, council resolved to entrust the work to the agency in July 2014 and agreement was concluded in September 2014. Further, GoI also stated that the enlisted consultants shall not have any overriding priority compared to other suitable and eligible firms, which was also not adhered to.

- (ii) As per the reimbursement cost structure<sup>68</sup> prescribed by GoI the maximum upper ceiling amount for expenses of single DPR was ₹2.00 crore. The council of GMC agreed to entrust the work

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<sup>66</sup> under Special financial assistance for creation of Essential Urban Infrastructure in the new capital region of Andhra Pradesh State

<sup>67</sup> Central assistance: ₹540.00 crore and State share: ₹363.82 crore

<sup>68</sup> for water supply projects 0.60 per cent, sewerage 0.75 per cent, solid waste management & storm water drains 1.00 per cent of the project cost

(July 2014) as per the rates prescribed for JNNURM works. However, agreement was concluded (September 2014) without incorporating the condition of maximum ceiling limit of ₹2.00 crore. Due to which, GMC paid an amount of ₹7.70 crore<sup>69</sup> (March 2017) to the firm towards consultancy services for DPR preparation, resulting in excess payment of ₹5.70 crore.

Government stated (December 2018) that the consultancy charges were paid as per agreement conditions of 0.75 *per cent* of project cost. Also GMC comes under Urban Infrastructure Development Scheme for Small & Medium Towns (UIDSSMT) hence, ceiling limit of ₹2.00 crore does not apply.

The reply is not acceptable as UIDSSMT is also a part of JNNURM and hence the condition of ₹2.00 crore applies to GMC.

- (iii) Administrative sanction was given by the State Government in January 2016 and even though the GoI sanctioned the project and released funds ₹ 540.00 crore) in March 2015, it released funds (GoI share) only in August 2016. After according technical sanction (March 2016), agreement was concluded in September 2016 with the successful bidder. Specific reply for delay in administrative sanction and release of funds was not furnished. Further, State share of ₹363.82 crore was not released as of July 2018. However, the quarterly progress report furnished to GoI by the Nodal agency showed that the State share was released in January 2016.

Government during exit conference (November 2018) stated that the Government's share was being released whenever there was a need.

- (iv) Provision towards contingencies<sup>70</sup> was to be restricted to ₹10.00 lakh in EPC<sup>71</sup> contracts. However, provision towards contingencies was made for ₹16.36 crore in the DPR.
- (v) Government of India directed to keep the project funds in a separate account. Instead, State Government deposited them in the Personal Deposit (PD Account) of APUFIDC along with other scheme funds. Hence, cheques presented for ₹23.80 crore and ₹71.80 crore on 13 March 2018 and 27 March 2018 respectively by the nodal agency were not honoured by the bank due to non-availability of funds.

Nodal agency replied that the Finance Department rejected the request due to closure of financial year. The contention of the agency

<sup>69</sup> 0.75 *per cent* of ₹903.82 crore (project cost)

<sup>70</sup> Incidental expenses during the work execution

<sup>71</sup> Engineering Procurement and Construction guidelines stipulate that for estimates above ₹100 crore provision towards contingencies should be made at 0.05 *per cent* and the maximum limit prescribed is ₹10.00 lakh

is not acceptable as GoI directed to maintain a separate bank account for smooth implementation of the project which was not done.

- (vi) As per Para 5.3.5.1 of CPHEEO Manual, the area of land required for construction of Sewage Treatment Plant (STP) ranges between 0.49 acres to 2.47 acres per MLD depending on the technology adopted keeping in view the size of the area/town. It was noticed that the implementing agency<sup>72</sup> had proposed to construct STPs under Sequencing Batch Reactor (SBR) technology at five locations. Minimum land requirement and area allocated are given in **Table-2.7**.

**Table 2.7: Land requirement and area allocated for STPs**

Sl. No.	Proposed location of the STP	Capacity of the STP Proposed (in MLD)	Minimum area required as per Manual (in Acres)	Area allocated (in Acres)
1	Gorantla	10	4.90	2.94
2	Reddypalem	20	9.80	2.39
3	Etukuru Road	28	13.72	2.93
4	Suddapallidonka	42	20.58	6.32
5	Near Railway track Zone-III	27	13.23	6.88

It was noticed that the implementing agency allocated the land for construction of STPs below the minimum requirement and without any basis. The reasons for the same were not furnished by the implementing agency though called for.

- (vii) The implementing agency had not obtained the required inter-Departmental permissions from Roads & Buildings<sup>73</sup>, National Highways Authority of India (NHAI) and South Central Railway<sup>74</sup> as of July 2018 even though the work was commenced (September 2016).
- (viii) Agreement provided for third party quality control for reasonable assurance in the quality of work. However, third party quality control reports were not on record. Further, GMC had not furnished any reply.
- (ix) As per the agreement to comply with CPHEEO standards, all designs, engineering drawings, processes in respect of all components *viz.*, designs and drawings pertaining to sewerage lines, sludge thickener, pre-treatment unit, centrifuge building etc. had to

<sup>72</sup> Public Health Engineering Department (PHED)

<sup>73</sup> abutting to NH-544D from Km 411/050 to 414/000 (LHS), from 412/450 to 412/950 (RHS) & Km 414/225 to 416/570 on RHS and crossings @km 412/950, 515/225, 414/880 & 415/220 at Guntur town limits

<sup>74</sup> laying of sewer lines across at Km 1097-1098 between MIX-NGNT stations, at Km 1/29-30 between GNT-NLPD stations and at Km 3/19-21 between GNT-NBR stations

be vetted by an accredited third party technology institute like Indian Institute of Technology (IITs). However, only the designs of STPs were vetted by IIT Roorkee.

- (x) Despite specific instructions for study of STP technologies at other places by the bidder, performance/evaluation reports of the bidder and visits made by the Department for detailed study were not on record.
- (xi) Labour Cess at the rate of one *per cent* had to be deducted from the work bills and remitted to the Building and other Construction Workers Welfare Board. Agreement (clause 45.7) incorrectly provided for reimbursement to the contractor of the cess deducted. The contractor had claimed for reimbursement and obtained stay orders (June 2017) from Hon'ble High Court against the deductions from the work bills. An amount of ₹2.69 crore deducted from the contractor's work bills (July 2018) was retained by the implementing agency.
- (xii) The contractor was paid mobilisation advance of ₹85.32 crore (November 2017 and June 2018) bearing an interest<sup>75</sup> from the date from which the amount was paid. Implementing agency had levied lower (MCLR rate<sup>76</sup>) interest rate on mobilisation advance. It was replied that the MA&UD Department acceded the request made by contractor and the executing agency acted accordingly.

Reply is not acceptable as the request was considered without obtaining concurrence from Finance Department and against the agreed conditions. This resulted in undue benefit of ₹1.78 crore to the contractor.

- (xiii) The contractor did not achieve the milestones as per agreement as detailed in the **Table 2.8**.

**Table-2.8: Component-wise milestones and achievements**

Sl. No.	Name of the component	Estimated Quantity	Quantity to be executed to the end of 7 <sup>th</sup> quarter (May 2018)	Quantity executed as on 31.5.2018	Percentage of execution
1	Laying of sewer lines	1,083 Km	649.80 Km (60 <i>per cent</i> )	483.94 Km	44.68
2	Man holes	43,574	26,144 (60 <i>per cent</i> )	15,322	35.16
3	STP (5 Nos).	construction of STPs	60 <i>per cent</i>	In Zones I & II, civil work completed upto 80 <i>per cent</i> . In Zones IV&V, civil works completed upto 10 <i>per cent</i> only. In Zone III, the work was not commenced.	
4	House service connections	1,40,000	84,000 (60 <i>per cent</i> )	0	0
5	Inspection chambers	87,148	52,289 (60 <i>per cent</i> )	6251	7.17

<sup>75</sup> prevailing SBI Prime Lending Rate (PLR)+ two *per cent* per annum

<sup>76</sup> SBI MCLR- State Bank of India Marginal Cost Lending Rate

The Department did not impose the liquidated damages on the contractor for delayed progress of work as of July 2018.

Thus, due to non-adherence to the agreement conditions and Government orders, undue benefit was extended to the contractor. Further, due to non-obtaining of pre requisite permissions before commencement of the work and non-execution of the work as per milestones the possibility of completion of the Project within stipulated timelines is doubtful.

### c) Storm Water Drains

GMC identified 37 flood-prone areas in the city (July 2012) which require quick removal of drainage congestion by pumping or other means. At present storm water is drained away into Suddapallidonka<sup>77</sup> which ultimately reaches far away irrigation drains. As per CPHEEO manual, the Storm Water Drains (SWD) were to be designed based on topographical, meteorological and hydrological data. Developing a SWD design plan was essential to ensure that storm water runoff could be discharged from the catchment area in an efficient and timely manner with ultimate linkage to natural waterways / water bodies. Audit noticed that:

- (i) GMC entrusted (September 2014) the work 'Providing consultancy services for preparation of DPR of Storm Water drainage' to a firm without following any due tendering process. The firm prepared DPR for a project cost of ₹585.08 crore. However, copy of DPR was not made available to Audit. GMC submitted (March 2015) the proposals to the Engineer-in Chief (Public Health) for its approval. Reasons for non-approval of DPR by the ENC (PH) were not on record. The DPR became obsolete as no sanction was awarded as of June 2018.
- (ii) GMC proposed seven Storm Water Drain works<sup>78</sup> without survey, in two phases under 14<sup>th</sup> Finance Commission grants for the years 2015-16 and 2016-17 with an estimated cost of ₹30.42 crore<sup>79</sup>. Government sanctioned and released funds in September 2016 and February 2017 respectively<sup>80</sup> for the said works.

<sup>77</sup> 'Suddapalli' is the name of the village and 'Donka' is a cart track/narrow path between fields. It is named as Suddapallidonka

<sup>78</sup> i) NH16 at 14 mts culvert to Satya Sai trust at Peekalavaagu, ii) From Sampath Nagar extension to Etukuru road, iii) Etukuru road to Bonthapadu road at culvert, iv) From Koritipadu tank to connecting Amaravathi road, both sides at Palakaluru road, v) From Brindavanam apartment via Kabadigudem, vi) LR Colony to IPD Colony main road near Sai Baba temple and vii) JKC College to Koritipadu tank

<sup>79</sup> 2015-16 (₹15.97 crore); 2016-17 (₹14.45 crore)

<sup>80</sup> September 2016-(₹15.97 crore) and February 2017(₹14.45 crore)

Four works<sup>81</sup> were in progress<sup>82</sup> as of May 2018 and three<sup>83</sup> works were at the initial stage of tender process. One work<sup>84</sup> was entrusted (December 2017) to a contractor at a cost of ₹1.52 crore and was stipulated to complete by June 2018. However, the work was not completed by achieving the milestones as per agreement. Value of work done to the end of June 2018 was ₹73.44 lakh which was 48 per cent of the contract value of work.

Government stated (December 2018) that the delay was due to clearance of encroachments along the alignment and the works were taken up only after survey.

Encroachments could have been identified and alternative arrangements proposed if survey had been conducted. Further, in the absence of SWD design plan the ultimate linkage to natural waterways cannot be assured.

Taking up the SWD works without proper study and without ultimate linkage to natural waterways/water bodies, may result in construction of SWDs with inadequate size, with the risk of further inundation of roads.

#### d) Status of other works

During the period 2013-14 to 2017-18, 3,286 works<sup>85</sup> were sanctioned with an estimated cost of ₹421.41 crore towards water supply and drainage under various grants. The details and status of works are detailed in the table below:

**Table-2.9: Year-wise status of water supply and drainage works**

(₹in crore)

Year	Description	Sanctioned works	Works completed	Works under progress	Works to be started	Works cancelled	Tender stage	Single Tender
1	2	3	4	5	6	7	8	9
2013-14	No. of works	859	679	17	67	2	94	0
	Estimated Cost	70.78	55.99	2.78	6.92	0.85	4.25	0
2014-15	No. of works	459	415	14	16	9	5	1
	Estimated Cost	45.02	35.02	4.41	2.14	3.15	0.31	1.02
2015-16	No. of works	675	591	29	30	2	23	1
	Estimated Cost	108.73	89.53	7.47	6.60	0.55	4.58	22.02

<sup>81</sup> NH16 at 14 mts culvert to Satya Sai trust at Peekalavaagu, from Sampath Nagar extension to Etukuru road, Etukuru road to Bonthapadu road at culvert, from Koritipadu tank to connecting Amaravathi road

<sup>82</sup> 25 per cent to 75 per cent

<sup>83</sup> from Brindavanam Apartment via Kabadigudem, from LR Colony to IPD Colony main road near Sai Baba temple and JKC College to Koritipadu tank and both sides at Palakaluru road

<sup>84</sup> construction of Storm Water Drain from Koritipadu tank to connecting Amaravathi Road

<sup>85</sup> construction of CC drains, open drains, laying of pipelines in place of damaged lines etc.

Year	Description	Sanctioned works	Works completed	Works under progress	Works to be started	Works cancelled	Tender stage	Single Tender
1	2	3	4	5	6	7	8	9
2016-17	No. of works	714	348	51	190	0	125	1
	Estimated Cost	125.82	38.11	23.30	38.24	0.00	26.18	1.16
2017-18	No. of works	579	100	16	284	0	179	0
	Estimated Cost	71.06	4.04	2.06	41.10	0.00	23.85	0
<b>Total no. of works</b>		<b>3,286</b>	<b>2,133</b>	<b>127</b>	<b>587</b>	<b>13</b>	<b>426</b>	<b>3</b>
<b>Total Estimated Cost</b>		<b>421.41</b>	<b>222.69</b>	<b>40.02</b>	<b>95.00</b>	<b>4.55</b>	<b>59.17</b>	<b>24.20</b>

Source: Data furnished by GMC

Audit observed that:

- Out of 3,286 works sanctioned during 2013-18, only 2,133 works (65 per cent) were completed with an estimated cost of ₹222.69 crore. As of March 2018, 127 works (four per cent) sanctioned with an estimated cost of ₹40 crore were not completed. Delay in execution of works ranged between one to three years.
- Agreements were concluded for 587 works (18 per cent) sanctioned with an estimated cost of ₹95.00 crore, however, these were not started as of March 2018. Reasons for non-commencement of these works were not forthcoming from the records. The Corporation did not cancel the agreements by forfeiting the EMD as per agreement conditions.
- GMC did not complete the tendering process in respect of 426 works<sup>86</sup> (13 per cent) sanctioned with an estimated cost of ₹59.17 crore.
- GMC entrusted three works with estimated cost of ₹24.20 crore on single tender basis during 2014-17 in violation of Government orders.

Government assured (December 2018) to comply with the observations made by audit. It was further stated that action would be initiated to fulfil the requirements in respect of works for which agreements were not concluded. Government replied (December 2018) that the single responsive tenders were accepted by GMC due to urgency of works.

***The project 'Comprehensive Underground Sewerage Scheme in Guntur' was not completed as per schedule. Excess payment of ₹5.70 crore was made towards consultancy services contrary to JNNURM guidelines. Further, land allotment for Sewage Treatment Plants was made below the minimum requirement without any basis. Labour Cess***

<sup>86</sup> 2013-14 (94 works); 2014-15 (five works); 2015-16 (23 works); 2016-17 (125 works); 2017-18 (179 works)

*deducted from the work bills to be remitted to the Building and other Construction Workers Welfare Board was incorrectly provided in the Contractor's Agreement as reimbursement to the contractor. Implementing agency had levied lower interest rate on mobilisation advance and thereby the contractor was given undue benefit of ₹1.78 crore. No damages were imposed on the contractor even though the work was not completed as per milestones. Storm water drain works taken up with 14<sup>th</sup> FC grants were without proper survey.*

## **2.7 Solid Waste Management**

Observations on implementation of Solid Waste Management (SWM) for the period upto 2014-15 appeared in the Audit Report No.1 of 2016 related to Local Bodies of GoAP. Government of India issued (April 2016) SWM Rules, 2016 in supersession of Municipal Solid Waste (Management and Handling) Rules, 2000. Hence, the review covered implementation of the revised Rules.

The Government directed (June 2016) all the Urban Local Bodies (ULBs) to take immediate action for implementation of the SWM Rules, 2016. ULBs are responsible for preparation of solid waste management plan along with action plans for collection, segregation, storage, transportation, processing and disposal of solid waste in a scientific manner. It was noticed that the management of Solid Waste in GMC was not effective as detailed below:

### **2.7.1 Planning**

- (i) As per SWM Rules, 2016, the Government should constitute a State Level Advisory Body (SLAB) within six months from the date of publication of notification (April 2016) to review the matters related to implementation of these rules, State policy and strategy.

Government constituted (September 2017) SLAB<sup>87</sup> with a delay of one year from the date of publication of notification. The Board had not issued any recommendation despite conducting three meetings<sup>88</sup>.

- (ii) GMC was required to prepare its own strategy as per SWM Rules, 2016. However, it did not prepare the SWM plan as of July 2018.

GMC replied (November 2018) that Sanitation task force had been constituted (July 2016) as per the instructions of the Government. However, taskforce had not issued any recommendation despite conducting two meetings.

<sup>87</sup> G.O.Ms.No.350 MA&UD Dept. dated 22.09.2017 with Prl. Secretary, MA&UD, other secretaries and officials of State Government along with representatives from ULBs

<sup>88</sup> September 2017, January 2018 and April 2018

Government stated (December 2018) that GMC has 'Swachh plan' with pin point programme and transportation maps. However, these were not produced to Audit.

Local authority has to frame Bye-laws<sup>89</sup> incorporating the provisions of SWM Rules, 2016 within one year from the date of notification (April 2016). GMC stated that Bye-laws were framed. However, bye-laws framed were not made available to Audit.

## **2.7.2 Segregation and Collection of Solid Waste**

As per SWM Rules, 2016 issued by GoI, GMC has to arrange for door to door collection of segregated solid waste from all households<sup>90</sup>, establish a system to recognise organisations of waste pickers and waste collectors to facilitate their participation in SWM including door to door collection of waste, frame bye-laws incorporating the provisions of the rules within one year from the date of notification and ensure timely implementation.

- (i) The door to door collection was implemented in 52 out of 62 wards as of July 2018. However, the waste was being collected without segregation<sup>91</sup> as envisaged.

Government replied (December 2018) that, at present door to door collection was implemented in all the wards. Government, however, did not respond for non-segregation of waste at source.

- (ii) GMC awarded contract (November 2015) for lifting of garbage from Commercial and institutional establishments. It was noticed that the contract firms were covering only 2,000 of the 19,259 establishments which was contrary to the agreement conditions. GMC did not furnish specific reply in this regard.

## **2.7.3 Storage and Transportation**

As per Solid Waste Management Rules, 2016 (Rule 15-h) the local authority has to set up material recovery facilities or secondary storage facilities with sufficient space for sorting of recyclable material to separate recyclables from the waste. Further, the local authority has to establish waste deposition centres for domestic hazardous waste<sup>92</sup> (Rule 15-i) and to ensure safe storage and transportation of waste to the waste disposal facility. Audit noticed that:

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<sup>89</sup> as per Rule 15(e) of SWM Rules, 2016

<sup>90</sup> including slums and informal settlements, commercial, institutional and other non-residential premises

<sup>91</sup> to separate the Municipal Solid Waste into the group of organic, inorganic, recyclable and hazardous waste (under Solid Waste Management Rules, 2016)

<sup>92</sup> discarded paint drums, pesticide cans, CFL bulbs, tube lights, expired medicines, used batteries, etc., generated at household level

- (i) Waste deposition centres for domestic hazardous waste were not established and hazardous waste was collected, transported and dumped along with municipal waste.
- (ii) GMC did not make arrangements for segregation, collection and disposal of e-waste and plastic waste according to the Hazardous Waste (Management and Handling) Rules, 2003 and Plastic Waste Management Rules, 2016. It was noticed during joint verification that plastic waste was dumped in drains and on roadside.



*Pic 2.1: Plastic waste dumped in drains in Guntur*

#### **2.7.4 Processing and Disposal**

- a) Solid Waste Management (SWM) Rules, 2016 envisaged that, Municipal Solid Waste (MSW) has to be segregated and processed scientifically for the purpose of reuse, recycling or transformation into new products. Post processed residual solid waste should be safely disposed of to prevent contamination of ground water, surface water, ambient air and attraction of animals or birds.

GMC is generating 420 Metric Tons of garbage per day and adopted open dumping at the dump yard at Naidupet village as the only disposal mechanism as on date. The Waste generated in the city was dumped in the dumping yard without any segregation or processing. During physical verification along with departmental officials it was noticed that the dumping yard was filled with smoke arising out of burning of waste.

GMC replied (June 2018) that wet waste dumped would produce heat due to decomposition and that steps would be taken to subside the smoke. It was noted that the failure of GMC to segregate dry and wet waste resulted in air pollution which posed health hazard to the public.

- b) SWM Rules stipulate that Corporation shall obtain permission from the State Pollution Control Board (SPCB) for setting up waste processing, treatment or disposal facility, if the volume of waste exceeds five metric tons per day (TPD).

GMC submitted (June 2016) the application to the SPCB for establishing waste to energy plant. Permission was not accorded by the SPCB as of May 2018 due to non-submission of DPR for the proposed facilities<sup>93</sup>.

- c) Without obtaining the authorisation from SPCB, the New and Renewable Energy Development Corporation of Andhra Pradesh Limited (NREDCAP) issued (December 2015) work award in favour of M/s JITF Urban Infrastructure Limited for establishment of waste to energy generation plant. Though the project was proposed by group of Urban Local Bodies<sup>94</sup> at a cost of ₹212.89 crore, the entire cost was to be borne by the Concessionaire as it was taken up on DBFOT<sup>95</sup> basis. It aimed at developing a 'Waste to Energy Plant' in Guntur<sup>96</sup> and supply of power for a period of 25 years to the Andhra Pradesh Southern Power Distribution Company Ltd (APSPDCL). The Concession Agreement (CA) was concluded in February 2016. The project was to be completed by June 2018 but the work was still in progress.

Government accepted (June 2016) the proposal of GMC for allotment of 20.00 acres of land to the firm on lease basis.

Government alienated (November 2017) 51.20 acres of land in favour of GMC, which was already in its possession, on free of cost basis for utilising it for dumping yard. Audit noticed that:

- (i) NREDCAP assessed requirement of 20.00 acres to produce 15 Mega Watt of power. Out of the total land of 51.20 acres alienated by Government, GMC instead of leasing 20.00 acres as approved by the



*Pic 2:2 Waste to energy plant site*

<sup>93</sup> details of water requirement, waste water generation, treatment methods adopted, plan demarking facilities and green belt and buffer area left all around the facility, etc.

<sup>94</sup> GMC concluded agreement as a lead ULB representing Vijayawada Municipal Corporation, Tenali Municipality, Narasaraopet Municipality, Chilakaluripet Municipality, Sattenapally Municipality, Ponnur Municipality, Mangalagiri Municipality and Tadepalli Municipality

<sup>95</sup> DBFOT- Design, Build, Finance, Operate and Transfer

<sup>96</sup> to develop and implement a viable and environmentally sustainable MSW management system

Government, leased out (February 2016) an extent of 15.50 acres of land for construction of waste to energy plant.

- (ii) The balance land was to be given free of cost for development of scientific landfill after assessing the actual requirement. GMC, however, allotted (April 2017) 35.70 acres of balance land to the concessionaire free of cost for development of scientific landfill, without assessing the actual requirement as per agreement. As a result, GMC allotted 4.50 acres land less where it could have earned lease rent and allotted 35.70 acres of land without assessing actual requirement where it earned no revenue.
- (iii) GMC did not obtain the Construction Performance Security of ₹50.00 lakh from the firm<sup>97</sup> to cover the damages in the event of default.
- (iv) Extension of time was given upto December 2018. GMC attributed delay to alienation of land by Government which is not acceptable as the physical possession of the land was given in February 2016 itself. The work was still in progress as of December 2018.

Thus, the objective of generating energy from waste and supplying power to APSPDCL was not achieved due to non-completion of work.

Government stated (December 2018) that, after assessing the actual requirement of land for landfill site, the leftover land would be brought back to GMC for its future requirement.

### **2.7.5 Implementation of National Green Tribunal (NGT) directions**

In December 2016, the Honourable National Green Tribunal (NGT), New Delhi issued 29 comprehensive directions to the State Government to ensure effective and expeditious implementation of SWM Rules, 2016. Accordingly, the State Government issued instructions to all the ULBs in February 2017 to follow these 29 directions scrupulously and also directed to take immediate action on five<sup>98</sup> directions. The directions were not complied with except direction numbers 25 (creation of public awareness) and 27 (Publication of guidelines in local languages). Position in respect of direction numbers 6, 17 and 20 was as under (as of July 2018).

<sup>97</sup> within 30 days of issue of letter of award and before signing the Concession Agreement

<sup>98</sup> direction numbers 6, 17, 20, 25 and 27

**Table-2.10: Status of implementation of NGT directions (6, 17 and 20)**

Direction No.	Direction	Audit observation
6	All the State Governments, Departments and local authorities shall operate in complete coordination with each other and ensure that the solid waste generated in the State is managed, processed and disposed off strictly in accordance with the SWM Rules, 2016.	Segregation of Municipal Solid Waste was not ensured at source as envisaged. Infrastructure for processing and disposal of waste was yet to be created (para no 2.7.2).
17	The ULB should ensure that it would open or cause to be opened in discharge of Extended Producer Responsibility, appropriate number of centres in every colony which would collect or require residents of the locality to deposit the domestic hazardous waste like fluorescent tubes, bulbs, batteries, expired medicines etc. Hazardous waste, so collected by the centres should be either sent for recycling wherever possible and should be transported to the hazardous waste disposal facility.	No disposal facility for hazardous waste was created. Due to non-segregation, hazardous waste was also dumped in the yard (para no 2.7.3).
20	There shall be complete prohibition on open burning of waste on lands including at landfill sites. In the event of default, environmental compensation should be paid.	Open burning of waste was continuing at dumping yard. GMC accepted the audit observation and stated that the rag pickers were instructed not to burn the waste at dumpsite. GMC further stated that heat developed due to heavy wind flows were brought to normal condition by spraying the water through tankers.

Government stated (December 2018) that necessary steps would be taken to implement the directions of National Green Tribunal.

***Solid waste was not segregated and not scientifically disposed off. Infrastructure for processing and disposal of waste was yet to be created. Disposal facility for hazardous waste was not created.***

***Recommendation 2: Secondary storage facilities with sufficient space for sorting of recyclable material to separate recyclables from the waste may be established after preparing action plans for proper collection, processing and disposal of solid waste as per SWM Rules, 2016.***