

Overview

This Audit Report includes one performance review, one long paragraph and nine audit paragraphs on Urban Local Bodies (ULBs) apart from six audit paragraphs on Panchayat Raj Institutions (PRIs). It also contains observations on the structure and finances of PRIs and ULBs and the results of supplementary audit under the scheme of Technical Guidance and Supervision. Copies of the draft reviews and paragraphs were forwarded to the Government and the replies received have been duly incorporated in the Report.

1. Accounts and Finances of Local Bodies

There was no system in place to consolidate the finances of PRIs. The creation of database on the finances of PRIs remained incomplete. Though the State Government stated that 10 functions had been devolved to PRIs, the transfer was only partial without corresponding transfer of funds and functionaries. The functioning of District Planning Committees was restricted to preparation of only Backward Region Grant Fund (BRGF) Action Plans. Andhra Pradesh Municipal Accounts Manual was adopted (August 2007) by the State Government and is being implemented only in 59 (out of 124) ULBs. The audit of local bodies by the Director, State Audit was in huge arrears in Gram Panchyats (GPs) and ULBs. Twelfth Finance Commission (TFC) grants were mis-utilised / diverted. State Finance Commission (SFC) recommendations were partially implemented.

[Paragraphs 1.1 and 1.2]

2. Functioning of two Zilla Praja Parishads

The Performance Audit of two ZPPs (Khammam and SPSR Nellore), out of 22 ZPPs in the State for the five year period from 2003-04 to 2007-08 revealed that although District Planning Committees (DPCs) were constituted in Khammam and SPSR Nellore, their functioning was deficient with regard to preparation of Action Plans. Properties were leased out without incorporating suitable clauses with regard to periodical revision of rent. Shortfalls in sectoral allocations as well as utilisation of ZPP General Funds were noticed. Proper monitoring and effective pursuance was not made in respect of collection of own revenues and also reimbursement of dues from the Government. There were cases of diversion of scheme funds, unfruitful expenditure and abandonment of works. The system of internal control and monitoring mechanism was also not effective as there were delays in preparation of Annual Accounts, preparation / submission of Annual Administrative Reports, non-reconciliation of departmental figures with pass books, shortfalls in departmental inspections.

[Paragraph 2.1]

3. Functioning of Greater Hyderabad Municipal Corporation in four selected areas

Greater Hyderabad Municipal Corporation (GHMC) provides civic services and infrastructure facilities to the citizens of Hyderabad and Secunderabad while discharging its functions as per the provisions of the Hyderabad Municipal Corporation (HMC) Act, 1955. For undertaking the above arduous tasks, the GHMC is statutorily empowered to levy and collect tax and non-tax revenues. Performance Audit on the functioning of the GHMC in four selected areas viz., Property Tax, Advertisement fee, Building Permissions and Safeguarding Municipal lands revealed that the collection of Property Tax suffered for want of a comprehensive database and not undertaking periodic revisions. The achievement of collection of tax on buildings was as low as 56 *per cent* in the year 2007-08. Non-collection of penalty from defaulting parties resulted in defaulters being granted a favour with grave consequences for further defaults in future. The collection of Advertisement fee also suffered from lack of comprehensive database. The entrustment of collection of Advertisement fee to a private agency bypassing vital safeguards facilitated the party to default in payment. The prevailing system of according Building Permissions is a big hassle for law abiding citizens and not a deterrent for parties undertaking unauthorized constructions. Municipal lands are a valuable asset in view of the high prevailing prices but GHMC failed to effectively safeguard these assets. The leasing of lands suffered from a number of deficiencies which could have otherwise augmented the finances of GHMC.

[Paragraph 2.2]

4. Transaction Audit

The audit of financial transactions, subjected to test check, in various PRIs and ULBs revealed instances of losses, diversions, avoidable expenditure etc. Some of the major findings are summarized below:

Panchayat Raj Institutions

(i) Chief Executive Officers of six* Zilla Praja Parishads diverted Twelfth Finance Commission (TFC) grants of Rs 22.78 crore to a State sponsored programme in violation of scheme guidelines.

[Paragraph 3.1.4]

(ii) Lack of details in challans of Seigniorage fee resulted in non-distribution of Seigniorage grant of Rs 2.35 crore among the MPPs and GPs of Mahboobnagar District.

[Paragraph 3.1.6]

* ZPP Kakinada, Eluru, Prakasam, Nalgonda, Khammam and Chittoor

(iii) Due to failure of Chief Executive Officer, Zilla Praja Parishad, Khammam to open Savings Bank Account for depositing of Twelfth Finance Commission grants, there was loss of interest of Rs 43.02 lakh as the funds were lying in current account.

[Paragraph 3.1.3]

(iv) The procurement of bleaching powder costing Rs 42.48 lakh by the District Panchayat Officer, Warangal suffered from a number of deficiencies.

[Paragraph 3.1.5]

(v) The construction of District Panchayat Office building at Kadapa was taken up without provision of funds by the Government and by inappropriate collection of funds amounting to Rs 32.85 lakh from 96 Gram Panchayats.

[Paragraph 3.1.2]

(vi) Failure of Chief Executive Officers, Adilabad, Nalgonda and Ranga Reddy Zilla Praja Parishads in monitoring repayment of House Building loan resulted in non-repayment of loan amount of Rs 38.70 lakh and interest of Rs 1.20 crore for the period from 1990-91 to 2003-04 to the Government.

[Paragraph 3.1.1]

Urban Local Bodies

(vii) Inordinate delay in completion of shopping complex at Red Tank area by the Guntur Municipal Corporation resulted in substantial amount of Rs 2.26 crore being locked up in an incomplete asset depriving the Corporation of augmentation of revenue.

[Paragraph 3.2.9]

(viii) Due to non-finalization of land acquisition process within the stipulated time frame by the revenue authorities, the Khammam Municipality incurred an avoidable expenditure of Rs 1.87 crore towards payment of compensation towards the land acquired for laying of road.

[Paragraph 3.2.6]

(ix) Entrustment of works to contractors under Andhra Pradesh Urban Reforms and Municipal Services Project by Nellore Municipal Corporation without ensuring adequate funds upfront resulted in non-completion of works even after lapse of four years as against the stipulated completion period of eight to ten months besides cost over run of the project of Rs 1.22 crore.

[Paragraph 3.2.7]

(x) The financing of Integrated Low Cost Sanitation Scheme was ill-designed as the financial assistance of Rs 3.89 crore was given by five* ULBs in the form of loan for construction of toilets instead of subsidy where the beneficiaries belong to lower economic strata of society.

[Paragraph 3.2.8]

(xi) Non-obtaining of Bank Guarantee by the Nellore Municipal Corporation facilitated the contractor to default in payment of advertisement tax collections of Rs 39.15 lakh and there was loss of revenue of Rs 56.19 lakh due to award of contract way below the upset price.

[Paragraph 3.2.2]

(xii) Office buildings in six* municipalities were not constructed despite availability of funds. This resulted in locking up of funds to the tune of Rs 2.03 crore placed at the disposal of respective municipalities for periods ranging from four to six years.

[Paragraph 3.2.3]

*Bhimavaram, Karimnagar, Kovvur, Ongole, and Tenali municipalities.

*Venkatagiri Municipality, Anakapalli Municipality, Bheemunipatnam Municipality, Markapur Municipality, Rayadurg Municipality, Khamman Municipal Council.
