

Chapter 9 - Municipal Administration and Urban Development Department

9.1 Department profile

The Department of Municipal Administration and Urban Development (MAUD) is responsible for planning and development of urban areas, involving the following functions:

- ⇒ Assisting the Government in town and country planning;
- ⇒ Coordinating with various departments¹ involved in development schemes;
- ⇒ Offering technical recommendations to the Government in change of land use, alienation of lands and relaxation of rules;
- ⇒ Preparation, implementation and regulation of plans for urban and industrial development; and
- ⇒ Suggesting and implementing various schemes for environmental improvement, commercial and infrastructural development.

MAUD discharges the above functions through multiple entities like Municipal Corporations and Municipalities, Urban Development Authorities and other specified agencies.

We carried out a performance audit of the functioning of Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (VGTMUDA) during 2010-11 and our findings are discussed below.

9.2 Functioning of Vijayawada, Guntur, Tenali, Mangalagiri Urban Development Authority

Background

Vijayawada, Guntur, Tenali and Mangalagiri Urban Development Authority (Authority) was constituted in December, 1978 under Andhra Pradesh Urban Areas (Development) Act, 1975. Its jurisdiction extends over Vijayawada, Guntur, Tenali and Mangalagiri municipal corporations/municipalities constituted under AP Municipalities Act, 1965 and other areas specified in the Schedule, comprising 1955 sq km² of area, covering 189 villages/towns as depicted in the map below.

¹ AP Housing Board, AP State Housing and Urban Development Corporations, AP Industrial Infrastructure Corporation, Industries Department, etc.

² Including 31 sq km of agricultural land in Mangalagiri and Tenali municipalities



9.2.1 Objectives of the Authority

The objectives of setting up the Authority were to:

- Prepare Master Plan and Zonal development Plans (ZDPs) for development of the area;
- Exercise development control viz., approval of building plans and layouts³, approval for change of land use, etc. in the areas under its coverage;
- Acquire and develop lands for development of townships and construction of dwelling units for sale; and
- Take up infrastructure development projects like construction of flyovers, roads, etc.

9.2.2 Organisational set up

The management of the Authority is vested with a nominated Board constituted by the State Government from time to time and headed by a Chairman. The Vice-Chairman is the Chief Executive of the organisation and is assisted by various officers in specific areas like urban

³ Division/sub-division of land into plots by providing roads and other infrastructure

planning, architecture, project formulation and other related fields. The organogram of the Authority is given below.



The State Government has not appointed a full time Chairman of the Board since September 2007.

9.3 Audit Framework

9.3.1 Audit objectives

Audit of the Authority was carried out primarily to evaluate its performance with reference to its objectives, and sought to assess whether,

- planning for development of the area entrusted to the Authority was comprehensive and adequate;
- appropriate development/internal controls were in place and functioned as envisaged;
- projects were formulated diligently and implemented in an effective manner;
- infrastructure development was carried out as envisaged in the Master Plan/Zonal Development Plans;
- financial management was effective with due regard to economy and efficiency of its operations;
- monitoring system was effective and ensured timely redressal of public grievances.

9.3.2 Audit criteria

Audit findings were benchmarked against the following criteria:

- AP Urban Areas (Development) Act, 1975
- Master Plans, Zonal Development Plans
- Government Orders and Guidelines issued by MAUD Department and Minutes of the Board meetings

9.3.3 Scope and Methodology of audit

Performance audit of the Authority covered its activities and transactions during the period 2006-11 and was carried out during January – April 2011 by test-check of records of all the seven wings of the Authority including the divisional offices at Vijayawada, Guntur, Tenali and Mangalagiri.

An entry conference was held in January 2011 with the Vice-Chairman of the Authority at its Headquarters in Vijayawada, wherein the objectives of performance audit were explained and their inputs were obtained. Audit findings were discussed with the Principal Secretary, MAUDD and Vice-Chairman of the Authority in an exit conference in October 2011. Their views and responses have been incorporated in the review at appropriate places.

9.4 Planning

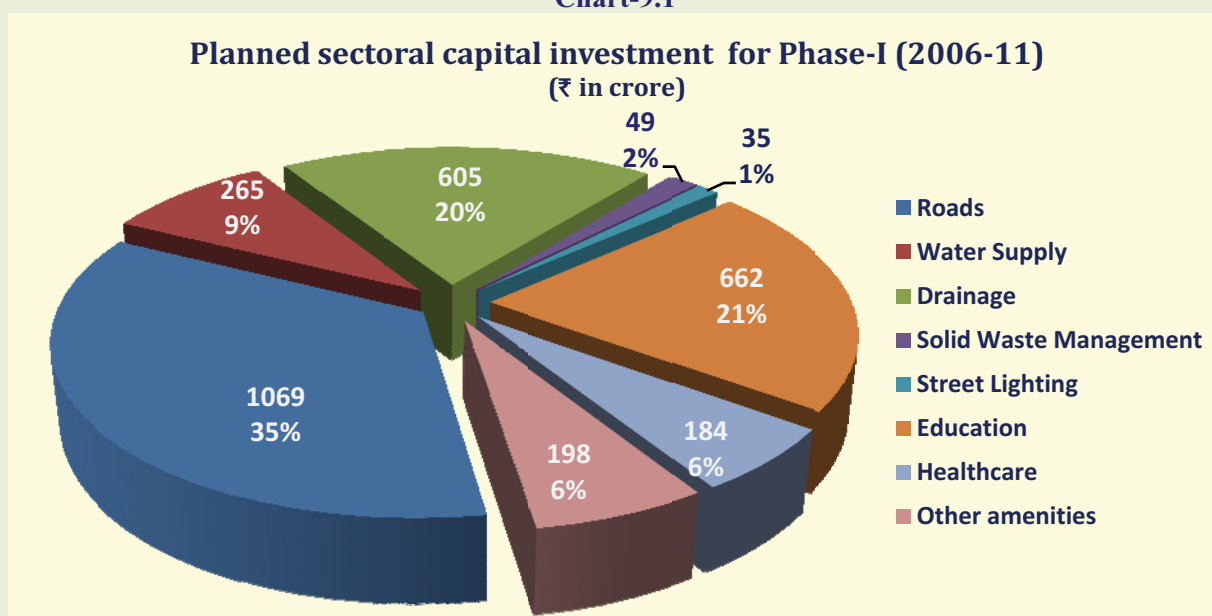
9.4.1 Preparation of Zonal Development Plans

The AP Urban Areas (Development) Act, 1975 lays down that the Urban Development Authority of a designated area should prepare a Master Plan for development of that area. The Regional Master Plans for Vijayawada, Guntur and Tenali were prepared in 1969, 1973 and 1974 respectively, *i.e.*, before the constitution of the Authority in 1978. A decade after its birth, the Authority prepared a new Master Plan (1988) outlining its priorities for development of the area under its jurisdiction for the period ending 2001.

The task of preparing Zonal Development Plans (ZDPs) for identified clusters of villages/towns was taken up fifteen years later in two phases (April 2003 and December 2006) and completed in 2006 (16 ZDPs) and 2008 (12 ZDPs) with perspective plan years ending 2021 and 2031, respectively.

Sectoral capital investment envisaged in the ZDPs during Phase-I of the implementation plans (2006-11) was ₹ 3,067 crore as indicated in Chart-9.1 below.

Chart-9.1



As can be seen from the above chart, investment was not envisaged for construction of houses/apartments, although it is one of the objectives of setting up the Authority. Zone-wise break-up of anticipated investment is given in *Appendix-9.1*.

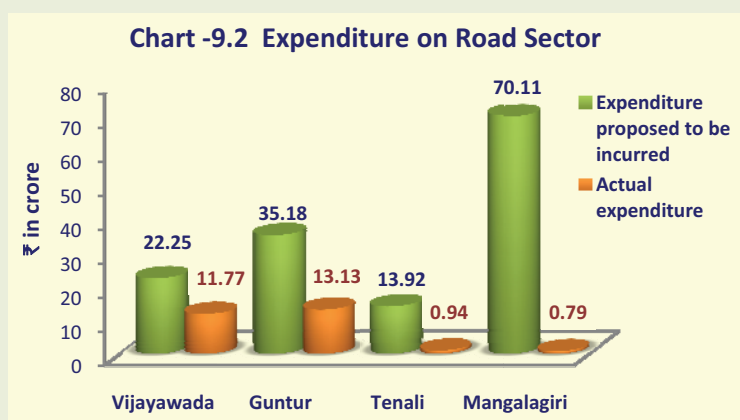
Vice-Chairman of the Authority stated (October 2011) that since the Authority had no land of its own to take up housing projects/satellite townships, etc. priority was not accorded for housing schemes/townships in the ZDPs/budgets.

We observed that, even the land (extent: 408.44 acres) purchased way back in 1986 for establishment of Amaravathi township was not developed by the Authority as of October 2011. Moreover, during the period 2006-11, the Authority spent ₹ 32.96 crore on housing projects (₹ 1.59 crore) and roads (₹ 31.37 crore). Hence, the reply is not acceptable.

9.4.2 Implementation of ZDPs

The major activities proposed for development in the ZDPs by 2011 were road network, water supply, drainage, solid waste management, street lighting, educational facilities, medical facilities, etc. Analysis of achievements *vis-à-vis* projections in this regard revealed the following:

- The Authority projected the investment requirement for implementing the ZDPs sector-wise, identifying the likely source and possible mode of mobilisation of resources. However, it did not coordinate with other departments/agencies⁴ including local bodies (corporations/municipalities/panchayats), to ensure speedy execution of works.
- While the ZDPs proposed allocation of ₹ 1,069 crore for roads sector, the actual expenditure incurred on this sector during the plan period (2006-11) was only 33 per cent (excluding the component of inner ring road, which was taken up under JNNURM⁵).



The Authority stated (July 2011) that implementation of ZDPs would be reviewed a year before the threshold period (2006-11) and at that time, the details of lands brought under different uses would be consolidated after a detailed survey. The reply is not acceptable because in the absence of regular monitoring of execution of planned activities, ZDP cannot be implemented on time and within the budget. Moreover, the first such review for the perspective period phase ending 2011 due in 2010 was yet to be undertaken.

⁴ Roads and Building department, National Highways Authority of India Limited, Railways, Transmission Corporation of Andhra Pradesh Limited, AP Power Generation Corporation Limited, AP Industrial Infrastructure Corporation Limited, AP Tourism Development Corporation, etc.

⁵ Jawaharlal Nehru National Urban Renewal Mission

- The Master Plan of 1988 proposed development of Satellite towns in selected zones of major towns like Kondapalli, Gannavaram, Tadikonda, Duggirala, Vejendla, Perecherla and Namburu to decongest residential areas. Of these, the first four were proposed to be developed as industrial towns. The plan also proposed two Transport Nagars - each of 100 acres at Kesarapalle and Ankireddipalem, four Truck Terminals - each covering 25 acres at Surayapalem, Nidamanuru, Angalakuduru and Nallapadu. The proposals for establishment of Satellite townships, Transport Nagars and Truck Terminals made in the 1988 Plan were neither implemented nor carried over to the current ZDPs for execution. On the other hand, a Truck Terminal was constructed during 2004 over 77.86 acres of land at a cost of ₹ 17 crore at Ibrahimpatnam (20 km away from Vijayawada), even though it did not form part of either the Master Plan 1988 or ZDP Vijayawada. The terminal was yet to be operationalised as of October 2011 (*paragraph 9.7.3 also refers*).
- ZDP, Vijayawada contained proposals for two ring roads, five flyovers and eight bridges. However, construction of only one ring road commenced in 2007-08 but was yet to be completed (October 2011) (*Para 9.7.1 refers*).

As per the Annual Accounts of the Authority for 2009-10, unspent balances at the end of 31 March 2010 meant for development activities was ₹ 152.64 crore. About 60 to 72 *per cent* of available funds were not spent during the years 2006-11. Consequently, specific projects relating to construction of shopping complexes, fire stations, staff quarters, other infrastructure, etc. sanctioned during the years 2006-11 were either not taken up or where taken up, had not been completed.

Government stated (October 2011) that the ZDP is a tool and a statutory flexible document to guide the development of the area, and that, the actual development is based on necessity and demand over a period of time. It was further stated that the physical development *vis-à-vis* ZDPs would be based on the financial position of the Authority and Government policies from time to time and that at times these plans may need revision based on priorities and strategies for development. As such the achievements in each category of land use cannot be measured.

The reply is not acceptable, as it questions the basic premise and sanctity of preparing any plans. The ZDPs have been prepared after assessing the necessity and demand over a period of time. Hence, non-implementation of the envisaged projects, despite availability of funds year after year, indicates that the Authority was not really convinced about its own planning process or its prioritisation of projects.

Although planning was adequate, projects were not implemented effectively as envisaged in the Master Plan/ZDPs, defeating the purpose of their preparation.

9.5 Development Control

9.5.1 Approval of layouts

One of the important functions of the Authority is Development Control i.e., approval of building plans and layouts, approval for change of land use, inspection and regularisation of unauthorised constructions, etc. The performance of the Authority with regard to these aspects during the period 2006-11 is discussed below.

Government instructions of February 1980 require that while applying for permission to develop or change use of any land or building, under the provisions of the Act, every individual should pay the development charges at the prescribed rates to the Authority, or to the local authority, if powers have been delegated to the latter by the Authority under Section 56 of the Act. Audit scrutiny in this regard revealed:

- The Authority approved (June 2000) the provisional layout of 56.63 acres submitted by the Vijayawada Municipal Corporation (VMC) for providing housing sites for the latter's employees without collecting the development charges and without verifying the ownership documents. It released (December 2009) even the final layout without receiving the ownership documents from VMC. The Authority collected from VMC (December 2009) development charges amounting to ₹ 22.92 lakh only at the instance (October 2009) of the Government. The ownership documents had not been submitted by VMC as of October 2011 i.e. even after 11 years of approval of the provisional layout and the housing colony has not yet come up. Hence the reply of the Authority that layout had been approved provisionally on the assurance of VMC to submit ownership documents post facto has become irrelevant due to efflux of time.
- Saraswathi Vidya Peetam constructed (2007) an Engineering college at Nunna (Krishna district) by converting 10.30 acres of land earmarked for recreational facilities, without permission from the Authority/Government. Despite being aware of this violation of the sanctioned land use, the Authority neither took appropriate action to stop the unauthorised construction nor penalised the Vidya Peetam. The Authority had also not collected the conversion fee of ₹ 63.45 lakh payable by the Vidya Peetam as of October 2011. Government accepted the audit observation and stated (October 2011) that the Authority had collected the development charges to the extent of ₹ 19.41 lakh and that action was being taken to collect the balance amount from the institute.

9.5.2 Change of land use

During the five year period 2006-11, the Authority approved 173 cases of change of land use. In 10 out of 30 cases test checked (*Appendix-9.2*) on random basis, approvals for change of land use were given in violation of the provisions of the ZDPs and the Authority lacked transparency in giving the approvals.

The Authority approved, in January 2009, change of land use proposals made by Collector, Krishna district in the previous month (December 2008) for conversion of 129.99 acres of agricultural land in Gollapudi and Jakkampudi villages of the district for development of layouts (for industrial/commercial purposes) without awaiting Government concurrence

which was given post facto in June 2009. It neither collected requisite conversion charges (₹ 1.66 crore) nor the development charges (₹ 1.09 crore). The first attempt to recover these dues was made as late as October 2011 when a demand notice was sent to the concerned Revenue Divisional Officer. Apart from furnishing generalised response (October 2011), the Government did not specifically explain these departures from an established procedure.

9.5.3 Land Regularisation Scheme (LRS)

Government introduced LRS in December 2007 to regularise unauthorised layouts and plots. As per the Scheme guidelines, the Authority should scrutinise the applications for regularisation and communicate its approval or rejection to the applicants within six months from the date of their submission. During December 2007 to December 2010, the Authority received 11,730 applications for regularisation of unauthorised plots, out of which, 2,541 applications were approved and 310 applications were rejected leaving 8,879 applications yet to be considered. *Thus, the Authority could process only 24 per cent (2,851) of the applications and due to its inaction and inordinate delay in processing the applications, the LRS could not yield the desired results. That apart harassment caused to a large segment of applicants seeking such regularisations could not be ruled out.*

Under LRS, the Authority had been regularising unauthorised individual plots, where the plot holders came forward and paid the prescribed charges. The Authority did not, however, take parallel action with regard to the remaining unauthorised plots in the same layouts/locations, even though it was aware of their existence.

The Authority attributed (October 2011) the delay in disposal of applications to lack of manpower in the respective wings, and assured that action would be taken to dispose of the remaining applications expeditiously. The Authority further stated that penal action would be initiated against all the remaining unauthorised plot holders after completion of the process of scrutinising the pending LRS applications. The Principal Secretary stated (October 2011) that the Registration department would be requested not to register any unauthorised layouts and that the penal amounts collected from LRS would be utilised for development of the area.

The Government reply is an admission of its failure in enforcing bye-laws of the Authority and its lack of proactiveness in debottlenecking the work processes within. By choosing not to take stringent action against the encroachers/unauthorised plot holders, the Authority had encouraged virtually illegal encroachment of its land and its passivity in processing applications for regularisation discouraged potential applicants.

9.5.4 Building Penalisation Scheme (BPS)

Government introduced BPS in December 2007 to regularise unauthorised buildings and those constructed in deviation of the sanctioned plans. For regularisation of illegal constructions, a penalty equivalent to 33 per cent of various categories of fees and charges payable by the applicants for obtaining building permission were prescribed. In addition, regular fee and other charges as applicable was also payable in such cases. As per the scheme guidelines, the Authority was to complete the process of scrutinising the applications within six months. The deadline was extended from time to time and stretched

up to 31 December 2010. Despite this, out of 5,444 applications received for regularisation during December 2007 to July 2008, only 1,622 applications (30 *per cent*) were approved and 94 applications were rejected leaving 3,728 applications yet to be considered as of 31 December 2010.

The Authority attributed (April 2011) delay in clearance of applications to lack of response from applicants in paying the necessary regularisation fee installments and in obtaining requisite clearances from various authorities.

Audit of BPS also revealed lack of clarity to the following aspects of the scheme guidelines:

- It does not distinguish between the structures built in accordance with the norms laid down but without prior permission from the Authority, and those built in without prior permission as well as in violation of norms.
- The provision to regularise construction done beyond the permissible norms by imposing penalty, instead of demolishing those on account of likely danger to public safety was counter protective.
- The penalties stipulated by Government under BPS are not in accordance with the general principle that a penalty should not be less than the benefit derived from such deviation.

Principal Secretary stated (October 2011) in the exit conference that so as to discourage unauthorised constructions and make builders responsible for violations, the Government was considering issuing new BPS guidelines imposing penal charges up to 300 times.

9.5.5 Development charges

The Authority has been collecting (2009-11) certain development charges *viz.*, open space charges⁶ (₹ 0.70 crore) from plot holders in unauthorised layouts, drainage charges⁷ (₹ 1.29 crore) from private developers and environment impact fee⁸ (₹ 0.07 crore) from quarry owners. The Authority did not utilise the amounts so collected (₹ 2.06 crore during the period) for the intended purposes and instead parked them in short term deposits. Moreover, Government sanction for such levies as required under its bye-laws had not been obtained.

Government replied (October 2011) that the amounts would be utilised for development activities including preparation of comprehensive infrastructure plan for the region or to improve the drainage system wherever required.

Inadequate development controls resulted in the Authority not being able to achieve the desired discipline in its urban development strategy. Internal controls were weak with regard to approval of layouts, disposal of LRS and BPS applications, resulting in financial loss to the Authority and, above all, unplanned development of area under its jurisdiction.

⁶ to acquire land for development of lung space/park/greenery for ecological balance

⁷ for preparation of infrastructure plan for this region or to improve the drainage system

⁸ for development of greenery and infrastructure

9.6 Development of Townships

9.6.1 Acquisition of land for townships

The VGTM region is located at the head of Krishna delta and the lands in this region are fertile due to the availability of good irrigation system. Considering its locational advantage, the region has attracted several major industries/establishments⁹ and educational institutions. All these factors lead to increase in the population of the four cities of the region viz., Vijayawada, Guntur, Tenali and Mangalagiri. Consequently, there is a heavy demand for development of houses/apartments and satellite townships in the area.

One of the major functions of the Authority is to acquire and develop lands for townships that includes urban infrastructure. There was however, no perspective plan with the Authority for acquiring land for these purposes and it had neither established a land bank for future needs nor an independent database of lands it already possesses. Further, the Authority had not maintained any details regarding encroachment of its lands.

The Vice-Chairman, while accepting the audit findings, stated (October 2011) that all the proposals for acquisition of land were pending with the respective Collectors and these would be pursued.

To meet the demands of housing and reduce congestion in Guntur and Vijayawada cities, the Authority acquired (1986) 408.44 acres of land in Guntur district¹⁰ for establishing a township. However, of this only 64 per cent of the acquired land (259.93 acres) has been developed during the last 25 years. Even the land thus developed had not been fruitfully utilised for the intended purposes, as discussed at paragraphs 9.6.3 to 9.6.6. During the period 2006-11, the Authority had not acquired any land (except 1,068 sq yards for widening of roads) for development of townships or for independent housing projects.



Undeveloped land at Mangalagiri (20 April 2011)

9.6.2 Establishment of townships

The ZDPs lay down the space requirements for new residential areas along with minimum necessary amenities and services. There was no specific proposal for development of townships/mega housing projects in the ZDPs and the additional requirement of housing as estimated in the ZDPs was left to be developed by the owners of the land. During the 5 year period 2006-11, the Authority took up development of townships only in Guntur and Mangalagiri incurring a mere 2 per cent (₹ 1.59 crore) of ₹ 66.89 crore it realised from sale of plots, sites, etc. on establishment of townships. Consequently, none of the test checked township projects undertaken by it during 2006-11 had been completed as of October 2011.

⁹ AP Heavy Machinery and Engineering Limited, Railway Wagon Workshop, Vijayawada Thermal Power Station, Jawahar Autonagar, Cement Industries, AP Electronics Complex, etc.

¹⁰ in Mangalagiri Municipal limits and Nowluru village

In fact, in Tenali town, except Chenchupeta township, which was taken up 25 years ago, no development project what so ever, has been initiated by the Authority. Our observations on the townships developed by the Authority during the last five years are discussed below.

9.6.3 Singapore Model Township

The Authority entered into an agreement with a private developer¹¹ (July 2007) for development of a Singapore Model Township in Mangalagiri. A minimum guaranteed sum (MGS) of ₹ 92 crore was to be paid by the developer firm within two years from the date of agreement. Subsequently, due to increase in the land requirement for development of the township from 50 to 53 acres, the MGS was revised to ₹ 97.52 crore. The project was to be completed by July 2011.



Status of Singapore Model Township, Mangalagiri (20 April 2011)

As per the terms and conditions of the Expression of Interest (EOI) and Letter of Acceptance (LoA), 10 *per cent* of the MGS amounting to ₹ 9.75 crore was to be paid by the firm as performance security in the form of Bank Guarantee (BG). Against this the firm paid (March 2007) ₹ 9.20 crore before the Authority handed over to it the site (53 acres) in January 2008. As per the payment schedule the firm paid ₹ 41.80 crore (45 *per cent*) up to July 2008 towards MGS but expressed (February 2009) difficulty in paying the remaining instalments as also in taking up the project during the then prevailing economic recession.

State Government accepted the contention of the firm and directed (July 2010) the Authority to transfer the land proportionate to the payment already made by the firm. Accordingly, the Authority released the performance security and transferred (April 2011) to the firm the ownership of 22 acres of land proportionate to the amount of ₹ 41.80 crore already paid by the firm towards MGS.

As the private developer failed to honour its commitment to pay MGS in its totality and to develop the mega township, it was a material default and had significantly altered the fundamentals of the deal. The Authority should, therefore have terminated the agreement and forfeited the performance security. Instead, the firm was unduly favoured by transferring 22 acres of prime land at the old and below market rates of 2007, even though the agreement did not provide for it, whereas the objective of creating a model township for the benefit of public had remained unrealised.

The Government did not throw any light on the matter either in its reply or in the exit conference. The Authority merely replied during exit conference (October 2011) that it had merely complied with the Government decision taken (July 2010) in transferring the land to the developer firm.

¹¹M/s Arihant Indo-African Infra Developer and Builders Private Limited, Hyderabad, a Special Purpose Company

9.6.4 Mega Township at Ankireddipalem

The Authority entered into an agreement with a developer¹² in April 2008 for construction of a mega township at Ankireddipalem (Guntur district) comprising around 350 LIG¹³ and MIG¹⁴ houses to be built over in an area of 18,489 sq yards at an estimated cost of ₹ 23.89 crore. The transaction involved payment of ₹ 4.34 crore by the developer to the Authority towards cost of the land. The project was to commence within six months from the date of agreement or the date of handing over of vacant land, whichever was later, and was to be completed within 24 months thereafter. The bid price was to be paid in nine instalments within 24 months from the date of agreement. In addition, performance guarantee for an amount of ₹ 2.38 crore was also payable.

The project could not take off as envisaged because the developer not only delayed payment of land cost (₹ 4.34 crore) by 11 months (last instalment paid in March 2011) it did not even take over possession of land as of September 2011. Delay was attributed by the developer to the fact that the Authority while providing an approach road up to the project site had not ensured external infrastructure like water and electricity at the site. These amenities to be provided at low cost as per the decision (July 2010) of the VGTMUDA Board, were yet to be provided as of September 2011. Thus, Authority's inaction was largely responsible for delay in establishment of the township.

Government accepted the audit observation and stated (October 2011) that the developer had taken over the possession of the land in October 2011 and the township would be developed in another two years time.

9.6.5 Cricket Stadium

At the request of Andhra Cricket Association (ACA), the State Government permitted (April 2000) the Authority to allot 20 acres of land to ACA for constructing a Cricket Stadium at Amaravathi Township, Mangalagiri (Guntur district). The Authority assigned (July 2000) land to ACA at a price of ₹ 50,000 per acre.

As of October 2011, ACA had not commenced construction of the Stadium even though 11 years had elapsed after the allotment of the land. Reasons for not taking up construction of the stadium were neither available on record nor could be spelt out by the Authority.

While permitting the Authority to allot land to ACA, the State Government had stipulated that (i) it should not be utilised for any other purpose and that (ii) ACA should take up construction of the Stadium within one year and complete it within three years. The Authority failed to incorporate these conditions in the land transfer



¹² M/s Vensar Construction Company Limited, Hyderabad

¹³ Lower income group

¹⁴ Middle income group

deed. Authority was, therefore, not able to initiate any action against ACA despite its failure to take up construction or resume the land.

Despite its failure to get the stadium constructed, the Authority allotted (February 2010) another piece of 3.22 acres of land to ACA (adjacent to plot of land already allotted) for construction of pavilion at the South-East side of the proposed Cricket Stadium. The basic price of ₹ 800 per sq yard (₹ 38.72 lakh per acre) totaling ₹ 1.25 crore for the second plot of land was far below market value of ₹ 1.84 crore per acre, prevalent as of April 2007. At current rates, the value of land (20 acres) is ₹ 36.80 crore. As the land was not utilised by ACA for the intended purpose, the objective of development of Amaravathi township was also not achieved.

Government replied (October 2011) that further extension of time for three more years i.e. up to June 2014 had been accorded to ACA on the assurance that construction of cricket stadium would commence shortly, failing which, the land would be resumed by the Authority for development of other activities.

9.6.6 IT SEZ (Mangalagiri)

GoI permitted (June 2007) the Authority to set up an IT SEZ at an estimated cost of ₹ 880 crore with the stipulation to complete it within three years. The Authority issued 'Request for Proposals' (RFP) for the project in March 2008. A Letter of Acceptance (LoA) to a respondent private firm was issued in January 2009, i.e., after both bid validity period and performance guarantee had expired. The firm refused to extend the bid validity period and expressed its inability to take up the project due to the prevailing market condition. As the project was not implemented within the stipulated period of three years, the approval granted by GoI for setting up the SEZ became invalid as per the SEZ Rules. The anticipated benefits of the proposed SEZ such as large scale employment generation, overall development of the area and development of Tier-II cities like Vijayawada as envisaged in the State Government's IT policy could thus, not be derived.

In their reply (April 2011) while the Authority attributed the delay to its consultant APITCO, the Government stated (October 2011) that the project could not be taken up due to recession and lack of demand. For one, this dichotomy between the replies of the Authority and the Government reflects a clear difference of perception between two authorities who were committed to push further a major policy driven initiative.

The Authority could not formulate the projects diligently and implement them in an effective manner. It could not act decisively and swiftly in developing the projects envisaged in the Master Plan/ZDPs, resulting in a stalemate with regard to the construction of the township projects taken up by it.

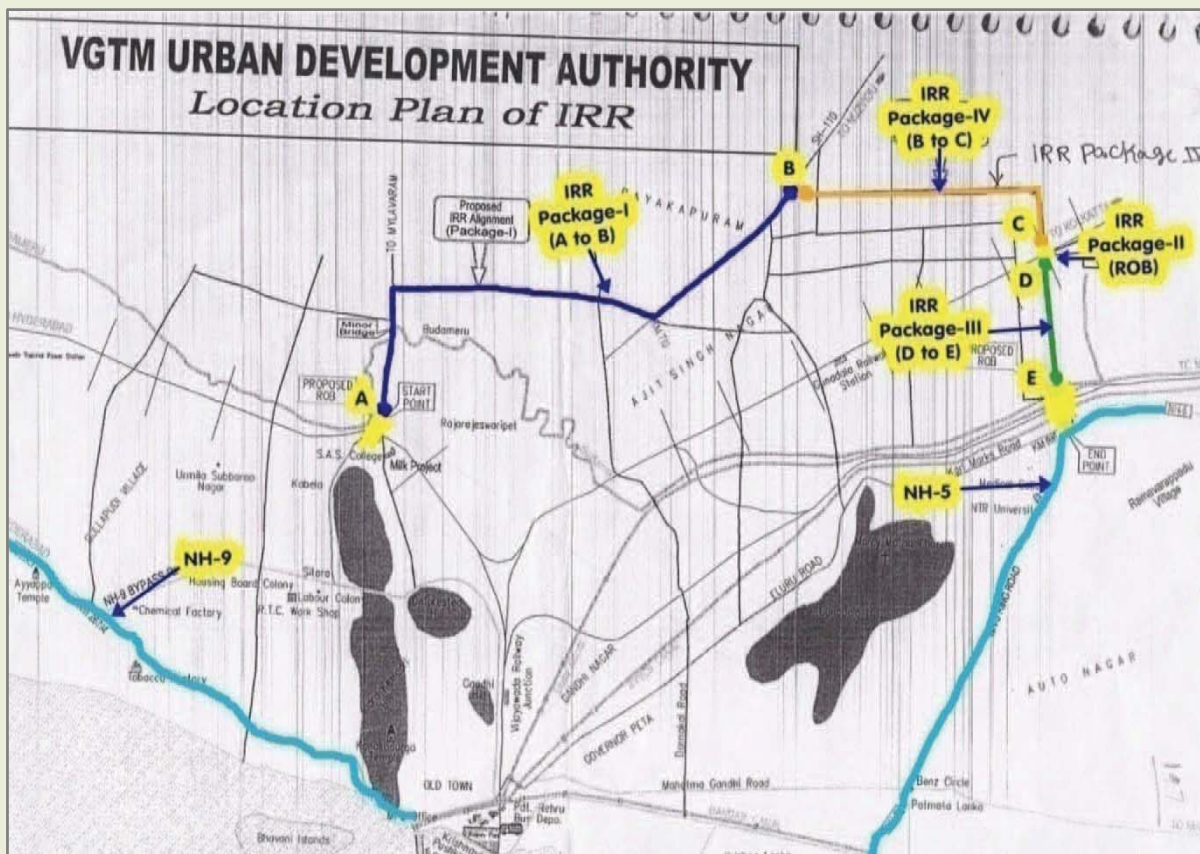
9.7 Infrastructure Development

The Authority is mandated to ensure basic amenities to townships developed by it up to the stage when these are handed over to the respective urban/rural local bodies. Therefore, development of infrastructure facilities including construction of flyovers, ring roads, bridges, widening of roads, etc. as per the ZDPs is one of the key functions of the Authority.

As per Section 27 of the Act read with Government directions (February 1996 and June 2007), the Urban Development Authorities should utilise 85 per cent of their income to implement the Master Plan viz., traffic improvement, construction of bridges, development of green belt and parks, etc. and the remaining 15 per cent on administration and other maintenance activities. During the 5-year period 2006-11, the Authority collected development charges towards layout/building plan approvals amounting to ₹ 42.94 crore. However, as against ₹ 36.50 crore (85 per cent) to be spent on development activities, only ₹ 11.93 crore (28 per cent) was utilised towards development. This is one of the important factors for the shortfall in achievement of targets envisaged in the Master Plan/ZDPs like construction of ring roads, flyovers and bridges, and provision of basic amenities to the townships developed at Vijayawada and Tenali. Infrastructure projects taken up by the Authority during the above period are discussed below.

9.7.1 Delayed execution of inner ring road at Vijayawada

The inner ring road project was conceived as a solution to the growing traffic congestion in fast expanding Vijayawada, especially at junctions of Prakasam Barrage and Indrakiladri Hill, which constitute an intersection area for NH-5 and NH-9 as these move through Vijayawada towards Chennai and Hyderabad respectively. The four packages in which the entire project was to be executed, however, did not include any works that would decongest traffic in the intersection area of the two National Highways. It would also not include any expansion of the existing road links between NH-5 and NH-9 through Vijayawada city as can be seen from the map below.



Location Plan of Inner Ring Road at Vijayawada

The total estimated cost of the project was ₹ 70.97 crore which as of October 2011 had escalated by ₹ 19.31 crore whereas all the packages were either in progress or virtually stalled for various reasons. The exact value of contracts awarded under each package, the status of work, the reasons for cost escalation, delays and the audit observations are mentioned in the table below.

| Details of Packages | Audit findings |
|---|--|
| <p>Package-I: Construction of flyover from Chainage 0.45 km to 3.90 km Contract value: ₹ 15.89 crore Contract agency: M/s Siddhartha Constructions, Visakhapatnam Date of entrustment of work: December 2008 Stipulated date of completion: November 2009 Expenditure incurred: ₹ 15.71 crore (June 2011) Status: Incomplete</p> | <p>The Authority failed to acquire land before entrusting the work. As of October 2011, the Authority was yet to acquire six strips of land necessary for completing construction of the road. Government replied (October 2011) that the land strips could not be acquired due to Court cases.</p> <p>The Authority was to provide linkage between NH-5 and NH-9 to reduce traffic congestion and fulfill the intended objective of forming the IRR to link these two highways. This was however, not done. This resulted not only in the expenditure of ₹ 15.71 crore already incurred becoming unfruitful, but also deprived the benefit of Central assistance (under JNNURM) to that extent for execution of IRR. Government replied (October 2011) that the work relating to providing connectivity between Package-I and NH-9 had since been taken up.</p> |
| <p>Package-II: Construction of Road Over Bridge (ROB) at km 435/33-35 Value of Deposit work: ₹ 26.76 crore Contract agency: South Central Railway, Secunderabad Status: Work not entrusted as yet</p> | <p>The work could not be entrusted because the Authority did not deposit ₹ 26.76 crore as required by the Railway authorities. Authority stated (April 2011) that the deposit could not be made due to paucity of funds.</p> <p>Government on the other hand replied (October 2011) that permission for construction of ROB had since been received from Railways and tenders were called (October 2011) for the work of “formation of approaches to the ROB”.</p> |
| <p>Package-III: (i) Construction of approaches to flyover at Railway km 6/6-7 on Vijayawada-Gudiwada section Contract value: ₹ 23.12 crore Contract agency: M/s R.S.V. Constructions, Hyderabad Date of entrustment of work: November 2010 Stipulated date of completion: 12 months. Status: Work in progress</p> | <p>There was a delay of 10 months in finalising the drawings and alignments. Work commenced only in October 2011.</p> |

ii) Construction of Road Over Bridge (ROB) at Railway km 46/6-7 between Madhuranagar - Ramavarappadu

Value of Deposit work: ₹ 7.45 crore

Contract agency: South Central Railway, Secunderabad

Date of entrustment of work: December 2009

Stipulated date of completion: Not available

Status: Work in progress

The Authority had no details of the status of work as it did not monitor its progress.

Government replied (October 2011) that the Authority would approach the Railways to obtain necessary reports.

Package-IV: Chainage 5.100 km to 7.940 km

Contract value: ₹ 15.55 crore

Contract agency: M/s Siddhartha Constructions Limited

Date of entrustment of work: February 2010

Stipulated date of completion: November 2010

Expenditure incurred: ₹ 12.28 crore (as of June 2011)

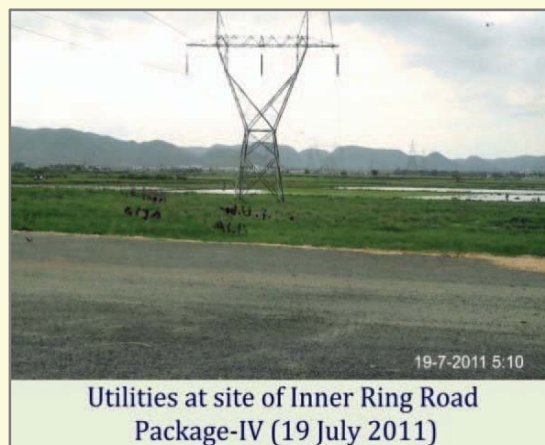
Status: Incomplete

Package-IV road work was independent and there was no link on either ends of the road. As shown in the above location plan of IRR, at one end, it is to be linked with Nuzvid road which was not done due to pending land acquisition of some stretches of land and demolition of some buildings. Unless this is done, there is no connectivity between Package-I & Package-IV.

As of October 2011, the Authority was yet to acquire a portion of land. There was also delay in shifting of electrical poles and lines by APCPDCL. Government replied (October 2011) that shifting of utilities can be done only after formation of embankment. It did not clarify why land was not acquired before entrustment of work to the contractor.



Inner Ring Road Package-IV at Vijayawada (19 July 2011)



Utilities at site of Inner Ring Road Package-IV (19 July 2011)

The Vice-Chairman accepted (October 2011) the delay in completion of IRR works and attributed it to paucity of funds. He further stated that efforts were being made to provide linkages to Package-IV road and that IRR would be operational in two years. Although GoI sanctioned 2nd and 3rd instalments in February 2011, the Authority, owing to delays in acquisition of land, had failed to ensure release of funds as of October 2011. The 4th instalment was yet to be sanctioned by GoI. The State Government's share of IRR project had also not been obtained.

Thus, failure of the Authority to ensure mobilisation of requisite funds, clear title/other clearances of land and finalisation of designs within time, led to cost (escalation by ₹19.31crore) and time overrun (15 months as of October 2011) in execution of the IRR project, depriving the envisaged benefits to the public at large.

9.7.2 Inadequate infrastructure facilities to townships

During the 5-year period 2006-11, the Authority did not pay adequate attention to provision of basic infrastructure in the townships set up by it earlier at Vijayawada, Tenali and Mangalagiri. Although the Board met and discussed the progress of ongoing projects/works in one meeting or the other during the review period, it failed to follow-up on these issues adequately. Infrastructure projects taken up by the Authority during the above period are discussed below.

9.7.2.1 Amaravathi township

To reduce the concentration of urbanisation of Guntur and Vijayawada cities, the Authority intended to develop Amaravathi township at Mangalagiri. Accordingly, it initially developed (in 1997) 1,327 plots carved out of 285.17 acres of land that was revised in 2000 to carve out larger number of residential plots. 907 plots were sold between 1997 and 2000. The remaining 420 plots had not been put to auction in the last 11 years due to lack of sufficient demand. In fact, as of October 2011, construction had not been started on any of the 907 plots already sold.



Status of Amaravathi township (20 April 2011)

We noted that after sale of plots in the township, the Authority had failed to provide even basic amenities such as drinking water, electricity, drainage, roads, etc. despite several requests by the Welfare Association of the plot holders.

The Vice-Chairman, while accepting the audit observations, stated (October 2011) that all the facilities would be provided once the plot holders construct houses and start residing there. Government also stated (October 2011) that the formation of BT roads was nearing completion. These replies, however, do not explain how in the absence of basic amenities plot holders could be persuaded to construct houses which alone might attract potential buyers of unsold plots.

9.7.2.2 Vijayawada Township

The Authority constructed 34 MIG and 150 LIG houses in Vijayawada during 1994. The owners of 108 MIG/LIG houses filed (1998 and 2007) two cases in State Consumer Forum claiming compensation for (a) defective construction of houses and (b) absence of basic amenities. The State Forum directed (October 2003 and June 2007) the Authority in these two cases to pay compensation to the house holders and to provide basic amenities in the township. While the Authority paid (March 2004) compensation (₹ 8.50 lakh) to 40 MIG/LIG

house holders in one case, it was yet to implement the State Forum's direction in the other case (2007). As of October 2011, the Authority had yet to provide the basic amenities like drainage system, overhead tank, BT roads, etc.

Government replied (October 2011) that construction of overhead tank is in progress and the basic infrastructure would be provided in a phased manner. It further stated that the Authority had deposited money with VMC for providing water supply and underground drainage facility and on completion of these, BT roads would be provided.

9.7.2.3 Chenchupeta Township

Chenchupeta township at Tenali was acquired, developed and sold by the Authority way back in 1982. However, the Authority did not provide even the basic infrastructure like pucca roads, drainage, water pipelines, overhead tanks, etc. The Tenali municipality on the other hand has been collecting property tax but since basic amenities have not been provided by the Authority, it did not take over the township.



Government replied (October 2011) that internal roads were provided and the township was handed over to the municipality. It further stated that the Authority had now taken up final phase of the works at an estimated cost of ₹ 2.92 crore.

Adequate infrastructure envisaged in the Master Plan/ZDPs was not developed by the Authority due to multiple reasons like non-acquisition of land, inability to provide basic amenities and convince the buyers to take up residence. Absence of basic amenities in the townships already set up has had the following impact:

- *Buyers were not taking up residence at new townships despite having acquired plots in them several years ago.*
- *Farmers were unhappy about losing their land without any substantial development as envisaged, as their agricultural lands (sugarcane/cotton growing farm lands) were taken away and kept barren/undeveloped.*

9.7.3 Truck Terminal not operationalised

Mention was earlier made in Paragraph 4.2.8 of C&AG's Audit Report for the year 2005-06 about the failure of the Authority to utilise the truck terminal constructed in January 2003 at a cost of ₹ 16.83 crore.

We further observed that the allottees¹⁵ had not occupied the units even as of October 2011. The truck owners were reluctant to shift to this terminal owing to additional costs involved in transportation of goods to various places of consumption. The efforts of the Authority to convince the allottees to occupy the truck terminal in coordination with the municipal and police authorities proved futile.

¹⁵ shops: 532, offices: 120, independent godowns: 91, plots: 65, row godowns: 24

Government replied (October 2011) that the Authority is taking the help of Police to restrict entry of heavy goods vehicles into Vijayawada city and simultaneously mobilising the truck operators to shift their activities to the truck terminal so as to make it operative.

The Authority should have assessed the feasibility of constructing the truck terminal and taken the concerned stakeholders into confidence well before selecting the site for setting up the facility. Failure to do so resulted in non-operationalisation of the terminal even after the lapse of over eight years. The objective of reducing traffic congestion thus remained unachieved.

9.8 Financial management

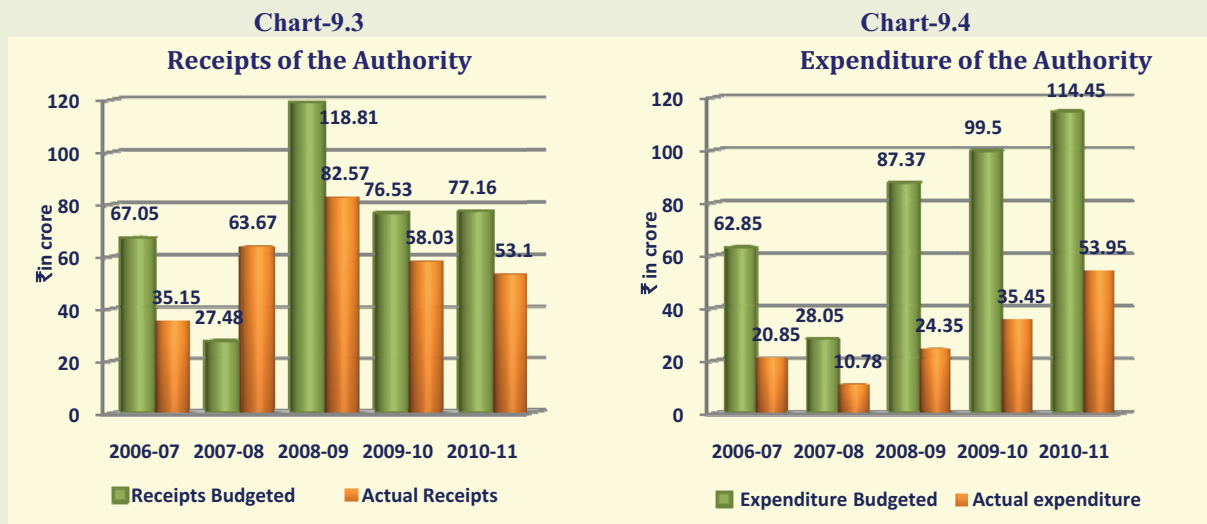
9.8.1 Budgetary process

The Authority's funds include its own revenue from collection of development charges, sale proceeds from disposal of developed plots and built-up houses, lease rentals, regularisation fee under Land Regularisation Scheme (LRS), Building Penalisation Scheme (BPS), etc. Funds/grants are also provided by GoI and the State Government for various developmental activities. Various receipts of the Authority during the years 2006-07 to 2010-11 are given in *Appendix-9.3*.

As per the delegation of powers issued (September 1986 and August 1991) by the State Government, the corporations/municipalities and gram panchayats (GPs) within the jurisdiction of the Authority are empowered to collect development charges for approval of building plans and remit the amount to the Authority. Further, 30 *per cent* of the penal amount collectable under BPS by the corporations/municipalities on behalf of the Authority, is also to be remitted to the Authority. Similarly, 50 *per cent* of the penal amount collected under BPS by the Authority in villages/GPs under its jurisdiction, has to be remitted to the respective GPs to be utilised for improvement of amenities in the respective GP area.

The Authority submits its annual budget to the Administrative Department along with proposals for various development activities and anticipated receipts. During the five year period 2006-11, the State Government released a grant of ₹ 7 lakh (₹ 5 lakh in 2006-07 and ₹ 2 lakh in 2007-08) to the Authority. In addition, the Authority received ₹ 13.06 crore for construction of Inner Ring Road at Vijayawada from the Central Government (₹ 9.28 crore) and State Government (₹ 3.71 crore).

Details of receipts and expenditure budgeted for by the Authority and approved by the Government *vis-à-vis* the actual receipts and expenditure during the five year period 2006-11 are given in Chart-9.3 and 9.4.



The Authority could not collect the anticipated receipts, nor could it utilise the funds budgeted for, in any of the years under review. While formulating the budgets, it was expected that revenue would accrue from sale of sites, plots, housing schemes, fees, development charges, etc. and expenditure would be incurred on land acquisition, sites and services, construction of shopping complexes, formation of inner ring road, deposit works, infrastructure, etc. However, since the Authority had not been able to sell its sites/plots or float housing schemes during this period, it could not collect the revenue projected in its budget.

The Authority stated (October 2011) that it could not undertake the development works during the last five years due to fund constraints and that, failure to shore up its revenue led to its inability to take up planned development works. The reply is not acceptable because while the Authority had realised substantially the budgeted receipts year to year, it could spend only a fraction of the funds at its disposal.

9.8.2 Preparation of Annual Accounts

In terms of the Act governing the Authority, the latter is required to prepare its annual accounts, get them certified by the Principal Accountant General¹⁶ and submit to the Government to be laid before both the Houses of the State Legislature.

The accounts for the years 2006-07, 2007-08, 2008-09 were presented to the State Legislature only during March 2011. Further, annual accounts for the years 2009-10 and 2010-11 have not been furnished to the Principal Accountant General for audit. Due to delay in preparation of annual accounts, the financial position of the Authority could not be ascertained and the possibility of irregularities, frauds, etc. remaining undetected cannot be ruled out.

The Vice-Chairman stated (October 2011) that compilation of annual accounts for the year 2010-11 was in progress and would be submitted to the Principal Accountant General in due course.

¹⁶ Entrusted under Section 20 of C&AG's (DPC) Act, 1971

9.8.3 Parking of funds in short-term deposits

Government instructed (October 2002) all the departments/undertakings/institutions to obtain proposals from at least three banks with regard to interest rates, so as to obtain the best interest rates. The instructions further stipulated that accounts should be maintained with not more than three banks. We observed that, during the period 2006-11, the Authority had been parking its funds (₹ 68.43 crore as of 31 March 2011) in several short-term deposits (number ranging from 57 to 247) at varying interest rates (ranging from 6 to 10 *per cent*) with over 20 banks.

Due to parking its funds in several short-term deposits with banks which offered lower interest rates, the Authority failed to derive maximum benefit from investment of its surplus funds and lost interest amounting to ₹ 5.18 crore (*Appendix-9.4*).

The Vice-Chairman, while accepting the audit observation, stated that the Authority has initiated steps to reduce the number of bank accounts and invest the surplus funds in banks which offer higher rates of interest. Government however stated (October 2011) that, the Authority is selecting the banks which offer good interest. The reply of the Government is not correct as we observed that surplus funds had been invested in banks which offered low interest rates resulting in losses to the Authority. Further, the Authority had not followed the prescribed procedure of obtaining proposals from at least three banks with regard to interest rates.

9.8.4 Lax control over remittance of development charges/fees by local bodies

As per Government instructions (September 1986), the municipalities are required to remit development charges collected on behalf of the Authority during a month, on the 1st of the succeeding month to the Authority. Vijayawada Municipal Corporation (VMC) has stopped remittance of the development charges collected by it to the Authority since 1997. The Authority does not have the details of the dues recoverable from VMC on this account beyond December 2009 by when the unremitted development charges had accumulated to ₹ 30 crore. Neither the Authority nor the Government could get the outstanding dues released from VMC as of October 2011.

Similarly, 30 *per cent* share of Building Penalisation Scheme (BPS) fees collected by the Urban Local Bodies (ULBs) in the region was not being remitted to the Authority. Since the Authority does not have the details of fees collected by the ULBs on account of BPS, we are unable to quantify the amount of loss to the Authority in this regard.

The Vice-Chairman admitted (October 2011) that the Authority had no details of amounts to be received from the municipal corporations and municipalities. The Principal Secretary stated (October 2011) in the exit conference that, since the local bodies were starved of funds, they would not like to remit moneys to the Authority and a mechanism would soon be evolved at the Government level to address these issues.

9.8.5 Unadjusted advances

State Financial Rules stipulate that, all advances including temporary, travelling and miscellaneous advances, should be adjusted in the accounts as soon as possible and not be left unadjusted beyond closure of the financial year. However, advances amounting to ₹ 5.38 crore¹⁷ sanctioned by the Authority during 1991-2010 had remained unadjusted as of October 2011.

9.8.6 Record maintenance

The Authority had not maintained important control registers such as cashbook, land register and asset register properly. The register of valuables was in fact, not maintained. Consequently, the details relating to cheques/demand drafts issued and received were not verifiable. As per Rules 10 and 11 of Andhra Pradesh Treasury Code, cash book is to be closed regularly and at the end of each month. Further, closing balances are to be brought forward.

Maintenance of cash book by the Authority was irregular and deficient during the five year period 2006-11. While the cash book was being closed every month, opening and closing balances were not being reflected in it. Transactions were posted on the date of writing the cash book instead of on the date of their occurrence. Further, the receipts of challans/DDs were posted in the cash book as lump sum figures. There were delays ranging up to 60 days in depositing the DDs in banks, causing loss of interest to the Authority. Non-maintenance of important control registers and irregular manner of recording cash transactions is fraught with serious risk of fraud and misappropriation that must be addressed urgently.

Government assured (October 2011) that steps would be taken to maintain the cash book and other registers in proper format with immediate effect.

9.8.7 Internal Audit

The Urban Areas (Development) Act does not provide for Internal Audit of the Authority. In the absence of Internal Audit, the management cannot derive assurance that the rules and procedures are being complied with by various wings.

Government assured (October 2011) that necessary instructions would be issued for establishing an internal audit cell in consultation with Finance Department.

On the whole, financial management of the Authority was ineffective as it could not realise its legitimate share of funds/fees from the ULBs, especially Vijayawada Municipal Corporation nor utilise the available funds towards development projects. The Authority also could not derive maximum benefit from investment of its surplus funds. Internal control over financial transactions, essential book keeping and compliance with financial reporting obligations were significantly neglected areas, needing urgent attention and remedial action.

¹⁷ Land acquisition (₹ 2.86 crore); Urban Forestry wing (₹ 0.36 crore); Amaravathi Township (₹ 0.32 crore); Tekkalapadu Park (₹ 0.05 crore); Truck Terminal (₹ 0.15 crore); Krishna Pushkarams (₹ 0.05 crore); Payakapuram Scheme (₹ 0.04 lakh); Staff members (₹ 0.11 crore) and General purposes (₹ 1.48 crore)

9.9 Monitoring

9.9.1 Management Information System

The Authority has not instituted any Management Information System. It has an Estate Management Officer, to monitor the progress of various projects and submit the status to the Board at periodical intervals. While the Board has been regularly discussing the progress of various projects individually, there is no evidence of monitoring on its part, of the either follow up action in removing constraints on account of lack of investment, infrastructure, etc. in individual projects or in regard to removal of general constraints hampering its functioning. This could partly be attributed to the absence of a full time Chairman for over four years from September 2007 till date.

Government replied (October 2011) that the process of establishing MIS is under progress. It also stated that automation of Planning wing had been completed and website updated.

9.10 Conclusion

The Authority, which was established for planned development of the VGTM area and to improve the quality of life of its inhabitants, could not achieve its objectives to a very large extent. Sectoral developments proposed in Master Plan/Zonal Development Plans were not implemented, as the Authority did not prioritise its activities and coordinate effectively with the related departments/agencies (including local bodies) for their successful and timely completion. While the Authority contended that it had not received adequate funding for development projects, during the five year period 2006-11 it had utilised only a fraction of the funds already at its disposal. Consequently, none of the townships/ projects taken up by the Authority could be completed.

The Authority had not assessed its requirement of land for various infrastructure and other development related works nor drawn up any specific plan in this regard. There was no perspective plan with the Authority for acquiring land for development purposes and no land was acquired by it during the five year period 2006-11. Approvals for change of land use were given in violation of Master Plan/ZDPs, vitiating the sanctity of the approved plans. Contract management in the few projects taken up was ineffective and led to financial loss to the Authority. The Authority did not also pay adequate attention to provision of basic amenities in the already established townships. Financial management was poor and record maintenance was abysmal. Internal controls were inadequate and lax especially in cash book maintenance, collection of fees/development charges, disposal of applications for land regularisation and building penalisation schemes, accountal of demand drafts, etc.

9.11 Recommendations

- The Authority should establish effective coordination with all the departments/agencies concerned to achieve the targets envisaged in the Master Plan/Zonal Development Plans. Sanctity of the Master Plan/Zonal Development Plans should be ensured.

- Agreements should be devised in such a manner as to safeguard the interests of the entity, especially where entrustment of mega township/satellite township/housing colonies under PPP mode are involved.
- The Authority should take immediate steps to provide adequate infrastructure to the already established townships to ensure development of the region.
- Government should ensure optimal utilisation of funds for development projects, proper investment of surplus funds, proper maintenance of records and timely finalisation of accounts by the Authority by instituting adequate internal controls. Immediate steps should also be taken to establish Internal Audit in the Authority.
- The Authority should put in place a proper Management Information System to obtain feedback on follow up of the decisions taken in the Board meetings.