



**Report of the
Comptroller and Auditor General of India
on
Local Bodies
for the year ended 31 March 2016**



Government of Andhra Pradesh
Report No. 1 of 2017

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Table of Contents

	Reference to	
	Paragraph	Page
<i>Preface</i>		v
<i>Overview</i>		
About this Report	1	vii
Significant Audit findings	2	vii

Part - A

Chapter I An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions

An overview of the Functioning of the Panchayat Raj Institutions (PRIs) in the State

Introduction	1.1	1
Organisational set-up of PRIs	1.2	2
Functioning of PRIs	1.3	2
Formation of various committees	1.4	3
Audit arrangement	1.5	3
Response to Audit Observations	1.6	4

Accountability Mechanism

Ombudsman	1.7	5
Social Audit	1.8	5
Submission of Utilisation Certificates (UCs)	1.9	6
Internal Audit and Internal Control System of PRIs	1.10	6

Financial Reporting Issues

Sources of Funds	1.11	7
Recommendations of the State Finance Commission (SFC)	1.12	9
Recommendations of the Central Finance Commission	1.13	9
Maintenance of Records	1.14	10
Maintenance of Accounts by PRIs	1.15	12
Issues related to AC/DC bills	1.16	12

	Reference to	
	Paragraph	Page
Maintenance of database and the formats therein on the finances of PRIs	1.17	12
Conclusion	1.18	13

Chapter II Compliance Audit Paragraphs

<i>Panchayat Raj and Rural Development Department Information Technology Audit on implementation of e-Panchayat in Andhra Pradesh</i>	2.1	15
<i>Follow up report on Implementation of Rural Water Supply Schemes</i>	2.2	27
<i>Irregular payment towards hiring of vehicles</i>	2.3	37

Part - B

Chapter III An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues on Urban Local Bodies

An overview of the Functioning of the Urban Local Bodies (ULBs) in the State

Introduction	3.1	39
Organisational set-up of ULBs	3.2	40
Functioning of ULBs	3.3	40
Formation of various committees	3.4	41
Audit arrangement	3.5	41
Response to audit observations	3.6	42

Accountability Mechanism

Ombudsman	3.7	43
Social Audit	3.8	43
Property Tax Board	3.9	43
Service Level Benchmark	3.10	43
Fire hazard response	3.11	43
Submission of Utilisation Certificates (UCs)	3.12	44

	Reference to	
	Paragraph	Page
Internal Audit and Internal Control system of ULBs	3.13	44

Financial Reporting Issues

Sources of Funds	3.14	44
Recommendations of the State Finance Commission (SFC)	3.15	46
Recommendations of the Central Finance Commission	3.16	46
Maintenance of Records	3.17	47
Maintenance of Accounts by ULBs	3.18	48
Maintenance of Database and the formats therein on the finances of ULBs	3.19	48
Conclusion	3.20	48

Chapter IV Performance Audit

Municipal Administration and Urban Development Department

Water Supply in Urban Local Bodies

4

51

Chapter V Compliance Audit Paragraphs

Municipal Administration and Urban Development Department

Sewerage and Underground Drainage in Urban Areas

5.1

75

Infructuous expenditure of ₹53.30 lakh

5.2

83

Short levy/assessment and collection of Building Penalisation charges

5.3

84

Appendices

Appendix No.	Subject	Reference to	
		Paragraph	Page
1.1	Statement showing district wise and department wise devolution of funds to PRIs during 2015-16	1.3	87
2.1	Brief of Panchayat Enterprise Suite applications	2.1.3.1	88
2.2	Misclassification of vouchers in PRIASoft	2.1.5.12	89
2.3	Status of incomplete projects as of September 2016	2.2.4	93
4.1	Statement showing the gap between demand and supply of water in test-checked ULBs	4.9.1	93
4.2	Statement showing the frequency of tests prescribed and actually conducted in test-checked ULBs	4.10.1	94
5.1	Statement showing the funds released and expenditure incurred towards implementation of Underground Drainage works in test-checked ULBs	5.1.5	95
5.2	Statement showing the short assessment of Building Penalisation Charges	5.3	97
	<i>Glossary of abbreviations</i>		99

Preface

This Report for the year ended March 2016 has been prepared for submission to the Governor of Andhra Pradesh under the CAG's DPC Act, 1971.

The Report contains significant results of the audit of the Panchayat Raj Institutions and Urban Local Bodies in the State including departments concerned.

The issues noticed in the course of test audit for the period 2015-16 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

The audit has been conducted in conformity with Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

1 About this Report

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

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

2 Significant Audit findings

This Audit Report includes results of one performance audit and six compliance audit paragraphs of PRIs and ULBs. Draft performance audit and compliance audit paragraphs were forwarded to Government and replies wherever received have been duly incorporated in the Report. Significant audit findings relating to their audits are discussed below.

2.1 Performance audit on Water Supply in Urban Local Bodies

Water is a natural resource essential for human existence. Lack of safe drinking water affects the health and wellbeing of the public. The objective of water supply system is to ensure supply of safe and adequate quantity of water at reasonable cost to the user. The responsibility for supply of potable water to urban population rests with the Urban Local bodies (ULBs). Out of 108¹ ULBs in the State, 13² were selected for detailed scrutiny based on lowest lpcd (litres per capita per day) in each stratum³. The following significant observations were made in the Performance Audit of Water Supply in Urban Local Bodies:

- *State Government was yet to frame policy/guidelines based on National Water Policy 2012 as per local requirement. Water Regulatory Authority was yet to be established for uniformity in operations and pricing for supply of water.*

(Paragraphs 4.5.1 and 4.5.2)

- *ULBs had not accorded due importance to construction of rain water harvesting structures for conservation of ground water. No action was initiated by the ULBs for rejuvenation or recharging of sub-surface water.*

(Paragraph 4.6.3)

¹ Two Nagar Panchayats formed on or after 2012 were not considered for sampling

² Dhone (Kurnool district), Guntakal (Anantapuramu), Gudur (SPSR Nellore), Markapur (Prakasam), Nandigama (Krishna), Narsipatnam (Visakhapatnam), Pedana (Krishna), Piduguralla (Guntur), Pithapuram (East Godavari), Salur (Vizianagaram), Tirupati (Chittoor), Vijayawada (Krishna) and Vizianagaram (Vizianagaram)

³ Stratum I (<= 70 lpcd), Stratum II (>70 and <=135) and Stratum III (>135)

- *Water Treatment Plants were not available in six⁴ test-checked ULBs where sub-surface water was the source.*

(Paragraph 4.7.1)

- *Water supply distribution network was inadequate. In the 10⁵ test-checked ULBs there was shortfall in coverage of pipeline network ranging from 7 per cent to 92 per cent, when compared with internal road length.*

(Paragraph 4.7.3)

- *Flow meters were not installed at source/treatment plant/distribution zones in eight⁶ test-checked ULBs.*

(Paragraph 4.7.4)

- *In seven⁷ test-checked ULBs, there was a gap between demand and supply ranging from 27 per cent to 80 per cent. The periodicity of water supply ranged from twice in a day to once in five days.*

(Paragraphs 4.9.1 and 4.9.2)

- *There was shortfall (78 per cent) in House Service Connections in eight test-checked ULBs. Water meters were not installed in seven⁸ test-checked ULBs. In the remaining six⁹ ULBs, water connections were metered to the extent of six per cent¹⁰ only.*

(Paragraphs 4.9.3 and 4.9.5)

- *ULBs (except Tirupati and Vijayawada) did not install their own laboratories. As such, there was shortfall in coverage of tests of water samples to confirm the quality of water. The Surveillance agencies, required to identify and evaluate factors posing health risk related to drinking water supplied and pinpoint the risk areas and give advice for remedial action to ULBs, were not formed in any of the test checked ULBs.*

(Paragraphs 4.10.1 and 4.10.2)

- *In five¹¹ test-checked ULBs, preventive maintenance was not being carried out and there was no action plan for regular maintenance schedule. There was inadequacy in staffing pattern for operation and maintenance of water works.*

(Paragraphs 4.11.1 and 4.11.3)

⁴ Nandigama, Narsipatnam, Piduguralla, Pithapuram, Salur and Vizianagaram

⁵ Dhone (12), Guntakal (92), Markapur (75), Nandigama (90), Narsipatnam (83), Pedana (61), Pithapuram (34), Salur (7), Tirupati (10) and Vizianagaram (57)

⁶ Dhone, Guntakal, Narsipatnam, Piduguralla, Pithapuram, Salur, Tirupati and Vizianagaram

⁷ Gudur, Guntakal, Markapur, Narsipatnam, Piduguralla, Salur and Vizianagaram

⁸ Dhone, Markapur, Nandigama, Narsipatnam, Pedana, Piduguralla and Salur

⁹ Guntakal, Gudur, Pithapuram, Tirupati, Vijayawada and Vizianagaram

¹⁰ 10,741 connections out of 1,82,702 connections

¹¹ Gudur, Narsipatnam, Pithapuram, Salur and Vizianagaram

- *In nine¹² test-checked ULBs, the expenditure on operation and maintenance for water supply arrangements was much higher than the revenue. In six¹³ ULBs, tariff fixed during the period 1998-2012 was not revised. In Guntakal, Markapur and Tirupati ULBs, the gap was acute even after revision of tariff during 2014-2015.*

(Paragraph 4.12.1)

- *Water audit to assess the total quantity of water produced and distributed was not conducted in any of the test-checked ULBs.*

(Paragraph 4.14.3)

2.2 Compliance Audit Paragraphs

2.2.1 Information Technology Audit on implementation of e-Panchayat in Andhra Pradesh

e-Panchayat is one of the Mission Mode Projects (MMP) under National e-Governance Plan (NeGP), being implemented with a vision to empower and transform rural India and make Government services accessible to the common man in his locality i.e., at Panchayat level. The e-Panchayat project aims to transform the Panchayat Raj Institutions (PRIs) into symbols of modernity, transparency and efficiency. Three districts with the highest number of clusters¹⁴ and one district with the lowest number of clusters were selected in audit. A total of 20 clusters (five clusters per district) were selected as audit sample to represent 7,164 clusters (12,920 GPs) in the State.

The main objective of e-Panchayat project to automate the internal workflow processes of panchayats could not be achieved even after three years of implementation of the project. Due to non-implementation of Service Plus application, delivery of services to the citizens could not be provided at the GPs. The aim of improving the governance of local self-government institutions could not be achieved due to non-closure of annual accounts and non-updating of the activities at the PRIs. Non-provision of systems with internet facilities at many PRIs resulted in poor implementation of the project. Overall, the objective of promoting transparency and peoples' participation in planning, implementation and decision making could not be achieved.

(Paragraph 2.1)

¹² Dhone, Gudur, Guntakal, Markapur, Piduguralla, Pedana, Pithapuram, Tirupati and Vizianagaram

¹³ Dhone (2012), Gudur (2001), Pedana (1998), Pithapuram (2011), Salur (2007) and Vizianagaram (1999)

¹⁴ Two or more GPs are grouped into clusters for implementation of e-Panchayat where data entry/ updating relating to the GPs are being made

2.2.2 Follow up audit on 'Implementation of Rural Water Supply Schemes'

Follow-up audit (2016) of Implementation of Rural Water Supply Schemes was conducted to determine whether necessary corrective action has been taken on recommendations made in the Performance Audit Report of Implementation of Rural Water Supply Schemes featured in Comptroller and Auditor General's Audit Report (General & Social Sector)¹⁵ for the year ended March 2012.

While some relevant aspects of the recommendations were seen to have been addressed, there were certain shortfalls in acting upon the recommendations made in audit. Of the five recommendations, four recommendations were partially implemented and one recommendation was not implemented as yet. Participation of PRIs was not ensured in preparation of Annual Action Plans. Adequate emphasis was not placed towards minimising the number of No Safe Sources (NSSs). Monitoring was not effective in implementation of schemes as the incomplete schemes commented in earlier report were yet to be commissioned. Gap in State matching share was not adequately addressed. Testing of samples did not cover all the water sources.

(Paragraph 2.2)

2.2.3 Sewerage and Underground Drainage works in Urban Areas

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was one of the flagship programmes launched¹⁶ by Government of India (GoI) to support various infrastructural development projects including sanitation and sewerage. Audit conducted detailed scrutiny of implementation of 10 Sewerage and Underground Drainage (UGD) projects.

Audit observed shortcomings in the planning and implementation of the project. City sanitation plan was not prepared by the ULBs. There was shortfall in release of funds by GoI and State Government. ULBs were overburdened with escalation in cost due to improper survey on the requirement of sewerage network and delay in completion of projects. One contract was terminated without revalidating bank guarantees. There was shortfall in conducting hydraulic pressure tests on the pipes already laid. Quality control checks were not addressed.

(Paragraph 5.1)

2.2.4 Irregular payment towards hiring of vehicles

State Government permitted (April 2014) the Drawing and Disbursing Officers (DDOs) to draw funds through Abstract Contingent bills for incurring expenditure during the fourth ordinary elections to Mandal Parishad Territory Constituencies (MPTC) / Zilla Parishad Territory Constituencies (ZPTC), 2014. Failure to comply

¹⁵ Chapter 5 of the Report

¹⁶ December 2005 with a mission period of seven years 2005-12 extended up to 2014

with codal provisions and Government Orders in ensuring the correctness of Detailed Contingent bills led to possible misappropriation of ₹63.38 lakh in seven¹⁷ districts.

(Paragraph 2.3)

2.2.5 Infertuous expenditure of ₹53.30 lakh

Failure of the department to ensure availability of funds before commencement of the construction of shopping cum office complex in municipal office compound in Narasaraopet resulted in infertuous expenditure of ₹53.30 lakh.

(Paragraph 5.2)

2.2.6 Short levy/assessment and collection of Building Penalisation charges

Incorrect application of rates on Penalisation Charges for un-authorised constructions/deviations by Narasaraopet Municipality resulted in loss of revenue of ₹49.65 lakh.

(Paragraph 5.3)

¹⁷ Kurnool, Prakasam, SPSR Nellore, Srikakulam, Vizianagaram, West Godavari and YSR

Part - A
Panchayat Raj Institutions

Chapter – I

**An Overview of the Functioning, Accountability
Mechanism and Financial Reporting issues of
Panchayat Raj Institutions**

Chapter I

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayat Raj Institutions

An Overview of the Functioning of the Panchayat Raj Institutions (PRIs) in the State

1.1 Introduction

Government of India (GoI) enacted (1992) 73rd amendment to the Constitution to empower Panchayat Raj Institutions (PRIs) as local self-governing institutions to ensure a more participative governing structure in the country. GoI further entrusted to the PRIs the implementation of various socio-economic development schemes including those enumerated in the Eleventh Schedule to the Constitution, to the PRIs.

The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as institutions of self-governance and implement schemes for economic development and social justice.

Accordingly, State Government had enacted Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system viz., Gram Panchayat (GP), Mandal Praja Parishad (MPP) and Zilla Praja Parishad (ZPP) at Village, Mandal and District levels, respectively.

1.1.1 State profile

As per the 2011 census, the total population of the 13 districts of Andhra Pradesh State was 4.96 crore, of which 3.50 crore (71 per cent) lived in rural areas. A profile of rural Andhra Pradesh is given below:

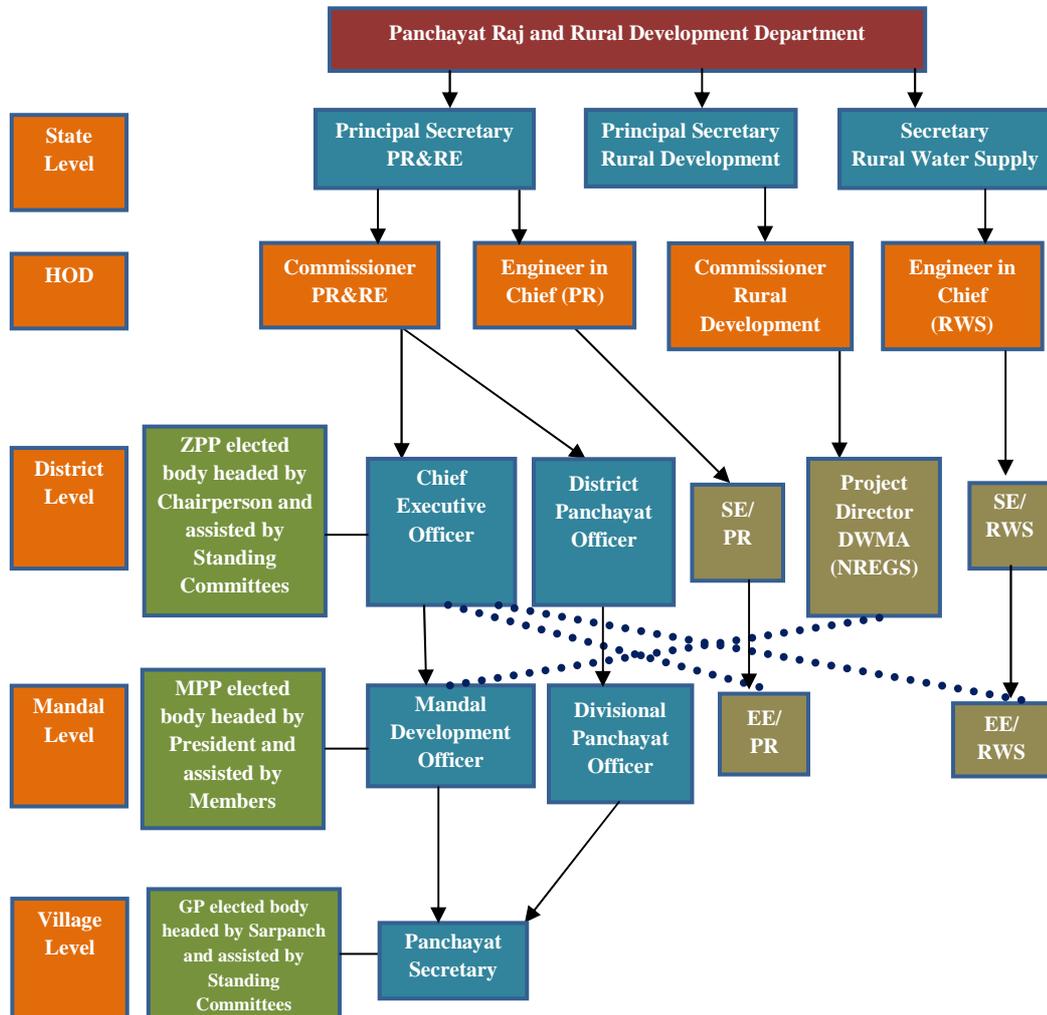
Table 1.1

Sl. No.	Indicator	Unit	State
1.	Rural population	Crore	3.50
2.	Rural population density	Sq. Km	224
3.	Rural sex ratio	Females per 1000 Males	994
4.	Rural literacy rate	Percentage	62.37
5.	Zilla Praja Parishads	Number	13
6.	Mandal Praja Parishads	Number	660
7.	Gram Panchayats	Number	12,920
Total number of PRIs (5+6+7)			13,593

Source: Information furnished (September 2016) by Commissioner, Panchayat Raj and Rural Development (CPR&RD) and 'Andhra Pradesh at a Glance' published (January 2016) by State Government

1.2 Organisational set-up of PRIs

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



Dotted lines represent partial supervision

The PRIs are under the administrative control of the Commissioner, Panchayat Raj and Rural Employment (CPR&RE). The elected members of ZPP, MPP and GP are headed by Chairperson, President and Sarpanch, respectively. They convene and preside over the meetings of standing committees and General Body. The executive authorities of ZPP, MPP and GP are Chief Executive Officer, Mandal Parishad Development Officer and Panchayat Secretary, respectively. They hold the executive powers for the purpose of carrying out the provisions of the APPR Act, 1994.

1.3 Functioning of PRIs

The Eleventh Schedule, to 73rd Constitutional Amendment Act, 1992, had listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government

devolved 10¹ functions to PRIs and, thereafter, no functions were devolved. Funds relating to devolved functions are being released to PRIs through the line departments concerned. As per the information furnished (December 2016) by Commissioner, Panchayat Raj and Rural Development, six line departments had released funds amounting to ₹70.14 crore to PRIs during 2015-16, of which, only an amount of ₹4.83 crore were expended (*Appendix-1.1*).

1.4 Formation of various committees

As per the provisions of APPR Act, 1994 various committees are constituted at ZPP, MPP and GP level along with District Planning Committee (DPC). At ZPP level, seven² standing committees are to be constituted to monitor the progress of implementation of works and schemes related to subjects assigned to them. In every MPP and GP, there shall be functional committees to monitor the progress of implementation of works and schemes. During 2015-16, scrutiny of the records of 28 PRIs showed that in respect of 12³ PRIs, functional committees were not constituted.

The State is empowered to constitute a District Planning Committee (DPC) at district level. The DPC is to ensure that each Panchayat in the district prepares a development plan for the financial year, which is to be consolidated into the District Development Plan and submitted to the Government for incorporation into the State plan. However, the department (October 2016) did not furnish the details regarding formation of DPCs.

1.5 Audit arrangement

1.5.1 Primary Auditor

Director, State Audit (DSA), functioning under the administrative control of Finance Department, is the statutory auditor for PRIs under Andhra Pradesh State Audit Act, 1989. As per Section 11(2) of the Act, DSA is required to prepare a Consolidated State Audit and Review Report and present it to the State Legislature. The DSA has four Regional Offices and 13 District offices in Andhra Pradesh State. As per Section 10 of the Act, DSA is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of local authorities or other authorities and such amounts are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act.

¹ (i) Agriculture and Agriculture Extension (ii) Animal Husbandry, Dairy and Poultry (iii) Fisheries (iv) Health and Sanitation (v) Education, including Primary, Secondary and Adult Education and non-formal education (vi) Drinking Water (vii) Poverty Alleviation Programme (viii) Women and Child Development (ix) Social Welfare, including Welfare of the Handicapped and Mentally retarded (x) Welfare of the Weaker sections and in particular of the Scheduled Castes and Scheduled Tribes

² (i) Planning and Finance (ii) Rural Development (iii) Agriculture (iv) Education and Medical Service (v) Women Welfare (vi) Social Welfare and (vii) Works

³ Four GPs of SPSR Nellore, three GPs of Anantapuramu, four GPs of YSR and one GP of Krishna district.

As per the information furnished (June 2016) by DSA, audit of one ZPP, three MPPs and 115 GPs were in arrears. DSA attributed (June 2016) delay in audit of accounts to non-production of records by GPs and MPPs. As of March 2016, 66,463⁴ Surcharge Certificates for ₹86.93 crore were issued. No amounts were recovered during the year 2015-16.

DSA submitted Consolidated State Audit and Review Reports up to the year 2011-12 to the Finance department and the Government tabled (March 2016) the Report in the State Legislature. DSA stated (June 2016) that Consolidation of Reports for the years 2012-13, 2013-14 and 2014-15 were under progress. Some of the major findings observed in 2011-12 report related to excess utilisation/non-utilisation/diversion/mis-utilisation of grants, non-collection of dues, advances pending adjustments etc.

1.5.2 Audit by Comptroller and Auditor General of India (CAG)

CAG has conducted audit of PRIs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, State Government had entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies to the CAG under Section 20(1) of CAG's (DPC) Act.

Based on test-check of PRIs, a consolidated report (TGS Note) is prepared at the end of each financial year and forwarded to the DSA for improving the quality of their reports. TGS note for the year 2015-16 was issued in July 2016.

Planning and conduct of audit

Audit process commences with assessment of the risks of departments/local bodies/schemes/programmes etc., based on expenditure incurred, criticality/complexity of activities, priority accorded to the activity by Government, level of delegated financial powers and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit is decided and an annual audit plan is formulated to conduct audit. During 2015-16, 28 PRIs (four ZPPs, four MPPs and 20 GPs), falling under the department of Panchayat Raj and Rural Development, were subjected to compliance audit.

Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2015 was tabled in the State Legislature in March 2016.

1.6 Response to Audit Observations

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to Head of the unit concerned. Heads of offices and next higher authorities are required to respond to the observations contained in IRs within one month and take appropriate corrective action. Audit observations communicated in IRs are also

⁴ Upto 2014-15 66,432 cases pending recovery of surcharge of ₹86.82 crore and during 2015-16, 31 cases pending recovery of surcharge of ₹0.11 crore

discussed in meetings at district level by officers of the departments with officers of Principal Accountant General’s office.

As of March 2016, 216 IRs containing 1,421 paragraphs pertaining to the period up to 2015-16 were pending settlement, as given below. Of these, even first replies have not been received in respect of 24 IRs and 369 paragraphs.

Table 1.2

Year	Number of IRs /Paragraphs		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2014-15	208	1,266	17	228
2015-16	8	155	7	141
Total	216	1,421	24	369

Lack of action on IRs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports remaining unaddressed.

Accountability Mechanism and Financial Reporting Issues

Accountability Mechanism

1.7 Ombudsman

Establishment of an independent Local Body Ombudsman System is one of the conditions to be complied with to have access to the performance grants recommended by Thirteenth Finance Commission (2011-15). CPR&RD stated (September 2016) that the Ombudsman system was not adopted. Though independent Local Body Ombudsman system was not adopted in the state, the State government complied with this condition by making amendments to the existing AP Lokayukta Act 1983 by bringing the elected representatives as well as the staff of Local Bodies into the purview of the Act for getting grants from the GoI.

1.8 Social Audit

Social audit involves verification of implementation of programmes/schemes and delivery of the envisaged results by the community with active involvement of primary stakeholders. Social Audit is widely accepted as an important mechanism to address corruption and strengthen accountability in government service delivery. The State Government had initiated social audits in 2006 through the Strategic Performance Innovation Unit (SPIU) to undertake social audit of implementation of Food for Work Programme in the State on a pilot basis. In May 2009, State Government created an independent autonomous body called the Society for Social Audit, Accountability and Transparency (SSAAT) to carry out social audits of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and other anti-poverty/welfare programmes of the Department of Rural Development.

Post bifurcation of the State of Andhra Pradesh into Telangana and Andhra Pradesh with effect from 2 June 2014, the existing Society has been retained for Telangana and a new Society was registered under the Registrar of Societies Act, 2001 for Andhra Pradesh.

- i. As per Section 3(1) of Scheme Rules, State Government should facilitate conduct of Social Audit of the works taken up under the Act in every Gram Panchayat at least once in six months, i.e., twice a year, and the Social Auditors are required to audit 100 *per cent* check of muster rolls and work site. During the year 2015-16, SSAAT had facilitated 13,642 Social Audits in respect of 12,920 GPs in the state. However, only 970 GPs (seven *per cent*) were covered twice a year. SSAAT attributed (December 2016) the shortfall in coverage of audit to delay in furnishing records, postponement of public hearings, dearth of resource persons etc.
- ii. As per State Social Audit Rules, the District Vigilance Cell is responsible to take follow up action on the social audit observations immediately (within three days) on conclusion of the mandal social audit public hearing. During the year 2015-16, SSAAT found deviations amounting to ₹146.31 crore, of which ₹84.78 crore were accepted by the Presiding Officers⁵. An amount of ₹0.21 crore was recovered as part of Social Audit i.e., before conduct of public hearing.

1.9 Submission of Utilisation Certificates (UCs)

Scheme guidelines of Centrally Sponsored Schemes (CSS) and Central Finance Commissions (CFCs) stipulate that UCs should be obtained by departmental officers from the grantees and after verification should be forwarded to GoI. Scrutiny of records of 28 PRIs during 2015-16 showed that in respect of six⁶ PRIs, UCs amounting to ₹4.04 crore for the period (2012-15) were yet to be furnished as of March 2016.

1.10 Internal Audit and Internal Control System of PRIs

As per Andhra Pradesh Panchayat Raj Officers, Delegation of Powers Rules, 2000 the Commissioner shall inspect all ZPPs once in calendar year and submit copies of Inspection Notes for review by the Government. As regards GPs, Section 44(2)(a)(b) of Andhra Pradesh Panchayat Raj (APPR) Act, 1994 stipulates that Government should appoint District Panchayat Officers, Divisional Panchayat Officers and Extension Officers as Inspecting Officers for overseeing the operations of Gram Panchayats (GPs). Information regarding conduct of internal audit of the ZPPs/MPPs/GPs was not furnished by CPR&RD (September 2016).

⁵ District Programme Officer nominates a senior officer not less than the rank of the Additional District Programme Coordinator for presiding over the public hearing.

⁶ Two GPs of SPSR Nellore district, two GPs of Anantapuramu district, one GP of YSR district, one GP of West Godavari district

Scrutiny of records of 20 GPs during 2015-16 showed that in respect of three⁷ GPs, inspections were not conducted (2010-15) by any of the above authorities. While no inspection reports were found in support of inspections stated to have been conducted by the authorities concerned in 10⁸ GPs, out of four⁹ MPPs audited during 2015-16, inspection was not conducted in Paderu. Similarly, out of four¹⁰ ZPPs audited during 2015-16 it was seen that inspection was conducted only in Srikakulam.

Financial Reporting Issues

1.11 Sources of funds

Resource base of PRIs consists of own revenue generated by collection of tax¹¹ and non-tax¹² revenues, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts¹³. The authorities responsible for reporting the use of funds in respect of Zilla Praja Parishads (ZPPs), Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs) are the Chief Executive Officers (CEOs), Mandal Parishad Development Officers (MPDOs) and Panchayat Secretaries, respectively.

Summary of receipts of PRIs for the years 2011-16 is given below. Receipts for the period 2011-14 pertain to the composite State of Andhra Pradesh whereas the receipts from 2014-16 pertain to the State of Andhra Pradesh.

Table 1.3

(₹ in crore)

Sl. No.	Receipts	2011-12	2012-13	2013-14	2014-15	2015-16\$
1	Own Revenue	1,009.24	976.50	736.50	306.31*	18.88@
2	Assigned Revenue ¹⁴	344.02	154.36	457.24	1,137.12#	343.76@
3	State Government Grants	1,185.85	343.97	350.59	136.78	103.48@@
4	GoI Grants	2,342.19	1,201.03	1,330.86	21.86	376.36@@
5	Other Receipts	331.68	84.18	Nil	NA**	320.44^
	Total	5,212.98	2,760.04	2,875.19	1,602.07	1,162.92

Source: Commissioner, Panchayat Raj

* Data pertain to 12 ZPPs, MPPs of 9 districts and GPs of 13 districts

Data pertain to 11 ZPPs, MPPs of 8 districts and GPs of 13 districts

** Data not made available

\$ Data pertain to 10 districts

@ Eight ZPPs, five MPPs and one GP

@@ Seven ZPPs, four MPPs and one GP

^ Six ZPPs, four MPPs and one GP

⁷ Two GPs of SPSR Nellore district, one GP of YSR district

⁸ Four GPs of Anantapuramu district, two GPs of YSR district, two GPs of West Godavari district, one GP each in Krishna and SPSR Nellore districts

⁹ Kaikalur, Ibrahimpatnam, Pakala and Paderu

¹⁰ West Godavari, SPSR Nellore, Srikakulam and Kurnool

¹¹ Property tax, advertisement fee, etc.

¹² Water tax, rents from markets, shops and other properties, auction proceeds etc.

¹³ Donations, interest on deposits etc.

¹⁴ Seignorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to Local Bodies in the form of assigned revenue

1.11.1 Financial assistance to PRIs

Financial assistance is provided by State Government to PRIs by way of grants and loans. Details of the financial assistance provided by the Government to PRIs for the years 2011-14 pertaining to the composite State and for 2014-16 pertaining to the State of Andhra Pradesh, are given below:

Table 1.4

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16
Budget	302.75	329.27	328.89	214.68	128.45
Actual Release	151.31	158.10	164.57	106.39	128.45
Expenditure	96.87	98.20	114.85	116.04	NA

Source: Commissioner, Panchayat Raj

NA Data not made available to audit

1.11.2 Fund flow arrangement in flagship programmes

Details of fund flow with regard to flagship programmes of GoI are given below:

Name of scheme	Fund flow
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	<p>The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) was enacted (September 2005) and implemented in a phased manner. The Act aims at enhancement of livelihood security of the households in rural areas of the country, by providing at least 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. Creation of durable assets is also an important objective of the Act, with other auxiliary objectives including protection of environment, empowering rural women, reducing rural urban migration, fostering social equity, and strengthening rural governance through decentralization and processes of transparency and accountability.</p> <p>The funds received from GoI and State Government are pooled in State Employment Guarantee Fund (SEGF). The fund flow is monitored through Central Fund Management System (CFMS). Share of both State and Central are kept with the nodal bank at Hyderabad. The respective designated drawing officers are required to raise the Fund Transfer Orders (FTOs) directly to the Director, EGS as and when wages/payments are due. During 2015-16 ₹4,167.85 crore was released by GoI and State Government (including Opening balance and Miscellaneous Receipts), of which ₹3,976.69 crore was incurred as expenditure. On scrutiny (July 2015) of records of Commissioner, Rural Development, it was observed that</p> <ol style="list-style-type: none"> As per MGNREGS operational guidelines, a maximum of six <i>per cent</i> can be utilised towards administrative expenses over and above the wage and material expenses during the financial year. Administrative expenditure during the period 2011-16 was ₹166.29 crore. These expenses exceeded the prescribed limit by ₹48.90 crore, as worked out during the years 2011-16. CRD stated (July 2015) that efforts were being made to curtail additional expenditure over and above the prescribed limits. There was a delay in payment of wages amounting to ₹531.83 crore in respect of 99,21,760 wage seekers during 2010-16. Reasons were

attributed to non-opening of bank accounts due to non-seeding of Aadhar numbers.

Though the department claimed that an amount of ₹14.92 crore in respect of 1,02,360 wage seekers was in suspense account, the fact remained that an amount of ₹26.19 crore in respect of 2,90,079 wage seekers was left undisbursed as of 9 December 2016.

1.11.3 Application of Funds

Summary of expenditure incurred by PRIs for the years 2011-14 pertain to the composite state of Andhra Pradesh and 2014-16 pertain to the residuary state of Andhra Pradesh:

Table 1.5

(₹ in crore)

Type of Expenditure	2011-12	2012-13	2013-14	2014-15	2015-16**
Revenue	2,968.66	1,405.50	3,562.39	1,021.72*	3,000.03
Capital	1,464.15	1,033.47	1,756.98	700.27#	448.72
Total	4,432.81	2,438.97	5,319.37	1,721.99	3,448.75

* Data pertain to only 12 ZPPs, MPPs of 9 districts and GPs of Krishna district

Data pertain to only 11 ZPPs, MPPs of 7 districts and GPs of Krishna district

** Data pertain to ten districts

1.12 Recommendations of State Finance Commission (SFC)

As per Article 243-I of the Constitution and Section 235 of APPR Act, 1994, constitution of SFC once in five years to recommend devolution of funds from the State Government to Local bodies is mandatory. State Government did not constitute SFC after Third SFC (2003). As no State Finance Commission was appointed, the Committee of Ministers and Secretaries felt that recommendations of Third Finance Commission could be applied for the period from 2010 to 2015 also. Fourth SFC was constituted in January 2015 and report was not submitted as of October 2016. During 2010-15, State Government released ₹214.34 crore to PRIs of Andhra Pradesh State under SFC grants and for the year 2015-16 State Government released ₹175 crore. However details of expenditure incurred during the above period was not furnished by the department.

Scrutiny of records (2015-16) of four¹⁵ GPs pertaining to SFC grants showed that an amount of ₹9.63 lakh had lapsed to Government as funds were not utilised in time.

1.13 Recommendations of the Central Finance Commission (CFC)

1.13.1 Thirteenth Finance Commission

Based on the recommendations of Thirteenth Finance Commission, GoI had released

¹⁵ One GP each in Krishna, SPSR Nellore, YSR and Anantapuramu districts

funds to ZPPs, MPPs and GPs. The grant was released under two components (basic component and performance based component). A portion of basic as well as performance grant was allocated to special areas¹⁶. Allocation and releases for the years 2010-14 pertained to the composite state of Andhra Pradesh and for the years 2014-15 pertained to the residuary state of Andhra Pradesh as given below:

Table 1.6

(₹ in crore)

13th CFC	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Allocation	486.64	834.77	1,179.62	1,357.06	828.10	4,686.19
Releases	486.64	307.65	0	1,585.57	1,744.40	4,124.26

Source: Ministry of Rural Development, GoI

Details of expenditure and UCs submitted as of March 2016 were not furnished by the department on specific request. However, on scrutiny of the records of two¹⁷ PRIs, it was seen that an amount of ₹3.69 crore remained unspent during the period from 2011-12 to 2015-16.

1.13.2 Fourteenth Finance Commission

The Fourteenth Finance Commission (FFC) has recommended assured transfers to the local bodies for planning and delivering basic services including water supply, sanitation including septic management, sewage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street lighting, burial and cremation grounds and any other services smoothly and effectively within the functions assigned to them under relevant legislation. Grants are released under two components i.e., Basic grant and Performance grant. The division of grants between Basic and Performance Grant is in the ratio of 90:10.

Commissioner PR stated (October 2016) that against an allocation of ₹934.34 crore, GoI had released ₹928.41 crore during 2015-16. Details of expenditure incurred were not furnished by the department (September 2016).

1.14 Maintenance of records

Records such as Cash book, Assets Register, Advance Register, Stock Registers, etc., are to be maintained as per the provisions of APPR Act, 1994 in respect of ZPPs and MPPs and for GPs as per GP Accounts Manual of Panchayat Raj and Rural Development Department. Scrutiny of records of 28 PRIs showed improper maintenance of cash books in six¹⁸ PRIs and non-maintenance of stock registers in two¹⁹ PRIs.

¹⁶ Schedule areas listed under Schedule-V of Constitution

¹⁷ One GP of SPSR Nellore and one GP of Krishna district

¹⁸ One GP of West Godavari district, one GP of SPSR Nellore, one GP of Krishna District, one GP of Anantapuramu, MPP of Ibrahimpatnam and ZPP of Srikakulam

¹⁹ One GP of West Godavari district and one GP of SPSR Nellore district

1.14.1 Physical verification of stores and stock

Article 143 of Andhra Pradesh Financial Code (APFC) stipulates that all stores and stock should be verified physically once a year and a certificate to this effect be recorded by the Head of the Office in the Register concerned. On Scrutiny of records of 28 PRIs during 2015-16, it was seen that in respect of nine²⁰ PRIs, annual physical verification of stores and stock was not conducted.

1.14.2 Reconciliation of balances as per cash book with Bank pass book

As per paragraph 19.6 of Andhra Pradesh Budget Manual, DDOs are required to reconcile departmental receipts and expenditure figures with those booked in treasury every month to avoid any misclassification and fraudulent drawals. Scrutiny of records of 28 PRIs during 2015-16 showed that in respect of eight²¹ PRIs, reconciliation was pending from 2014-15 onwards.

1.14.3 Non-crediting of interest component to project account

Scrutiny of records of RWS&S Division²², Eluru showed that an amount of interest of ₹0.56 crore was accrued on ₹2.70 crore sanctioned for project works under sustainability component of NRDWP²³. This interest amount was not remitted to project account but retained with the jurisdictional District Collector. This resulted in NRDWP sustaining loss of interest of ₹0.56 crore.

1.14.4 Cases of misappropriation

Andhra Pradesh Financial Code stipulates responsibilities of Government servants in dealing with Government money, the procedure for fixing responsibility for any loss sustained by Government and the action to be initiated for recovery. State Government had ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned. Misappropriation cases noticed by Director, State Audit, which were yet to be disposed of, as of March 2016 are detailed below.

²⁰ Three GPs of SPSR Nellore, three GPs of YSR, two GPs of Anantapuramu and one GP of West Godavari

²¹ One GP of SPSR Nellore district, one GP of West Godavari, one GP of YSR district, one GP of Anantapuramu district, ZPPs of SPSR Nellore & Srikakulam and MPPs of Paderu and Kaikaluru

²² Rural Water Supply and Sanitation

²³ National Rural Drinking Water Programme

Table 1.7

(₹ in lakhs)

Unit	Up to 2015		2015-16	
	No. of cases	Amount	No. of cases	Amount
Zilla Praja Parishads	144	692.92	2	0.35
Mandal Praja Parishads	755	186.72	59	83.49
Gram Panchayats	5,567	2,561.43	1,290	299.58
Total	6,466	3,441.07	1,351	383.42

Source: Information furnished by Director, State Audit

Urgent action needs to be taken by the Government in this regard.

1.15 Maintenance of Accounts by PRIs

PRIs maintain accounts on cash basis. A Model Accounting System was prescribed by GoI in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft (Panchayat Raj Institutions Accounting Software) developed by National Informatics Centre (NIC). Government stated (October 2016) that online accounts through PRIA software for the year 2015-16 were under process.

1.16 Issues related to AC/DC Bills

As per Government Orders and AP Financial Code, Drawing and Disbursing Officers (DDOs) are accountable for submission of Detailed Contingent (DC) bills for the amount drawn on Abstract Contingent (AC) bills within three months from the date of drawing the amount. While incurring expenditure from Government account, head of the office should strictly adhere to the principles laid down under the standards of financial propriety. Government servant who incurs contingent expenditure should ensure that best possible value shall be received for the money spent.

As per the information available in the office of Accountant General (Accounts and Entitlements), an amount of ₹2.5 lakh was drawn on AC bills by PRIs in the State during 2015-16. DC bills were pending for the entire amount as of December 2016.

1.17 Maintenance of database and the formats therein on the finances of PRIs

Commissioner of Panchayat Raj, Andhra Pradesh stated (October 2016) that during the period 2012-14 State Government had received an amount of ₹2.25 crore from Central Government for the maintenance of database on finances of PRIs. Out of this amount, ₹0.71 crore was released to District Project Monitoring Units for maintenance of the data base. However, the status of implementation of data base formats by the PRIs as prescribed by the Manual of Panchayat Raj, was not forthcoming from the State Government as on October 2016.

1.18 Conclusion

State Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs. State Government has devolved 10 out of 29 subjects listed in Eleventh Schedule to 73rd Constitutional Amendment Act, 1992. The statutory audit of one ZPP, three MPPs and 115 GPs to be conducted by DSA as of 31 March 2016 were in arrears due to non-production of records.

The accountability framework and financial reporting in PRIs were inadequate as can be seen from the findings relating to non-recovery of amounts towards deviations found in social audit, non-conducting of inspections of ZPPs and GPs by departmental authorities, non-maintenance of cash books and stock registers, non-furnishing of utilisation certificates, non-reconciliation of departmental figures with treasury, etc.

Chapter - II
Compliance Audit Paragraphs

Panchayat Raj and Rural Development Department

2.1 Information Technology Audit on implementation of e-Panchayat in Andhra Pradesh

2.1.1 Introduction

e-Panchayat is one of the Mission Mode Projects (MMP) under National e-Governance Plan (NeGP), being implemented with a vision to empower and transform rural India and make Government services accessible to the common man in his locality *i.e.*, at Panchayat level. The e-Panchayat project aims to transform the Panchayat Raj Institutions (PRIs) into symbols of modernity, transparency and efficiency.

2.1.2 Objectives of e-Panchayat

The broad objectives of e-Panchayat project as set out by the Ministry of Panchayat Raj (MoPR) are as follows:

- (i) Automation of internal workflow processes of Panchayats;
- (ii) Improving delivery of services to citizens;
- (iii) Capacity building of Panchayat Representatives and Officials;
- (iv) Social Audit;
- (v) Transparency, Accountability, Efficiency and RTI compliance of Panchayats and
- (vi) Improving governance of local self-government.

2.1.3 System Architecture

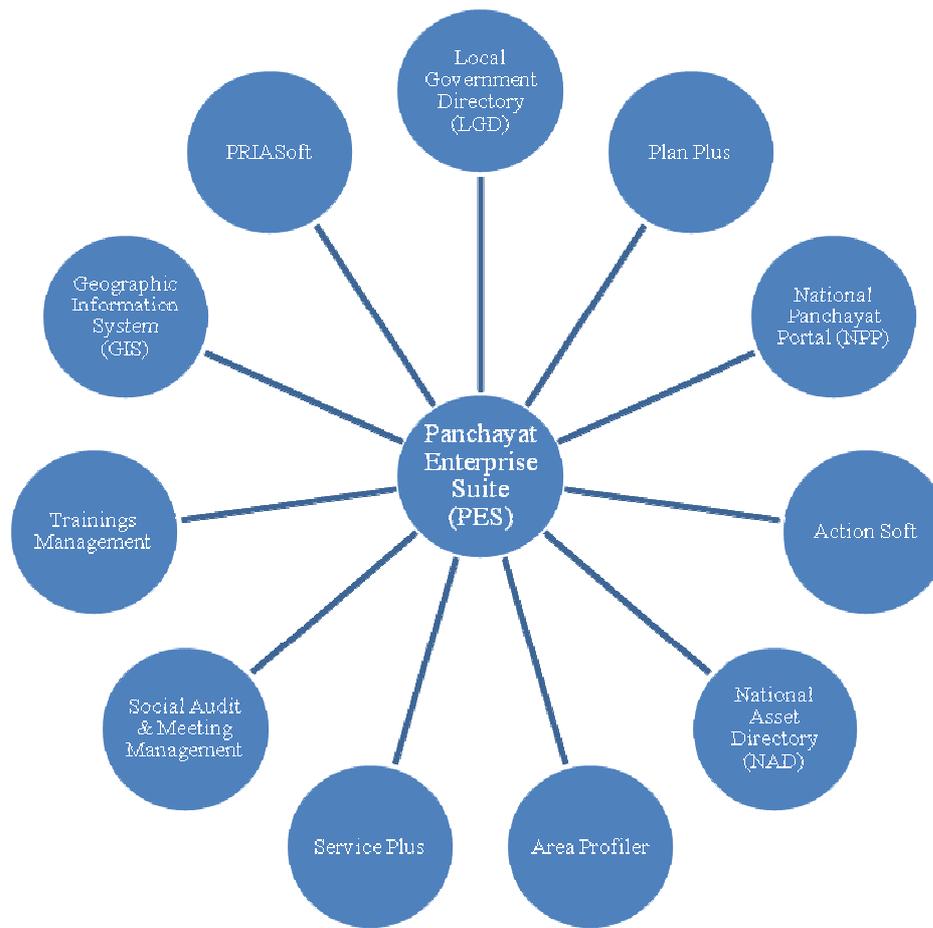
The e-Panchayat Application, which is used by all the States, is developed by National Informatics Centre (NIC), New Delhi. It is a browser-based application with Oracle-PostgreSQL database, developed for Microsoft Windows Operating System. The centralized database and backups for disaster recovery is being maintained by NIC, New Delhi.

2.1.3.1 Salient features of the system

e-Panchayat is a one of its kind nation-wide Information Technology initiative introduced by MoPR that endeavors to ensure people's participation in programme decision making, implementation and delivery. The project aims to automate functioning of the Panchayats in the country. The project addresses all aspects of Panchayats' functioning including Planning, Monitoring, Programme Implementation, Budgeting, Accounting, Social Audit and Delivery of Citizen Services like issue of certificates, licenses etc.

e-Panchayat comprises 11 common core applications which constitute the *Panchayat Enterprise Suite* (PES). Brief details of the applications are given in *Appendix-2.1*.

Figure-1



2.1.4 Audit Approach

2.1.4.1 Audit Objectives

The objectives of carrying out IT audit of e-Panchayat are to assess whether:

- (i) automation of internal workflow processes of local self-government institutions was achieved;
- (ii) capacity building was adequate to ensure effective and efficient implementation of the system; delivery of services to citizens and governance of local self-government institutions were improved; and
- (iii) general and application controls, disaster recovery and business continuity plans were in place and functioning effectively.

2.1.4.2 Scope and Methodology of Audit

Audit scope involved examination of the processes related to implementation of e-Panchayat project and its operationalization in Andhra Pradesh after its formation from composite Andhra Pradesh with effect from 2 June 2014. Audit scope included evaluation of general controls of the system at sampled Gram Panchayat clusters¹.

¹ Two or more GPs are grouped into clusters for implementation of e-Panchayat where data entry/ updating relating to the GPs are being made

Application controls were evaluated through analysis of transaction data using Computer Assisted Audit Techniques (CAATs). Entry conference with the department was conducted on 15 March 2016.

2.1.4.3 Sample size

The records at the Office of the Commissioner, Panchayat Raj and Rural Development, Government of Andhra Pradesh were examined and data was collected for audit. Further, the extent of implementation of e-Panchayat was verified through a review of the functioning of the system in four districts² in the state of Andhra Pradesh. Three districts with the highest number of clusters and one district with the lowest number of clusters were selected. A total of 20 clusters (five clusters per district) were selected as audit sample to represent 7,164 clusters (12,920 GPs) in the State.

2.1.4.4 Audit Criteria

Audit findings were benchmarked against the following sources of criteria:

- i) Government orders (both Union and State) related to project conceptualization, implementation and operationalization.
- ii) Functional requirements and technical specifications of the system as stipulated in detailed project report.
- iii) Files/records maintained by the State Government for implementation of the project.
- iv) Constitution of different committees and their recommendations for implementation/monitoring of various applications of the system.
- v) Principles of Model Accounting System for Panchayats.
- vi) Guidelines of Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA).

2.1.5 Audit findings

2.1.5.1 Slow implementation and insufficient monitoring of the project

Government of India (GoI), Ministry of Panchayat Raj, for effective and timely rollout of e-Panchayat project, had sanctioned funds (March 2012)³ for setting up Programme Management Unit (PMU) at the State and District levels. APTS had recommended a L1 firm⁴ for supply of manpower for PMU and it was constituted at the State level during September 2012. Manpower for PMUs at district level was selected by a committee headed by District Collectors which were constituted during August 2012. GoI had launched six new applications on the occasion of National Panchayat Day during April 2012 and instructed to facilitate the adoption of PES applications so as to help transform PRIs into symbols of modernity, transparency and efficiency.

² Chittoor, East Godavari, Guntur and YSR

³ ₹1.72 crore for combined State of Andhra Pradesh

⁴ M/s. Object Technology Solutions India Pvt. Ltd.

The department initiated the process of procuring hardware infrastructure during July 2013 and an agreement was entered into with a firm during January 2014. The hardware was supplied and installed during May 2014 and the project was declared go-live with effect from 16 July 2014.

- Even though the project management units at State and District level were constituted during 2012, there was delay in procurement of hardware and launching the project by more than two years.
- Trained manpower was deployed in the identified cluster GPs for one year. However, the progress in use of PES applications (launched during April 2012) was still not significant which was elaborated in the succeeding paragraphs.
- Department requested (January 2015) the Centre for Innovation in Public System, Hyderabad (CIPS)⁵ to submit a detailed proposals for setting up mechanism to monitor effective implementation of the project in the State. Based on the proposals received from CIPS, a memorandum of understanding (January 2015) was entered into with the organisation for monitoring day-to-day activities uploaded in the GPs, sensitizing various functionaries of PRIs about the existing and new applications and to ensure updating data in seven PES applications etc. The agreement was for a period of six months (19 January - 19 July 2015) with a total cost of ₹24 lakh (₹4 lakh per month). The work was taken up by the organization from January 2015 onwards; however, no significant progress on updating of all the applications was noticed.
- The PES comprises about 11 applications dealing with different functions related to computerization of PRIs. It was observed that each application had to be logged in with separate credentials for updating/accessing the data/information. A common interface with a single sign-on facility is more helpful for the PRIs to update data and for management to monitor all the activities being performed at ground level.

2.1.5.2 Applications not implemented

e-Panchayat comprises 11 common core applications which constitute Panchayat Enterprise Suite (PES) as mentioned earlier in *Section 2.1.3.1*.

During the scrutiny of records, it was seen that only eight out of eleven core applications were implemented. Geographical Information System (GIS) application was under development, while the remaining applications, such as Social Audit & Meeting Management (SAMM) and Training Management had not been implemented on the grounds mentioned below:

Social Audit & Meeting Management (SAMM): State Government informed that social audit was not yet implemented manually at Gram Panchayats, hence the application was not being put to use. Due to non-undertaking of social audits on the

⁵ CIPS - an organisation funded by Government of India.

works undertaken by the GPs, the information could not be updated on the portal and hence a fair assessment about the performance by the Central/State Government/line departments could not be obtained.

Training Management Portal: It was informed that this application was not being implemented as trainings were being handled by Extension Training Centres (ETCs). Due to non-implementation of the application at the State level, there was no platform for Government officials/elected representatives/citizens to project their needs of training in different panchayat activities.

2.1.5.3 Applications partially implemented

It was seen that four applications were not being utilized/updated periodically and therefore, a broad overview of the activities of the GP could not be obtained as discussed below:

Area Profiler: It was observed that complete information of the family register, Government employees, committee members, local government elections, local government profile was not entered by the GPs as shown below, thereby defeating the intended purpose of the application.

Table-2.1

(all figures in number of GPs)

Year	Total GPs	Family register	Details of Local Government employees	Committee members	Local Government elections	Local Government profile
2014-15	12,920	121 (0.94 per cent)	4,746 (36.73 per cent)	2 (0.02 per cent)	4,540 (35.14 per cent)	3,420 (26.47 per cent)
2015-16	12,920	313 (2.42 per cent)	920 (7.12 per cent)	106 (0.82 per cent)	527 (4.08 per cent)	1,070 (8.28 per cent)

Source: Data analysis

It could be seen from the above table that most of the GPs had not updated the tables on family register, details of local government employees, committee members, local government elections and local government profile.

Plan Plus: It was seen that the department was not utilizing the application to generate the perspective/annual draft plans every year. No GP plans were available for the year 2014-15. However, during the years 2015-16 and 2016-17, plans pertaining to 24 and 315 GPs only were available in Plan Plus application, defeating the very purpose of monitoring every GP plan at the central level.

Action Soft: This application was also not being put to use regularly as it was linked to Plan Plus application. Data pertaining to the 163 GPs during 2014-15 (1.26 per cent) and 24 GPs during 2015-16 (0.19 per cent) only were updated, resulting in non-monitoring of the works (physical and financial) undertaken at the GP level.

National Asset Directory (NAD): Data pertaining to only 6,276 GPs in 2014-15 (48.58 per cent) and 2,766 GPs in 2015-16 (21.41 per cent) were captured/ updated

through this application, defeating the purpose of monitoring all the assets available in the GPs by the department. It was also seen that in 1,013 GPs (2014-15) and 503 GPs (2015-16), only the details pertaining to less than 10 assets were recorded, which showed that the data was not being updated regularly in this application.

2.1.5.4 Citizen services at GP level in non-computerized form

Service Plus provides a single, unified, metadata-based portal to the citizen and Government alike where any service can be defined, accessed, delivered and monitored. Services like issues of birth/ death certificate, trade license, permit for construction of building etc., can be provided through this application. However, these services were not being provided through this application by the State Government.

Government of India, Ministry of Panchayat Raj⁶ had instructed the State Governments to make use of the 11 core common PES applications and discouraged the development of new applications to avoid duplication, costs and incompatibility. However, State Government was providing citizen services through 'Digital Panchayat' (a state's initiative) instead of through Service Plus.

During physical verification of centres, it was seen that birth/ death certificates were being issued in manual form and the required certificates were not being issued electronically. Thus, the aim of the Government to register every birth/death online was defeated as the service was not been provided through the system and the information pertaining to the citizen services provided by Government was also not available in the panchayat portal.

2.1.5.5 Delay in closing of accounts through PRIASoft application

Panchayat Raj Institutions Accounting Software (PRIASoft) is a centralized accounting software intended for maintenance of accounts by all the three levels of Panchayats viz., District, Block and Village Panchayat on double-entry system on cash-basis system of accounting.

The status of use of the application and closure of year books were as follows:

Table-2.2

Year	Accounting Entity	Total number of entities	Number of entities where Year Book was closed	Closure per cent
2014-15	District Panchayat	13	5	38
	Block Panchayat	660	292	44
	Village Panchayat	12,924	8,058	62
2015-16	District Panchayat	13	2	15
	Block Panchayat	660	123	19
	Village Panchayat	12,918	2,543	20

Source: PRIASoft reports

⁶ Letter dated 06-06-2012

As seen from above, the annual book closure for the year 2014-15 (38 to 62 *per cent*) was not completed in many of the accounting units (PRIs) of the State resulting in non-generation of annual accounts for the year 2014-15. During the year 2015-16 also, the percentage of closure of accounts ranged between 15 to 20. As large transactions (receipt and expenditure) were involved, non-capturing all the details in the computerized accounting system on time, and not closing of all PRIs accounts for over two financial years indicated lack of seriousness of the Government in this regard.

Further, the main aim of computerizing the accounting application to improve transparency and accountability of the PRIs in managing large volume of funds was defeated due to non-capturing of the transactions done in most of the PRIs. As a result, the flow and usage of funds for better planning could not be monitored by the higher authorities at State/ Central Government level.

2.1.5.6 Procurement of Desktop, Printer & UPS and DEO services at higher cost

An Agreement⁷ was entered into for supply and installation of eight Laptops, 7,631 Desktops, 6,336 UPS (0.6 KV), 1,295 UPS (1 KV), 7,547 Printers and 115 Scanners in 6,336 clusters and district offices in the composite State of Andhra Pradesh. Manpower supply of 3,439 Data Entry Operators (DEOs) was also agreed upon in the agreement. The details were as below:

Table-2.3

S No.	Particulars	Unit Price (₹)	Quantity (Nos.)	Total amount (₹)
1.	Laptops	69,615.00	8	5,56,920
2.	Desktops	47,402.25	7,631	36,17,26,570
3.	UPS - 1 KVA	46,675.65	1,295	6,04,44,967
4.	UPS - 600 VA	8,366.40	6,336	5,30,09,510
5.	Inkjet Printer	11,445.00	7,547	8,63,75,415
6.	Scanner	46,669.35	115	53,66,975
7.	DEOs – 3,439	11,869.71	3,439	
	Salary for 12 months		12 x 3,439 x ₹11,869.71	48,98,39,192
Total				1,05,73,19,549

Source: Agreement dated 10 January 2014.

The period of contract was for five years and the supplier was to be paid 60 *per cent* of the hardware items cost after supply of hardware and acceptance by the APTS and

⁷ between Andhra Pradesh Technology Services Limited (APTS) on behalf of the department and M/s. Karvy Data Management Services Limited (KDMS) on 10 January 2014

the remaining amount of 40 *per cent* were to be paid in 20 equal quarterly instalments from the date of Go-live (16 July 2014 for Andhra Pradesh).

It was observed that:

As per Rajiv Gandhi Panchayat Sashaktikaran Abhiyan (RGPSA) guidelines, the cost of desktop, printer & UPS was fixed as ₹40,000 per unit. However, the agreement was finalized at ₹47,402 for desktop, ₹8,366 for UPS and ₹11,445 for printer (total cost ₹67,213 per unit), thereby incurring an additional expenditure of ₹10.60 crore (₹27,213 per unit x 3,896 units), and exceeding the norms of RGPSA.

The department entered into agreement with the supplier for supply of DEO at a cost of ₹11,869 per month for 12 months. The rate agreed upon was more than the limit of ₹8,000 fixed under RGPSA guidelines by ₹3,869 per DEO per month for 12 months, thereby resulting in excess expenditure from the fund.

2.1.5.7 Computerization process in 3,269 clusters was cancelled

After bifurcation of the State, for e-enablement of the remaining 3,269⁸ GPs in the State of Andhra Pradesh under RGPSA scheme, the department had requested the APTS for procurement of 3,269 desktop computers, printers and UPSs and an open competitive bid (September 2014) was issued by the APTS and six firms for supply of hardware and responded to the tender. The department (May 2015) decided to cancel the tender procedure as there would be no release of funds by the Government of India due to delinking of RGPSA scheme from 2015-16 onwards.

The computerization of GPs was approved in the annual plan of Andhra Pradesh for 2013-14 (RGPSA) and delay in the process of procurement resulted in non-computerization of 3,269 clusters in the state. Data entry and other services under the e-Panchayat applications in these clusters were being carried out in the nearest cluster/Mandal office, thereby delaying the process of updation of data at the GP level, as pointed out in paragraph 2.1.5.12.

2.1.5.8 Poor updating of database due to discontinuance of services of data entry operator

The work of DEO involves entering/updating data on PES applications and train the available staff to operate computers, operating various e-Panchayat applications and other services online. The department entered into an agreement (January 2014) with a firm for deployment of computer systems and manpower (2,106 DEOs) in 3,896 selected cluster GPs for implementation of e-Panchayat project in Andhra region of composite AP. As part of the agreement, the firm had to deploy the manpower for a period of one year after the go-live date. Extensive training to 200 DEOs selected by the firm was given during March 2014. The remaining DEOs were trained by the firm with the help of already trained 200 DEOs (master trainers). The Go-live date was declared as 16 July 2014 and the period of deployment ended in June 2015.

⁸ Phase-I: 3,896

During scrutiny of records, it was observed that the department did not extend the services of DEOs after June 2015 and instructed the district offices to avail of the services of DEOs by local appointment/ payment from local funds on hourly basis, resulting in appointment of new DEOs with no working experience in PES applications and discontinuance of DEOs in some of the GPs.

It was seen during test-check of districts that DEOs deployment was reduced⁹ after instructions from the department to make payment of salaries from GP funds and to appoint the DEOs on hourly wage. This has hampered the work of entering/ updating data which was now being carried out in Mandal office by availing the services of existing staff of Mandal office.

Thus, absence of regular DEOs at the cluster GPs resulted in poor updating of database and non-provision of citizen services at the GP level.

2.1.5.9 Sufficient Broadband connections were not provided by BSNL

Department had identified 7,548 locations (in the composite State of Andhra Pradesh) to provide broadband connection through BSNL as part of computerization of PRIs. BSNL had agreed to provide the connections as per the list given by the department with a condition that modems had to be provided by the department as the stock was not available with BSNL. Out of these, 4,618 connections were to be provided in the State of Andhra Pradesh and the rest in the State of Telangana. The department (composite AP) agreed to the plans given by BSNL and an advance of ₹3.45 crore was paid to BSNL towards annual charges.

APTS had invited short tender notices (three notices) during May/ June 2014 for purchase of 7,548 ADSL2 type modems. However, due to lack of response to tender notices, department decided to cancel the proposal for purchase of modems and instructed all the district offices to purchase modems locally from the Panchayat/Mandal/Zilla Parishad funds.

It was seen that out of the committed 4,618 broadband connections, BSNL could provide connections only in 3,156 locations, leaving a balance of 1,462 locations unconnected, citing technical problems. It was seen during test-check of centers that data was being updated at the Mandal level instead of at cluster level due to non-availability of internet facility at clusters. The DEO traveled 5-48 km to reach Mandal/ Division headquarters for updating data.

Thus, failure to provide broadband connection at the identified PRIs defeated the purpose of computerization.

2.1.5.10 Excess broadband bill - Abnormal data consumption

BSNL had provided 3,156 connections at identified clusters GPs/Mandals as part of computerization of PRIs for implementation of e-Panchayat project in the state of Andhra Pradesh. An amount of ₹3.45 crore (Andhra Pradesh portion: ₹2.10 crore) was paid to BSNL as advance towards annual charges. Initially, the department had

⁹ Chittoor 202 to 137, East Godavari 281 to 196, Guntur 234 to 191 and YSR 77 to 9

opted for two plans, BBG Rural Combo-250 for rural areas (2,426 connections) and BBG Rural Plan-999 for district offices (592 connections). The payment for the bills of broadband usage was centralized at the Commissionerate office.

BSNL raised a bill of ₹2.46 crore during May 2015 (which included April 2015 bill of ₹3.17 lakh) along with arrears and, to avoid huge billing, suggested conversion of the plans to unlimited plans as the present plans was of limited usage in nature. The department gave consent to change the plan from BBG rural combo-250 to BB Home Rural Combo UL-650 (unlimited) and BBG Rural Plan-999 to BB Home Combo ULD-999 (unlimited). Further, the department issued instructions to all GPs to pay the BSNL bills from June 2015 onwards at GP level. Thus,

Due to improper assessment of bandwidth requirement/monthly plans and lack of periodical monitoring of data usage, the department was compelled to pay the excess amount of bills and;

The number of connections were reduced significantly (from 3,156 to 2,317 connections) after the directions of the department to make payments from the GP funds.

2.1.5.11 Subsidy component of USOF not availed

Universal Service Obligation Fund (USOF) aims to provide widespread access to quality Information & Communications Technology (ICT) services at affordable prices to all people in rural and remote areas. It provides subsidy support to telecom service providers to increase the reach and delivery of Government and social services.

As per the agreement with the firm¹⁰ for supply and installation of hardware, a specific clause (5.7.15) was included to avail of Universal Service Obligation Fund (USOF) subsidy as “*The supplier should necessarily avail this subsidy and should pass on the benefit to the department*”. The USOF was providing a subsidy of ₹4,500 for computer and broadband connections in rural areas through BSNL. The firm was to make arrangements for availing the USOF subsidy immediately after signing the contract and was to pass the benefit to Government.

The firm supplied computers and broadband connections were provided by BSNL in 2,426 (out of 4,618) locations. However, the subsidy component for an amount of ₹109.17 lakh (₹4,500 x 2,426 connections) was not passed on to the department due to failure of the firm to adhere to the mandatory clause of availing of USOF subsidy.

The department (composite AP) withheld an amount of ₹2.85 crore¹¹ (Andhra Pradesh share withheld ₹1.75 crore) which was due towards the subsidy component while making initial payment to the firm. The firm approached the USOF administrator for availing of the subsidy and USOF stated that the firm was not eligible for subsidy as it was not in the qualified service providers list of USOF. The firm communicated the

¹⁰ M/s. KDMS Ltd.

¹¹ ₹4,500 x 6,336 GP connections = ₹2,85,12,000

same to the department and requested to release the withheld amount. The department released the amount (January 2016) to the firm as per the direction of the Government¹².

Thus, the department was deprived of an amount of ₹109.17 lakh (₹4,500 x 2,426 connections) due to failure of the firm in not adhering to the mandatory clause of availing of USOF subsidy.

2.1.5.12 Inconsistencies in database

An analysis of database showed the following:

Inconsistencies in database and misclassification of assets under National Asset Directory

It was seen during analysis of the database that incorrect categorization of assets was made by the PRIs during data entry:

- 581 assets entered did not specify any details of PRI code/ location.
- 2,922 records did not have valid asset name and are recorded with junk data/special characters or numbers.
- 648 assets viz., Jeep, Tata Sumo, land, bandi dari, kaluva, cheruvu, hand pumps etc., pertaining to Asset Category- 302 - Vehicles, 407 - Land, 15 - Roads, bridges and culverts, 4 - Irrigation sources, 6 - Pond and reservoir, 10 - Water sources and structures were incorrectly categorized under Asset Type-2 - Immovable and asset category -0- Others.
- 460 assets viz., chairs pertaining to Asset category-351 - Furniture, fixtures and fittings were incorrectly categorized under asset category-41 - Office equipment, 301- Electrical installation and equipment and 77 - Buildings.

Due to incorrect categorization of the assets created under various schemes in the PRIs the actual creation and exact number of assets created under a particular asset category could not be ascertained at the district/ state and central level by the administrator.

Misclassification, data integrity issues and poor updating of PRIASoft

- In 4,486 PRIs during 2014-15 and in 11,555 PRIs during 2015-16, no data was captured into PRIASoft application which showed that the accounting package was not being implemented in most of the PRIs, defeating the purpose of improving transparency and accountability of the PRIs.
- There was difference between the closing balance (CB) of the previous year with that of opening balance (OB) of current year, affecting integrity of the data.
 - CB of 2014-15 was not carried over as OB of 2015-16: in 16 cases.
 - CB of 2015-16 was not carried over as OB of 2016-17: in one case.

¹² Memo No. 9796/Pts-II/A2/2015, dt. 05-01-2016.

- Analysis of receipt and payment vouchers showed that vouchers were not being classified under the relevant heads as per accounting heads approved for PRIs as detailed in **Appendix-2.2**.
- A voucher was generated for each transaction (receipt and payment) occurring in the PRI. Thereafter, the same was to be updated in the PRIASoft application on the same or at a later date. However, in 59 and 4 cases of payment vouchers respectively in 2014-15 and 2015-16, it was seen that date in DATE_OF_ENTRY_DATE column was recorded as prior to the voucher generation date in VOUCHERDATE_DATE column.
- Data entry of payment vouchers were not being updated at periodical intervals. Out of 3,88,290 payment vouchers (2014-15), it was seen that 2,53,476 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly, out of 63,734 payment vouchers (2015-16), it was seen that 26,984 vouchers were updated after a lapse of more than six months from the date of occurrence of the event.
- Data entry of receipt vouchers were not being updated at periodical intervals. Out of 4,67,763 receipt vouchers (2014-15), it was seen that 2,58,181 vouchers were updated after a lapse of more than six months from the date of occurrence of the event. Similarly, out of 84,594 receipt vouchers (2015-16), it was seen that 26,265 vouchers were updated after a lapse of more than six months from the date of occurrence of the event.

Thus, the insufficient training to the DEOs and inadequate monitoring by higher officials resulted in errors in classification. Due to integrity issues in the database, the reports generated may not reflect a true and fair picture of the funds of GP, Mandal, District and State affecting reliability of PRIASoft system in promoting transparency, implementation and decision making.

2.1.6 Conclusion

As brought out in the foregoing paragraphs, the main objective of e-Panchayat project to automate the internal workflow processes of panchayats could not be achieved even after three years of implementation of the project. Due to non-implementation of Service Plus application, delivery of services to the citizens could not be provided at the GPs. The aim of improving the governance of local self-government institutions could not be achieved due to non-closure of annual accounts and non-updating of the activities at the PRIs. Non-provision of systems with internet facilities at many PRIs resulted in poor implementation of the project. Overall, the objective of promoting transparency and peoples' participation in planning, implementation and decision making could not be achieved.

2.1.7 Recommendations

- Internet connectivity needs to be ensured in all GPs for timely updating of data and for providing services to citizens at Gram Panchayat level.*
- Sufficient training needs to be provided to the staff/Data Entry Operators for maintenance of accounts in computerized environment.*

- iii. *Periodical monitoring is needed to ensure timely updation and verification of records.*
- iv. *Proper application controls are to be built-in to ensure data integrity.*

The matter was reported to Government in November 2016; reply has not been received (December 2016)

2.2 Follow up report on Implementation of Rural Water Supply Schemes

2.2.1 Introduction

The objective of this audit was to determine whether necessary corrective action has been taken to address the audit findings and implement the recommendations made in the Performance Audit of 'Implementation of Rural Water Supply Schemes' featured in the Report (Chapter-5 of Report No.4 of 2013) of the Comptroller and Auditor General (CAG) of India pertaining to the Government of Andhra Pradesh (composite State) for the year ended March 2012.

The earlier audit was undertaken to assess the efficiency of Government/ implementing agencies in planning the rural water supply schemes, utilisation of funds, execution of water supply schemes, coverage of habitations with sustainable water sources, monitoring and evaluation of schemes. Five recommendations were made to the Government by the CAG to ensure that the deficiencies and irregularities flagged in the Report were addressed. Government had assured (January 2013) of corrective action on all the five recommendations.

2.2.2 Objective, Scope and Methodology of Audit

The follow up audit of the implementation of Rural Water Supply schemes covering the period 2012-13 to 2015-16 was conducted in August 2016 to see whether the Government had addressed the accepted recommendations.

Audit Methodology involved issue of specific structured questionnaire to the department concerned at Secretariat level and office of Engineer-in-Chief (ENC)/Rural Water Supply for eliciting responses with regard to the action taken by the Government to implement the recommendations, followed by scrutiny of records at the Secretariat Department, ENC, Rural Water Supply Engineering Divisions (Anantapuramu, Penugonda and Kalyanadurgam) and Zilla Praja Parishad (Chief Executive Officer) in one selected district *viz.*, Anantapuramu.

Audit findings

The status of implementation of five audit recommendations accepted by the Government has been arranged in the following three categories *viz.*, (i) Not implemented, (ii) Partially implemented and (iii) Fully implemented. The action taken by the Government on the recommendations made in the report, further response of the Government and Audit comments are given as under.

2.2.3 Not implemented

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>In Annual Action Plans (AAPs), proposals for water supply schemes were initiated primarily based on the request of public representatives. There was no evidence from the records made available regarding the involvement of Panchayat Raj Institutions (PRIs¹³) in the planning process.</p> <p>Test check of CPWS¹⁴ schemes revealed that administrative approval was granted by the</p>	<p>Government should ensure preparation of AAPs with inputs from the local level and ensure strict compliance with all the pre-requisites before according administrative sanction for schemes so as to avoid cost and time overrun.</p>	<p>Annual Action Plans:</p> <p>The AAPs were prepared by the Assistant Executive Engineers (AEE) of RWS Sub-divisional offices in the districts.</p> <p>Test-checked ZPP of Anantapuramu district also confirmed that AAPs were prepared without participation of PRIs.</p> <p>Two-stage approach for according Administrative sanctions:</p> <p>During 2012-16, State Government had accorded administrative sanction to two</p>	<p>ENC (August 2016) replied that Annual Action Plans were being prepared in consultation with PRIs.</p> <p>Two-stage approach was followed while according administrative approval.</p>	<p>It was observed in Audit that there was no involvement of PRIs in preparation of AAPs as seen from the records of test-checked ZPP.</p> <p>Two-stage approach was not followed while according administrative sanction of two works in test-checked district during the period 2012-15.</p> <p>Thus, the State</p>

¹³ Panchayat Raj Institutions consists of Zilla Praja Parishads, Mandal Praja Parishads, Gram Panchayats

¹⁴ Comprehensive Protected Water Supply

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
Government without a two-stage ¹⁵ approach. (Paragraphs 5.5.1 & 5.5.3)		works ¹⁶ in the test checked district. However, the two-stage approach was not followed, as the approval for both the stages was given at a time.		Government did not implement the recommendation by ensuring participation of PRIs in preparation of AAPs and by following two-stage approach while according administrative sanctions.

2.2.4 Partially implemented

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
There was short release of	State's share of matching	As on the date of formation of residual	ENC replied	Although funds were

¹⁵ 1st stage approval for preparatory work – detailed investigation, Environment Impact Assessment (EIA) and Environment Management Plan (EMP), forest and other clearances, rehabilitation and reconstruction plan, detailed designs and drawings, acquisition of minimum land required, etc. and 2nd stage approval after finalisation of designs, completion of detailed investigation and acquisition of land for taking up works without interruption for the first two years.

¹⁶ CPWS scheme in Singanamala constituency and CPWS scheme in Uravakonda constituency

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>₹1,004.90 crore towards State matching share during the period 2009-10 to 2011-12. (Paragraph 5.6.1)</p>	<p>funds should be released component-wise to facilitate proper implementation of the planned schemes and evaluation of the programme.</p>	<p>Andhra Pradesh State (02 June 2014), funds amounting to ₹873.14 crore were due from State Government towards matching share. During 2014-16, an amount of ₹433.70 crore was due as State matching share.</p> <p>Thus total funds amounting to ₹1,306.84 crore were due from State Government towards their matching share, against which the State Government had released only ₹745.99 crore (57 per cent) as of March 2016.</p> <p>There was shortage of ₹560.85 crore as of March 2016.</p>	<p>(August 2016) that as per the scheme guidelines State Government had provided its matching share which was inclusive of previous short releases to the tune of ₹745.99 crore during 2012-16.</p>	<p>released component-wise during 2014-16 and were in excess, there was still a balance of ₹560.85 crore (₹1,306.84 crore minus ₹745.99 crore) to be released by State Government as of March 2016.</p> <p>This recommendation has been partially implemented. However, State Government has to abide by its commitment of releasing its share in a timely manner.</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments																
<p>i. There were 15,988 slipped back habitations¹⁷ in the composite State of Andhra Pradesh as of April 2012.</p> <p>ii. NRDWP earmarked 20 per cent of fund allocation towards 'sustainability component'. However, there was no specific allocation towards sustainability in the release orders.</p> <p>iii. In the test-checked</p>	<p>Adequate emphasis should be placed on sustainability of water so as to minimise the possibility of more "slipped back" habitations.</p>	<p>The status of habitations in the State is as follows :</p> <table border="1" data-bbox="936 568 1496 1075"> <thead> <tr> <th>Category¹⁸</th> <th>Status of habitations as of April 2012</th> <th>Status of habitations as of March 2016</th> <th>Variation</th> </tr> </thead> <tbody> <tr> <td>Fully covered (FC)</td> <td>27650</td> <td>29309</td> <td>(+) 1659</td> </tr> <tr> <td>Partially covered (PC)</td> <td>19152</td> <td>18304</td> <td>(-) 848</td> </tr> <tr> <td>No safe source (NSS)</td> <td>380</td> <td>593</td> <td>(+) 213</td> </tr> </tbody> </table> <p>There was increase in fully covered habitations and no safe sources. However,</p>	Category ¹⁸	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation	Fully covered (FC)	27650	29309	(+) 1659	Partially covered (PC)	19152	18304	(-) 848	No safe source (NSS)	380	593	(+) 213	<p>The ENC (August 2016) attributed the status to depletion of ground water/low rain fall and severe drought conditions.</p> <p>No specific reply was furnished for change in the status of habitations.</p>	<p>There was increase in the number of FC habitations. However, the increase in NSS habitations indicated inadequate attention towards quality affected habitations.</p> <p>Thus, the Government did little to implement the recommendation of audit especially to minimise the number of NSS habitations.</p>
Category ¹⁸	Status of habitations as of April 2012	Status of habitations as of March 2016	Variation																	
Fully covered (FC)	27650	29309	(+) 1659																	
Partially covered (PC)	19152	18304	(-) 848																	
No safe source (NSS)	380	593	(+) 213																	

¹⁷ habitations which had come 'down' from Fully covered to Partially covered status

¹⁸ According to GoI norms, rural habitations are categorized into Not Covered (NC)/No Safe Source (NSS) habitations, Partially Covered (PC) and Fully Covered (FC) habitations. The habitations, where a drinking water source / point is not available within 1.6 km of the habitations in the plains or 100 metre elevation in hilly areas, or where the habitations have a water source which is affected by quality problems are termed as NC/NSS habitations. Habitations which have a safe drinking water source and where the capacity of the system ranges between 10 litre per capita per day (lpcd) to 40 lpcd are termed as PC habitations. Remaining habitations are shown as FC habitations

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>divisions, 1,983 works were sanctioned under sustainability component, of which 1,422 works (72 per cent) were yet to commence as of November 2012.</p> <p>(Paragraphs 5.4.1 and 5.8)</p>		<p>the status of partially covered habitations came down by four per cent.</p> <p>As per NRDWP guidelines (2013), 10 per cent of funds were to be earmarked towards sustainability component. Audit observed that 441 works were sanctioned under this component during 2012-16. However funds amounting to ₹164.94 crore were released by State Government during 2014-16 towards execution of ongoing sustainability works, against which only ₹7.59 crore (five per cent) was utilised by the implementing agencies.</p>		
<p>Targets for chemical and bacteriological tests in water was set uniformly at 100 and 200 per month respectively, irrespective of the number of sources to be tested. The actual number of tests performed</p>	<p>Targets for chemical and bacteriological testing for each water quality laboratory should be set individually, depending on the number of water sources falling within its</p>	<p>For each laboratory State Government set an uniform target to test 3000 samples per year irrespective of the number of sources falling under the jurisdiction of the laboratory.</p> <p>In the State there were 2,51,993 water sources as of March 2016. State</p>	<p>The ENC (August 2016) that all measures were taken for monitoring the quality of all the drinking water sources in accordance with the</p>	<p>Uniform Drinking Water Quality Monitoring Protocol (issued in February 2013) by Ministry of Drinking Water and Sanitation recommended a target</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>during 2007-12 was lower than even the arbitrarily set targets in the test checked divisions. (Paragraph 5.9.2.2)</p>	<p>jurisdiction. Further, Government should release adequate funds in a timely manner to ensure testing of all water sources at least once a year.</p>	<p>Government had fixed annual target to test 3,15,000 samples in 105 laboratories. During 2015-16, 3,03,294 tests were conducted in these laboratories. Although tests were conducted in excess of the annual target in some laboratories, it was observed that 27,800 water sources were not covered in 10¹⁹ districts.</p>	<p>protocol.</p>	<p>of 3,000 samples per year per laboratory for testing all water sources and also stipulated that target should depend upon local conditions. However, State Government fixed uniform target for laboratories without considering the need to focus on all water sources available under their jurisdictions. As such, there was deficiency in coverage of 27,800 water sources in the</p>

¹⁹ Visakhapatnam-3,256, Vizianagaram-1,739, East Godavari-2,532, Krishna-4,289, Guntur-1,979, Prakasam-5,235, SPSR Nellore-473, Chittoor-6,506, Kadapa-437 and Kurnool-1,354

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
				<p>State.</p> <p>The recommendation has been implemented to a substantial extent with coverage extending to 80 per cent of water sources. However, the targets as recommended by Uniform Drinking Water Quality Monitoring Protocol depending upon the local conditions should be reset to ensure testing of all water sources.</p>
<p>Of the 66 test-checked schemes, 39 schemes were commissioned, 7 schemes</p>	<p>Monitoring mechanism as stipulated in NRDWP guidelines should be</p>	<p>Out of seven schemes completed but not commissioned, five schemes related to Andhra Pradesh. As of September 2016,</p>	<p>ENC replied (August 2016) that the department had</p>	<p>Despite the fact that the progress of works were being monitored</p>

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
<p>were completed but not commissioned and 20 schemes were incomplete. Reasons for non-completion of schemes were due to lack of forest clearance for laying pipes, non-acquisition of land, delay in obtaining water drawal permission from Irrigation department.</p> <p>The effectiveness of the monitoring mechanism in implementation of the scheme could not be verified in audit due to non-submission of inspection/monitoring</p>	<p>strengthened to ensure that schemes are executed on time within the budgeted cost and the benefit of potable water is provided to all the habitations as envisaged.</p>	<p>all²⁰ the schemes except one were completed and commissioned. In one²¹ scheme 14 out of 16 habitations were covered (March 2016) and the remaining two habitations could not be covered due to want of electrical connectivity.</p> <p>Of the 20 incomplete schemes, eight schemes pertained to Andhra Pradesh. As of September 2016, six²² schemes have been completed and commissioned. Two²³ schemes remained incomplete after incurring an expenditure of ₹337.96 crore. Out of two incomplete schemes, in one scheme, head works were not completed and in the other scheme clearance from forest department and railways was awaited.(Appendix- 2.3)</p>	<p>established exclusive video conference facilities with the field officers for review on drinking water supply and sanitation programmes in the districts. Field officers were reviewed every Saturday and meetings were held once in month in the office of the ENC.</p>	<p>through video conference, reviews and meetings as reported by ENC, two schemes remained incomplete. (September 2016).</p> <p>Thus, the recommendation of strengthening the monitoring mechanism to execute the works on time was not effectively implemented.</p>

²⁰ Kovvur (March 2014), Krishnagiri Phase I & II (January 2016), Kurichedu (March 2013), Tallur (March 2015)

²¹ Krishnagiri Phase III (Kurnool)

²² 'Allur Phase II', 'CS Puram', 'Veligandla and Pamur', 'Pamur, Veligandla, PC Palli and CS Puram', 'Rapur' and 'Erragudur'

²³ Jaladanki and JC Nagi Reddy Drinking Water supply scheme

Gist of observations made in earlier Audit Report	Recommendation made	Findings in follow-up audit and current status	Replies/Comments of Department	Audit Comments
reports by the State/District level authorities. <i>(Paragraphs 5.7 and 5.10.1)</i>				

2.2.5 Fully implemented

---- Nil -----

2.2.6 Other significant Observations:

2.2.6.1 Non completion of projects

Audit Report for 2011-12 (Paragraph 5.7.5) pointed out that under J.C. Nagi Reddy Drinking Water Supply Scheme in Anantapuramu district, not even a single habitation out of the targeted 514 habitations, was supplied drinking water as of June 2012 despite incurring an expenditure of ₹287.82 crore (Phase-I to IV).

It was, however, observed in follow-up audit that only Phase I of the scheme covering 92 habitations and one municipality was completed and commissioned (March 2013). The other three Phases (Phase-II to IV) were not completed due to reasons such as change of source, want of site clearance, pending permission for railway crossing and pending clearance from forest department. Two sources (Gandikota Reservoir and MPR Dam) were identified (November 2013) and a committee was formed to examine the project and submit Detailed Project Report (DPR) to the Government. The committee did not submit any report as of September 2016.

This indicated improper planning resulting in the project remaining incomplete even after lapse of more than 10 years. Expenditure of ₹332.08²⁴ crore became unfruitful.

2.2.7 Conclusion

While some relevant aspects of the recommendations were seen to have been addressed, there were certain shortfalls in acting upon the recommendations made in audit. Adequate emphasis was not placed towards minimising the number of No Safe Sources (NSSs). Monitoring was not effective in implementation of schemes as the incomplete schemes commented in earlier report were yet to be commissioned. Participation of PRIs was not ensured in preparation of Annual Action Plans. Gap in State matching share was not adequately addressed. Testing of samples did not cover all the water sources.

The matter was reported to Government in September 2016; reply has not been received (December 2016)

2.3 Irregular payment towards hiring of vehicles

Failure to comply with codal provisions and Government Orders in ensuring the correctness of bills led to possible misappropriation of ₹63.38 lakh for election purposes

Temporary advances are sanctioned to meet contingent expenditure of a specified kind or for a specific occasion through Abstract Contingent (AC) bills. Provisions of Financial Code and Government orders²⁵ stipulate that the advances drawn should be adjusted by submitting Detailed Contingent (DC) bills for the expenditure incurred alongwith supporting vouchers within one month of drawal of such amounts. Every

²⁴ Phase I – ₹130.16 crore, Phase II&III – ₹122.09 crore and Phase III – ₹79.83 crore.

²⁵ G.O. Ms. No. 507 dated 10.04.2002 of Finance Department

Government servant who draws bills for contingent expenditure is primarily responsible for ensuring the correctness of the amount for which each bill is drawn.

State Government had permitted (April 2014) the Drawing and Disbursing Officers (DDOs) to draw funds through AC bills for incurring expenditure during the fourth ordinary elections to Mandal Parishad Territory Constituencies (MPTC)/Zilla Parishad Territory Constituencies (ZPTC), 2014. Test-check of vouchers enclosed with DC bills submitted by Mandal Parishad Development Officers (MPDOs) for the expenditure incurred on hire/POL²⁶ charges in seven²⁷ districts showed the following:

- i. In respect of 225 vouchers relating to hire/POL charges for ₹19.16 lakh, where vehicle numbers were recorded, it was observed from a cross-check with the records of Road Transport Authority (RTA) that these vehicles were registered as two wheelers. As per Government Order (December 2007), only private vehicles which were registered as taxis can be hired for Government duty.
- ii. As regards 196 vouchers amounting to ₹14.29 lakh pertaining to hire charges paid for vehicles hired, it was observed that the vehicles recorded in the vouchers did not feature in the data base of the vehicles maintained by the RTA.
- iii. In 444 vouchers amounting to ₹29.93 lakh of hire/POL charges, it was observed that none of the vouchers had recorded the registration numbers of vehicles. Hence, correctness of the payments could not be vouchsafed in audit.

Thus, failure to comply with codal provisions and Government orders while passing the bills resulted in possible misappropriation of ₹63.38 lakh²⁸ for election purpose.

The matter was reported to Government in August 2016; reply has not been received (December 2016)

²⁶ Petrol, Oil and Lubricant

²⁷ Kurnool, Prakasam, SPSR Nellore, Srikakulam, Vizianagaram, West Godavari and YSR

²⁸ ₹19.16 lakh, ₹14.29 lakh and ₹29.93 lakh

Part - B

Urban Local Bodies

Chapter – III
**An Overview of the Functioning,
Accountability Mechanism and Financial
Reporting issues of Urban Local Bodies**

Chapter III

An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

An Overview of the Functioning of the Urban Local Bodies (ULBs) in the State

3.1 Introduction

Government of India had (GoI) enacted (1992) the 74th amendment to the Constitution to empower Urban Local Bodies (ULBs) as local self-governing institutions in the country to perform effectively. GoI had further entrusted the ULBs with implementation of various socio-economic development schemes, including those enumerated in the Twelfth Schedule to the Constitution.

The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as effective institutions of self-governance and implement schemes for economic development and social justice.

Accordingly, State Government had 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, however, governed by the Andhra Pradesh Municipalities Act, 1965.

3.1.1 State profile

As per the 2011 census, the total population of the 13 districts of Andhra Pradesh State was 4.96 crore, of which 1.46 crore (29 *per cent*) lived in urban areas. A profile of urban Andhra Pradesh is given below:

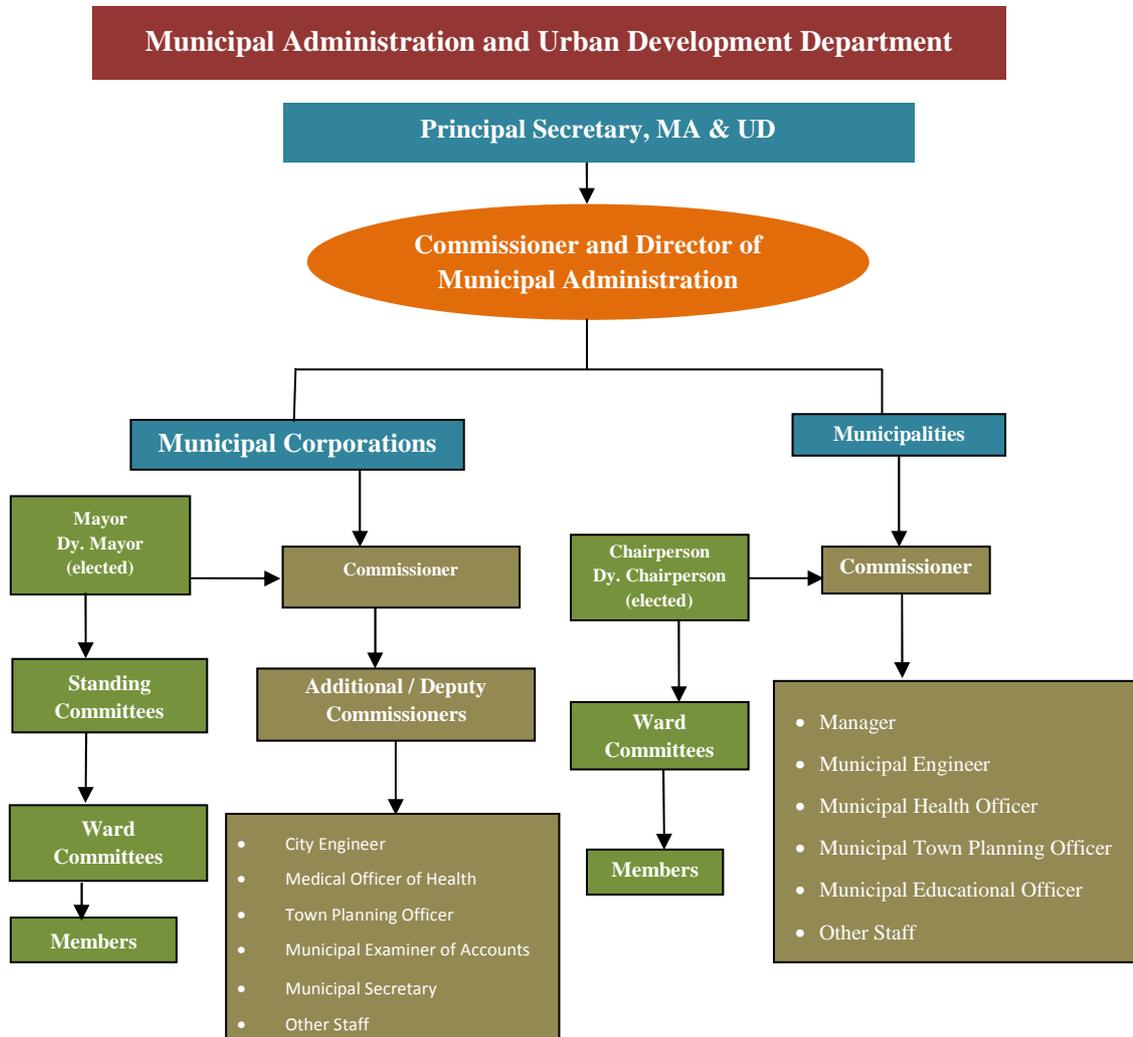
Table 3.1

Sl. No.	Indicator	Unit	State
1.	Urban population	Crore	1.46
2.	Urban population density	Sq. Km	3,593
3.	Urban sex ratio	Females per 1000 Males	1,004
4.	Urban literacy rate	Percentage	79.17
5.	Municipal Corporations	Number	14
6.	Municipalities	Number	71
7.	Nagar Panchayats	Number	25
Total number of ULBs (5+6+7)			110

Source: Information furnished (August 2016) by Commissioner and Director Municipal Administration (CDMA) and 'Andhra Pradesh at a Glance' published (January 2016) by State Government

3.2 Organisational setup of ULBs

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



The ULBs are under the administrative control of the Commissioner and Director of Municipal Administration (CDMA). The elected members of ULBs are headed by Chairperson. They convene and preside over the meetings of Standing committees and General body. The Municipalities and Corporations transact their business as per the provisions of the Acts concerned. Day-to-day administration of all the ULBs rests with the Commissioner.

3.3 Functioning of ULBs

The 74th Constitutional Amendment Act, 1992 had identified 18 functions for ULBs as incorporated in Twelfth Schedule to the Constitution. All the functions mentioned in this Schedule were devolved to ULBs in the State except 'Fire Services'. The Department stated (August 2016) that devolution of 'Fire Services' was under consideration at Government level.

3.4 Formation of various committees

The Municipalities and Corporations transact their business as per the provisions of the Acts concerned. In respect of the Corporations, the Standing Committees, comprising the Chairpersons of all the Ward Committees under them, meet at intervals prescribed by the Act. Similarly, in respect of the Municipalities, the Municipal Ward Committees meet at prescribed intervals to transact business, make regulations and scrutinise municipal accounts. The main functions of the Ward Committees (both Municipalities as well as Corporations) include provision and maintenance of sanitation, water supply and drainage, street lighting, roads, market places, playgrounds, school buildings, review of revenue collections, preparation of annual budget, etc. The Department stated that (October 2016) formation of the above committees in ULBs was not done.

3.5 Audit arrangement

3.5.1 Primary Auditor

Director, State Audit (DSA), functioning under the administrative control of Finance Department, is the statutory auditor for ULBs under Andhra Pradesh State Audit Act, 1989. As per Section 11(2) of the Act, DSA is required to prepare a Consolidated State Audit and Review Report for presentation to the State Legislature. The DSA has four Regional Offices and 13 District offices in Andhra Pradesh State. As per Section 10 of the Act, DSA is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of local authorities or other authorities and such amounts are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act.

As per the information furnished (June 2016) by DSA, audit of annual accounts pertaining to 36 ULBs were in arrears. DSA attributed (June 2016) delay in audit of accounts to non-production of records/non-finalisation of accounts by Municipal Corporations, Municipalities and Nagar Panchayats. As per the information furnished (June 2016) by DSA, no surcharge proceedings were issued during 2015-16.

DSA stated (June 2016) Consolidated State Audit and Review Reports for the year 2011-12 was submitted to Finance department and the Government tabled the Report on 30 March 2016 in the State Legislature. Consolidation of Reports for the years 2012-13, 2013-14 and 2014-15 were under progress. Some of the major findings observed in 2011-12 report relate to excess utilisation/non-utilisation/diversion/mis-utilisation of grants, advances pending adjustments etc.

3.5.2 Audit by Comptroller and Auditor General of India (CAG)

CAG has conducted audit of ULBs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, State Government had entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies under Section 20(1) of CAG's (DPC) Act.

Based on test check of ULBs a consolidated report (TGS Note) is prepared at the end of each financial year and forwarded to the DSA for improving the quality of their reports. TGS note for the year 2015-16 was issued in July 2016.

Planning and conduct of audit

The Audit process commences with assessment of risks of departments/local bodies/schemes/programmes, etc., based on expenditure incurred, criticality/complexity of activities, priority accorded to the activity by Government, level of delegated financial powers and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit is decided and an annual audit plan is formulated to conduct audit. During 2015-16, 14 ULBs (three Municipal Corporations¹, two Municipalities² and nine Nagar Panchayats³), falling under the department of Municipal Administration and Urban Development, were subjected to compliance audit.

Report of the Comptroller and Auditor General of India on Local Bodies for the year ended March 2015 was tabled in the State Legislature on 30 March 2016.

3.6 Response to audit observations

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to heads of the units concerned. Heads of offices and next higher authorities are required to respond to observations contained in IRs within one month and take appropriate corrective action. Audit observations communicated in IRs are also discussed in meetings at district levels by officers of the departments with officers of Principal Accountant General's office.

As of November 2016, 138 IRs containing 3,638 paragraphs pertaining to the period up to 2015-16 were pending settlement, as given below. Of these, even first replies have not been received in respect of 91 IRs and 2,767 paragraphs.

Table 3.2

Year	Number of IRs /Paragraphs		IRs/Paragraphs where even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
Up to 2014-15	123	3,088	76	2,217
2015-16	15	550	15	550
Total	138	3,638	91	2,767

Lack of action on IRs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports remaining unaddressed.

¹ Guntur, Nellore and Ongole Municipal Corporations

² Adoni and Machilipatnam Municipalities

³ Addanki, Allagadda, Gollaprolu, Jangareddygudem, Nandigama, Nayudupet, Rajampet, Vuyyuru and Yeleswaram Nagar Panchayats

Accountability Mechanism and Financial Reporting issues

Accountability Mechanism

3.7 Ombudsman

The Thirteenth Finance Commission had recommended establishment of an independent Local Body Ombudsman System. Though an independent Ombudsman system was not adopted in the State, the State Government complied with this condition by making amendments to the existing AP Lokayukta Act, 1983 by bringing the elected representatives as well as the staff of Local Bodies into the purview of the Act for getting grants from the GoI.

3.8 Social Audit

Social Audit setup is yet to be constituted for programmes/schemes implemented by Department of Municipal Administration & Urban Development (MA&UD).

3.9 Property Tax Board

The Thirteenth Finance Commission had stipulated that State Government must constitute a Property Tax Board to assist all Municipalities and Municipal Corporations to put in place an independent and transparent procedure for assessing property tax. Accordingly, State Government had issued (March 2011) orders for constituting Property Tax Board and amended (2012) Andhra Pradesh Municipalities Act, 1965 to bring the Legislative framework for the functioning of Andhra Pradesh State Property Tax Board.

State Government had sanctioned (October 2013) 28 posts under 11 categories for effective functioning of the board. The Director of Municipal Administration (DMA) stated (August 2016) that at present Assistant Director of Municipal Administration was working as Member Secretary of the AP State Property Tax Board.

3.10 Service Level Benchmark

The Thirteenth Finance Commission had stipulated that State Government must notify or cause the Urban Local Bodies to notify the service standards of four core sectors i.e., water supply, sewerage, storm water drainage and solid waste management to be achieved by them by the end of fiscal year. State Government stated (September 2016) that targets for the year 2015-16 were not fixed.

3.11 Fire hazard response

Guidelines of Thirteenth Finance Commission stipulated that all Municipal Corporations, with a population of more than one million, must put in place a fire hazard response and mitigation plan and to notify in the State Gazette for demonstrating compliance by end of March 2014. Accordingly, State Government had notified (March 2014) the fire hazard response and mitigation plans to be implemented during the year 2014-15 by Greater Visakhapatnam Municipal Corporation (GVMC) and Vijayawada Municipal Corporation (VMC) with a

population of more than one million. However, no such plan was prepared during 2015-16.

3.12 Submission of Utilisation Certificates (UCs)

Scheme guidelines of Centrally Sponsored Schemes (CSS) and Central Finance Commissions (CFCs) stipulate that UCs should be obtained by departmental officers from the grantees and, after verification, should be forwarded to GoI. Scrutiny of records of 14 ULBs during 2015-16 showed that in respect of four⁴ ULBs, UCs amounting to ₹2.53 crore were not furnished as of March 2016.

3.13 Internal Audit and Internal Control system of ULBs

Scrutiny of records of 14 ULBs during 2015-16 showed that in respect of six⁵ ULBs, Internal Audit was not conducted. Information in respect of other eight ULBs was not furnished to audit.

Financial Reporting Issues

3.14 Sources of funds

The resource base of ULBs consists of their own revenue generated by collection of tax⁶ and non-tax⁷ revenues, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts⁸. The Commissioner concerned is responsible for reporting the utilisation of funds in respect of Corporations and Municipalities.

Summary of receipts of ULBs for the years 2011-16 are given in Table 3.3. Receipts for the period 2011-14 pertained to the composite State of Andhra Pradesh, whereas the receipts for 2014-16 pertained to the residuary State of Andhra Pradesh.

Table 3.3

(₹ in crore)

Sl. No.	Receipts	2011-12	2012-13	2013-14	2014-15	2015-16
1	Own Revenue	2,297.17	2,898.52	3,183.43	840.86	946.04
2	Assigned Revenue ⁹	795.70	819.28	695.66	181.81	156.84
3	State Government Grants	608.00	921.00	1,358.60 ¹⁰	NA**	118.62
4	GoI Grants					
	Scheme funds	704.24	378.36	-	NA**	178.29
	13 th and 14 th Finance Commission	111.85	Nil	-	818.28	318.31
5	Other Receipts	Nil	Nil	275.60*	79.66	47.36
	Total	4,516.96	5,017.16	5,513.29	1,920.61	1,765.46

Source: Data furnished by Commissioner and Director of Municipal Administration

* Other receipts include loans, accrued interest, penalties received, forfeited security deposits etc.

** Data not made available

⁴ Gollaprolu - ₹0.04 crore, Vuyyuru - ₹0.20 crore, Jangareddygudem - ₹0.67 crore and Ongole - ₹1.62 crore

⁵ Gollaprolu, Yeleswaram, Vuyyuru, Nandigama, Machilipatnam and Ongole

⁶ Property tax, Advertisement fee etc.

⁷ Water tax, rents from markets, shops and other properties, auction proceeds etc.,

⁸ Donations, interest on deposits etc.

⁹ Seignorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to the Local Bodies in the form of assigned revenue

¹⁰ This includes grants received from GoI

3.14.1 Financial Assistance to ULBs

Financial assistance is provided by State Government to ULBs by way of grants and loans. Details of the financial assistance provided by the Government to ULBs, for the years 2011-14 pertaining to the composite State of Andhra Pradesh and for the period 2014-16 pertaining to the State of Andhra Pradesh, are given below:

Table 3.4

(₹ in crore)

	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Budget	177.45	177.45	483.45	77.07	219.87	1,135.29
Actual Release	91.42	90.57	441.37	25.65	219.87	868.88

Source: Information furnished by CDMA

3.14.2 Fund flow arrangement in flagship programmes

Details of fund flow with regard to the flagship programmes of GoI, released to ULBs are given below:

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	<p>This flagship programme was launched in December 2005 to encourage reforms and fast track planned development of identified cities, with focus on efficiency in urban infrastructure and service delivery mechanisms etc. Initially the mission period was for seven years (2005-12), which was extended upto March 2017. The four components under JNNURM are Urban Infrastructure and Governance (UIG), Basic Services to the Urban Poor (BSUP), Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT) and Integrated Housing and Slum Development Programme (IHSDP).</p> <p>During 2015-16, an amount of ₹104.50 crore was released, of which ₹33.41 crore was expended leaving a balance of ₹71.09 crore.</p>
Atal Mission for Rejuvenation and Urban Transformation (AMRUT)	<p>The purpose of Atal Mission for Rejuvenation and Urban Transformation (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-motorized transport (e.g. walking and cycling). As stated in the Mission guidelines, “All these outcomes are valued by citizens, particularly women, and indicators and standards have been prescribed by the Ministry of Urban Development (MoUD) in the form of Service Level Benchmarks (SLBs)”.</p> <p>An amount of ₹382 crore was released during 2015-16, out of which ₹6 crore was expended leaving a balance of ₹376 crore.</p>

3.14.3 Application of funds

Details of expenditure incurred by ULBs for the years 2011-14 pertaining to the composite State of Andhra Pradesh and 2014-16 pertaining to the State of Andhra Pradesh are given below.

Table 3.5

(₹ in crore)

Sl. No.	Type of expenditure	2011-12	2012-13	2013-14	2014-15	2015-16
1	Revenue expenditure	2,941.85	3,153.33	3,418.10	836.82	884.91
2	Capital expenditure	1,253.08	1,166.59	1,573.30	410.23	451.29
	Total	4,194.93	4,319.92	4,991.40	1,247.05	1,336.20

Source: Data furnished by Commissioner and Director of Municipal Administration

3.15 Recommendations of the State Finance Commission (SFC)

As per Article 243Y of the Constitution, the State Government has to constitute SFC once in five years to recommend devolution of funds from the State Government to Local bodies. The Third SFC was constituted in January 2003 and submitted its report in 2008.

However, State Government had issued orders for implementation of the recommendations of SFC only in December 2013. The Fourth SFC was constituted in January 2015 and its report was yet to be submitted (October 2016) by the commission. The State Government had released an amount of ₹1,027.72 crore during the period 2011-12 to 2015-16. However, only an amount of ₹810.68 crore was expended. Thus, ₹217.04 crore remained unspent.

3.16 Recommendations of the Central Finance Commission

3.16.1 Thirteenth Finance Commission

Based on the recommendations of the Thirteenth Finance Commission, GoI releases funds to State Government for distributing among the Municipal Corporations and Municipalities in the State. The grant is released under two components (basic component and performance based component). During 2011-15, ₹876.25 crore was released to ULBs of Andhra Pradesh State and the total amount was expended. There were no releases during 2015-16

3.16.2 Fourteenth Finance Commission

The Fourteenth Finance Commission (FFC) has recommended assured transfers to the local bodies for planning and delivering basic services including water supply, sanitation including septic management, sewage and solid waste management, storm water drainage, maintenance of community assets, maintenance of roads, footpaths, street lighting, burial and cremation grounds and any other services smoothly and effectively within the functions assigned to them under relevant legislation. Grants are released under two components i.e., Basic grant and Performance grant. The division of grants between Basic and Performance Grant is in the ratio of 80:20.

An amount of ₹331.47 crore was released by GoI in the year 2015-16. However, no amount was expended as of October 2016

3.17 Maintenance of Records

As per SR 3–TR 10 and SR 2–TR 11, every Drawing and Disbursing Officer should maintain a Cash Book in APTC Form No.5. Test check of 14 ULBs during 2015-16 showed that in seven ULBs cash book was not maintained as stipulated in the rules.

3.17.1 Advances pending adjustment

As per Andhra Pradesh Financial Code, advances paid should be adjusted without any delay and the Drawing and Disbursing Officers (DDOs) concerned should watch their adjustment. On scrutiny of records of 14 ULBs during 2015-16, it was seen that in respect of seven ULBs¹¹ advances paid to staff for various purposes to a tune of ₹1.62 crore during 1998-99 to 2015-16 remained unadjusted as of March 2016.

3.17.2 Non-reconciliation of departmental figures with treasury

As per Andhra Pradesh Budget Manual (Para 19.6), DDOs are required to reconcile departmental receipts and expenditure with those booked in the treasury every month to avoid any misclassification and fraudulent drawals. On scrutiny of records of 14 ULBs during 2015-16, it was seen that in respect of five ULBs¹² reconciliation was pending from 2011-12 onwards.

3.17.3 Unspent balances in bank accounts of closed schemes

Scheme guidelines stipulate surrender of unspent amount into Government account in respect of closed schemes. State level authorities of the schemes concerned and CDMA should watch the balances of closed schemes lying in the accounts of different ULBs. On scrutiny of records of 14 ULBs during 2015-16, it was seen that in respect of Ongole Municipal Corporation, an amount of ₹1.17 crore remained unspent and parked in Fixed Deposits in the accounts of closed schemes.

3.17.4 Cases of misappropriation

Andhra Pradesh Financial Code stipulates responsibilities of Government servants in dealing with Government money, the procedure for fixing responsibility for any loss sustained by Government and the action to be initiated for recovery. State Government had ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned.

Misappropriation cases noticed by Director, State Audit up to 2015-16, yet to be disposed off as of March 2016, are detailed below.

Urgent action needs to be taken by government in this regard.

¹¹ Ongole, Nellore, Machilipatnam, Nandigama, Jangareddygudem, Rajampeta and Vuyyuru

¹² Addanki, Nayudupet, Nellore, Ongole and Vuyyuru

Table 3.6

(₹ in lakhs)

Unit	As of 31 st March 2016	
	No. of cases	Amount
Municipal Corporations	381	1,579.97
Municipalities & Nagar Panchayats	667	3,046.91
Total	1,048	4,626.88

Source: Information furnished by Director, State Audit

3.18 Maintenance of Accounts by ULBs

GoI, in consultation with the Comptroller and Auditor General of India, had formulated (December 2004) the National Municipal Accounts Manual (NMAM) with double entry system for greater transparency and control over finances and requested (May 2005) the States to adopt it with appropriate modifications to meet their specific requirements. Accordingly, a Steering Committee was constituted (May 2005) by the State Government and the Andhra Pradesh Municipal Accounts Manual (APMAM) was developed during 2006-07. State Government had issued orders in August 2007 for adoption of APMAM in all the ULBs in the State. Similarly, other manuals viz., Andhra Pradesh Municipal Budget Manual and Andhra Pradesh Municipal Asset Manual, were also accepted by State for implementation (August 2007) by ULBs. However, finalisation of Annual Accounts by 25 ULBs was in arrears as of April 2016.

State Government stated (September 2016) that the Double Entry Accrual Based Accounting System (DEABAS) was being adopted in all the 110 ULBs and that the State Audit Department had successfully audited the annual accounts of the 110 ULBs up to 2014-15.

3.19 Maintenance of Database and the formats therein on the finances of ULBs

The ULBs have adopted the software developed by the Centre for Good Governance of Model Accounting System for maintenance of accounts. The Department stated (August 2015) that the staff was not fully trained in preparation and maintenance of accounts as per these formats. Chartered Accountant (CA) firms were requested to prepare accounts for the period 2009-13. Based on the guidelines from CA firms to the staff, accounts from 2013-14 onwards were proposed to be maintained by the ULBs staff. However, as of September 2016 no ULB was maintaining any kind of database on the financial position of ULBs.

3.20 Conclusion

Constitution of various committees as envisaged was not made. The Property Tax Board, though constituted, has not been functioning with full sanctioned strength. Service Level Benchmarks for 2015-16 were not fixed. There were delays in compilation of accounts by ULBs, delays in the audits by the Director, State Audit.

Maintenance of database formats was not implemented as planned. Accountability framework and financial reporting in ULBs were inadequate as evidenced by absence of social audit for scheme evaluation in the department for fixing accountability and non-furnishing of utilisation certificates, non-maintenance of any kind of database on the finances of the ULBs and improper maintenance of cash books.

Chapter – IV

Performance Audit

Municipal Administration and Urban Development Department

4 Water Supply in Urban Local Bodies

4.1 Introduction

Water is a natural resource essential for human existence. Lack of safe drinking water affects the health and wellbeing of the public. The provision of safe and adequate drinking water to the increasing urban population continues to be one of the major challenges. The objective of water supply system is to ensure supply of safe and adequate quantity of water at reasonable cost to the user. In order to encourage personal and household hygiene, proper planning is necessary in the formulation and implementation of water supply projects. Emphasis has to be laid on both the aspects of the system namely, planning and management (technical and financial). The responsibility for supply of potable water to urban population rests with the Urban Local bodies (ULBs).

4.2 Funding pattern

Urban Local Bodies (ULBs) meet the expenditure towards provision of water supply through grants received from GoI and State Government, loans from World Bank besides their own resources. Releases and expenditure during the period 2011-16 in the State towards water supply schemes were as under:

Table 4.1

(₹ in crore)

Year	UIDSSMT ¹			State Government (Plan Grant)		World Bank	
	Releases by SLNA ²		Expenditure	Releases	Expenditure	Releases	Expenditure
	GoI Share	State/ULB Share					
2011-12	97.52	53.02	159.30	43.19	52.42	0	0
2012-13	59.36	37.58	102.02	66.08	66.16	91.38	0
2013-14	11.59	13.28	27.00	78.88	71.91	21.12	55.49
2014-15	7.49	15.95	16.06	11.59	9.37	137.78	168.55
2015-16	1.73	21.15	*	19.02	13.10	210.50	192.85
Total	177.69	140.98	304.38	218.76	212.96	460.78	416.89

Source: Information furnished by Engineer-in-Chief, Public Health and APUFIDC

* Data not furnished

4.3 Organisational set-up

The ULBs function under the administrative control of the Principal Secretary, Municipal Administration and Urban Development (MA&UD). The Commissioner and Director of Municipal Administration is Head of the Department assisted by

¹ Urban Infrastructure Development Scheme for Small & Medium Towns, a component of Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

² State Level Nodal Agency

Regional Deputy Directors of Municipal Administration at regional level. The Chairperson is being nominated among the elected members of ULBs. Municipal Commissioners are the executive heads. The ULBs transact their business as per the provisions of the Acts concerned. The Public Health and Municipal Engineering Division is responsible for undertaking all capital works whereas, the maintenance works are looked after by the Engineering wing of ULB.

4.4 Audit framework

4.4.1 Audit objectives

Performance Audit of Water Supply in 13 Urban Local Bodies was carried out with the objective of assessing whether:

- i. the planning process for provision of infrastructure and maintenance of water supply in ULBs was adequate and effective;
- ii. sound financial management principles were adhered to in respect of project execution, realisation of revenue and operation & maintenance; and
- iii. the optimum quantity and quality of water was supplied as envisaged.

4.4.2 Audit criteria

Audit findings were benchmarked against criteria sourced from the following:

- i. Bye-laws and council resolutions adopted in the respective ULBs for supply of water;
- ii. Manuals on (i) Water Supply and Treatment, (ii) Operations and Maintenance issued by Central Public Health and Environmental Engineering Organisation (CPHEEO) under Ministry of Urban Development, Government of India (GoI);
- iii. National Water Policy, 2012 issued by Ministry of Water Resources, GoI;
- iv. Andhra Pradesh Financial Code, Andhra Pradesh Public Works 'D' code, Andhra Pradesh Municipalities Act, 1965 and Hyderabad Municipal Corporation (HMC) Act, 1955;
- v. Government Orders issued by State Government from time to time on water supply; and
- vi. Service Level Benchmarks (SLB) prescribed in Thirteenth Finance Commission guidelines.

4.4.3 Audit sample

Audit sample included 13³ out of 108⁴ Urban Local bodies in Andhra Pradesh. The sample was selected through stratified sampling method based on lowest lpcd (litres per capita per day) in each stratum⁵.

4.4.4 Audit scope and methodology

The Performance Audit on Water Supply in 13 ULBs covering the period 2011-12 to 2015-16 was conducted between March and June 2016. Audit methodology involved scrutiny of relevant records/documents in the Office of Engineer-in-Chief (ENC), Public Health & Municipal Engineering Division, Commissioner and Director of Municipal Administration, Andhra Pradesh Urban Finance Infrastructure Development Corporation (APUFIDC) and selected ULBs. Apart from scrutiny of records, physical verification of site, wherever required, was conducted with departmental officials. Beneficiary survey covering 50 consumers in each ULB was also done to assess the response of the consumers.

An Entry conference was held (March 2016) with the officials of the department wherein audit objectives, scope, criteria and methodology were explained. Exit Conference was held with the Government representatives in November 2016 to discuss audit findings. Replies (December 2016) of the Government have been suitably incorporated at appropriate places in the report.

4.4.5 Acknowledgements

Audit wishes to acknowledge the co-operation and assistance extended by the State Government and its officials during the conduct of this audit.

Audit findings

The findings emanating from the Performance Audit are discussed in the subsequent paragraphs.

4.5 Planning

Water is a prime natural resource, a basic human need and a precious asset for the State. Planning and development of water resources need to be governed by the existing conditions and needs in the State.

4.5.1 State Water Policy

State Government had formulated Water Policy in 2008 based on National Water Policy of 2002. State Government had yet to frame policy/guidelines based on

³ Dhone (Kurnool district), Guntakal (Anantapuramu), Gudur (SPSR Nellore), Markapur (Prakasam), Nandigama (Krishna), Narsipatnam (Visakhapatnam), Pedana (Krishna), Piduguralla (Guntur), Pithapuram (East Godavari), Salur (Vizianagaram), Tirupati (Chittoor), Vijayawada (Krishna) and Vizianagaram (Vizianagaram)

⁴ Two Nagar Panchayats formed on or after 2012 were not considered for sampling.

⁵ Stratum I (≤ 70 lpcd), Stratum II (>70 and ≤ 135) and Stratum III (>135)

National Water Policy 2012 as per local requirement. Provisions of Central Public Health and Environmental Engineering Organisation (CPHEEO) manuals were being followed by the State Government in respect of Water Supply and Treatment and Operations/Maintenance.

Government replied (December 2016) that State Water Policy was under consideration.

4.5.2 Water Regulatory Authority

As per National Water Policy 2012, an independent Water Regulatory Authority was to be formed to ensure equitable access to water for all and its fair pricing for drinking and other uses. The Water Regulatory Authority was not yet established (June 2016), which meant that the objective of securing uniformity in operations of water supply and pricing for supply of water in ULBs was not achieved.

Government replied (December 2016) that a State Level Committee was being formed to discuss the formation of independent Water Regulatory Authority.

4.6 Water source

Sustainability of surface water or ground water is necessary for effective supply of qualitative and quantitative water to the public.

4.6.1 Identification of water source

As per National Water Policy, urban and rural domestic water supply should preferably be sourced from surface water⁶ in conjunction with ground water⁷ and rain water. The exploitation of ground water resources should be so regulated that the recharging possibilities are not exceeded.

In the State, 30 out of 110 ULBs were completely dependent upon sub-surface water, whereas 71 ULBs were wholly dependent upon surface sources. Nine ULBs were dependent on both the sources.

Of the 13 test-checked ULBs, six⁸ ULBs were observed to be completely dependent upon sub-surface sources, five ULBs (Dhone, Guntakal, Gudur, Pedana and Tirupati) were dependent on surface sources and the remaining two ULBs (Markapur and Vijayawada) on both the sources. In six ULBs⁹ additional sources of water supply were planned from nearby reservoirs/river as the existing sources were drying up.

Government accepted the audit observation and stated (December 2016) that the new water supply improvement schemes were planned/taken up with surface water as source.

⁶ Rivers, lakes and reservoirs

⁷ dug up wells, bore wells, tube wells and infiltration galleries

⁸ Nandigama, Narsipatnam, Piduguralla, Pithapuram, Salur and Vizianagaram

⁹ Nandigama, Narsipatnam, Piduguralla, Pithapuram, Salur and Vizianagaram

4.6.2 Sustainability of source

The continuous supply of drinking water depends upon existing capacity of the available source. Sustainability of water source is essential to ensure adequate water supply throughout the year. In four¹⁰ test-checked ULBs, water sources were not sustainable and water supply was inadequate ranging from 30 per cent to 70 per cent of the projected yield. Uncontrolled sand quarrying had affected the depth of infiltration wells resulting in reduction of yield. Hence, proposals were submitted for drawal of water from new sources *i.e.*, rivers and reservoirs; these proposals were pending for approval. Thus, sustainability of water source was not ensured by ULBs for adequate water supply.

Government stated (December 2016) that measures to prevent uncontrolled sand quarrying and un-interrupted and adequate supply of water would be planned.

4.6.3 Replenishment of ground water table

Ground water needs to be conserved¹¹ by reuse of recycled water. Artificial recharge¹² of ground water can be achieved by direct recharge¹³ and surface flow harvesting¹⁴.

With a view to conserving ground water, State Government made harvesting of rain water in all group housing and commercial establishments mandatory¹⁵ in 1998. Later in June 2000¹⁶, it was made mandatory for buildings constructed on plots measuring 300 sq. mts and above. No step was taken by the ULBs to educate the public on the importance of ground water recharging/rain water harvesting. Construction of Rain Water Harvesting Structures (RWHS) was found to be grossly inadequate in the test-checked ULBs. Out of 10,834¹⁷ building permissions accorded during 2011-16, an amount of ₹1.55 crore was collected as a token amount for construction of RWHS by the ULBs. However, only 149¹⁸ RWHS were constructed at a total cost of ₹1.92 lakh and the balance amount of ₹1.53 crore remained unspent. Penal action¹⁹ taken, if any, against non-adherence to Government rules against building owners (for not constructing RWHS) was not forthcoming from the records.

¹⁰ Narsipatnam, Pithapuram, Salur and Vizianagaram

¹¹ Paragraph 3.8.2 of manual on O&M

¹² Paragraph 3.10 of manual on O&M

¹³ Recharge of wells, injected wells and Rain Water Harvesting Structures

¹⁴ Tanks and ponds

¹⁵ G.O.Ms No. 422 MA dated 31 July 1998

¹⁶ G.O.Ms No. 350 dated 9 June 2000

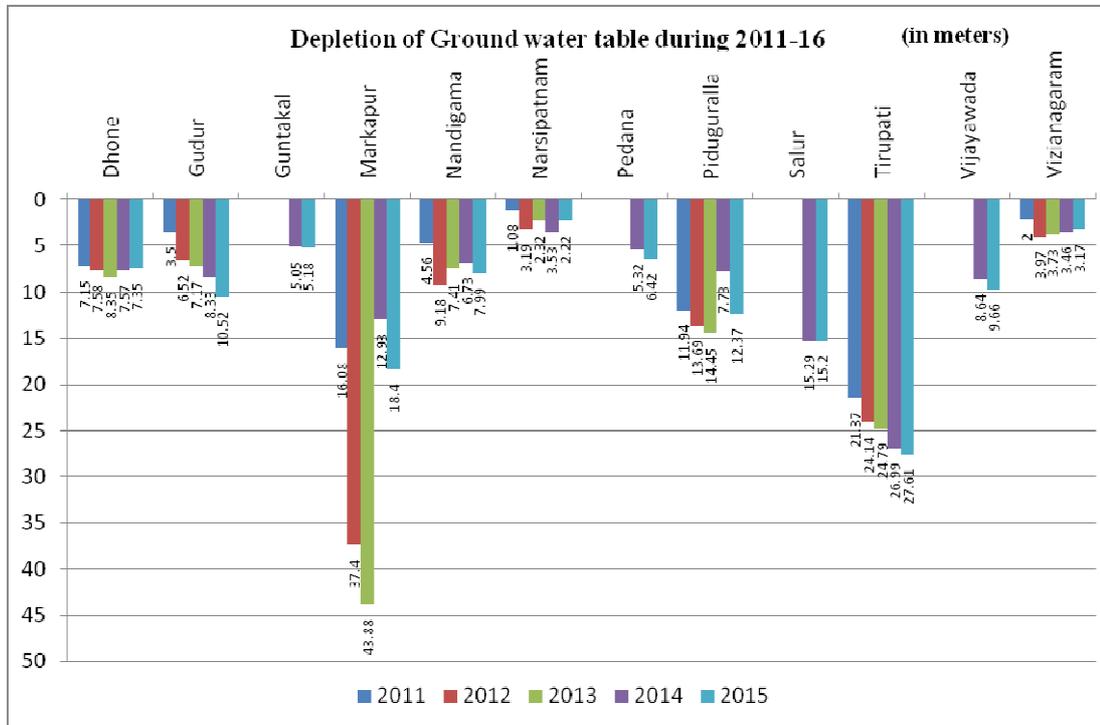
¹⁷ Dhone-680, Gudur-695, Guntakal-1,830, Markapur-771, Nandigam-715, Narsipatnam-706, Pedana-400, Piduguralla – 726, Pithapuram – Nil, Salur-689, Tirupati -1,396 and Vizianagaram-2,226

¹⁸ Dhone-2, Gudur-2, Narsipatnam -20, Salur – 15 and Tirupati – 110

¹⁹ As per section 340 of Andhra Pradesh Municipalities Act, 1965, a fine which may extend to five hundred rupees subject to a minimum of fifty rupees and to a further fine which may extend to one hundred rupees subject to a minimum of ten rupees for each day during which offence is proved to have continued after the first day.

Thus, the failure to comply with the mandatory provisions of water harvesting resulted in the objectives of conservation/recharge of ground water not being achieved. The pre-monsoon (month of May) ground water levels (in meters) of test-checked ULBs during the period 2011-16 are given in the chart below.

Chart 4.1



Source: Data furnished by Ground Water Department, Andhra Pradesh

Data was not furnished in respect of Pithapuram ULB

In eight²⁰ ULBs, there was depletion in ground water during May 2015 as compared to May 2011. This was acute in Markapur, Piduguralla and Tirupati ULBs. No action was initiated by ULBs for rejuvenation or recharging of sub-surface water. However, during 2015-16 there was improvement in ground water level due to good rainfall and water conservation works taken up by the Government.

Government accepted the audit observation (December 2016) and assured that necessary steps would be taken for construction of Rain Water Harvesting Structures (RWHS).

²⁰ Gudur, Guntakal, Markapur, Nandigama, Pedana, Piduguralla, Tirupati and Vijayawada

4.7 Infrastructure for Water supply

4.7.1 Water Treatment Plant

To ensure safe and potable drinking water, it is to be treated under various processes depending on the quality of raw water. Water Treatment Plants (WTP) should, therefore, be planned to supply water that is hygienically safe, aesthetically attractive and palatable. Audit observed that -

- Water Treatment Plants were available and functioning in all the six test-checked ULBs where surface water was the source.
- Water Treatment Plants were not available in other six²¹ test-checked ULBs where sub-surface water was the source.
- In Gudur ULB, clariflocculator²² of the WTP installed (December 2012) was not functional as of May 2016.

Thus, the ULBs had not ensured the supply of safe and potable drinking water to the consumers.

Government accepted the audit observation (December 2016) and stated that the Water Treatment Plants were not provided where sub-surface water was the source.

4.7.2 Service Reservoirs

The Service Reservoirs²³ provide a suitable reserve of treated water with minimum interruptions of supply due to failure of mains, pumps etc. The minimum storage capacity of service reservoirs depends on factors such as design population, per capita water supply, peak factor and continuous water supply. In two²⁴ test-checked ULBs there was shortfall in the storage capacity of service reservoirs ranging from 9.40 MLD to 18.80 MLD with reference to water drawn from the source. Due to shortage of storage capacity, the frequency of pumping requirement would be high, requiring higher electricity consumption.

Government stated (December 2016) that proposals were under way for construction of additional Service Reservoirs under AMRUT²⁵ scheme.

4.7.3 Inadequate distribution network

The objective of distribution system is to convey wholesome water to the consumers at adequate residual pressure in sufficient quantity at convenient points so as to achieve continuity and maximum coverage at affordable cost. In the 10²⁶ test-

²¹ Nandigama, Narsipatnam, Piduguralla, Pithapuram, Salur and Vizianagaram

²² The purpose of clariflocculator is to remove particulate impurities especially non-settable solids particularly collides and colour from water being treated

²³ Paragraph 10.4.1 of Water Supply and Treatment manual

²⁴ Guntakal and Tirupati

²⁵ Atal Mission for Rejuvenation and Urban Transformation

²⁶ Dhone (12), Guntakal (92), Markapur (75), Nandigama (90), Narsipatnam (83), Pedana (61), Pithapuram (34), Salur (7), Tirupati (10) and Vizianagaram (57)

checked ULBs there was shortfall in the coverage of pipeline network when compared with internal road length. The shortfall ranged from 7 per cent to 92 per cent. Water was supplied through water tankers in the uncovered areas which had resulted in inequitable distribution of water supply to the households and proved expensive to ULBs. Piduguralla ULB was dependent upon bore wells/stand posts due to non-availability of distribution network for household connections.

Government replied (December 2016) that as per availability of funds laying of new distribution lines would be taken up under various schemes.

4.7.4 Non-installation of flow meters

The measurement of flow in water supply systems is an indispensable requirement for the purpose of assessment of source and its development, transmission, treatment, distribution, control of wastage etc. However, flow meters were not installed at source/treatment plant/distribution zones in eight²⁷ test-checked ULBs. In three²⁸ ULBs, though flow meters were available, these were not functional. The quantity of water supplied was assessed on the basis of the capacity of the reservoir and the duration of pumping to Elevated Level Service Reservoirs (ELSRs). In the absence of flow meters, actual quantity of water supplied by the ULBs could not be ascertained.

Government accepted the audit observation (December 2016) and assured that the Bulk Flow meters were now proposed to be installed in the ongoing schemes with the funds available with the ULBs and installation of bulk flow meters would be made compulsory in all the future schemes.

4.8 Execution of projects

4.8.1 Project proposals during transition phase

As per JNNURM guidelines²⁹ funds were to be provided to only those towns and cities where elected bodies were in position. State Government submitted (November 2013) project proposals in respect of 12³⁰ ULBs under UIDSSMT for approval during the transition phase³¹, which were not covered under JNNURM phase-I. However, GoI did not consider (December 2013) the proposals, since elected bodies were not functioning in the ULBs and transition period for sanctioning of projects under JNNURM was coming to a close. As a result, the ULBs were deprived of the resources for ensuring clean water supply to their citizens.

²⁷ Dhone, Guntakal, Narsipatnam, Piduguralla, Pithapuram, Salur, Tirupati and Vizianagaram

²⁸ Gudur, Markapur and Pedana

²⁹ Paragraph 4.3 of UIDSSMT guidelines of JNNURM

³⁰ Amalapuram, Atmakur, Gooty, Jangareddygudem, Nandikotkur, Narsapuram, Narsipatnam, Parvathipuram, Proddatur, Salur, Tiruvur and Yeleswaram

³¹ Transition period of two years beginning from 2012-13 to complete the approved projects under JNNURM-I and to implement the pending reforms at the State and ULB level

4.8.2 Status of projects

In the State, 54 projects³² with administrative cost of ₹2,780.14 crore were executed during the period 2011-16. These projects were funded by GoI, State Government/ULB and World Bank. Of these, 42 projects were commissioned and 12³³ projects were in progress. In the test-checked ULBs, out of 10 projects, six projects were commissioned and four projects were in progress.

Government replied (December 2016) that the projects which were in progress would be completed by April 2017.

4.8.3 Irregular payment of Central Excise Duty

Central Excise duty is exempted³⁴ on pipes (outer diameter of 10 cm) when used as integral part of Water Supply projects.

However, Tirupati Municipal Corporation paid central excise duty of ₹11.07 lakh on pipes used for water supply and related works during the review period. The Corporation accepted the irregular payment.

Government accepted the audit observation (December 2016).

4.9 Water Demand/Supply management

Water demand management involves measures which aim at reducing water demand by optimal utilisation of water supplies for all essential and desirable needs. Water supply management aims at improving the supply by minimising losses and wastage and unaccounted for water in the transmission mains and distribution system.

4.9.1 Gap between demand and supply

Thirteenth Finance Commission had fixed Service Level Benchmark (SLB) as 135 lpcd for per capita supply of water. Where Underground Drainage was not there the benchmark was fixed as 70 lpcd³⁵. Against targeted supply of 135 lpcd in 56 ULBs, 45 ULBs had not achieved the target and 33 out of 54 ULBs had not achieved the targets in water supply of 70 lpcd.

In five³⁶ test-checked ULBs, current demands were met. In seven³⁷ test-checked ULBs, gap existed between demand and supply ranged from 27 per cent to 80 per cent as detailed in **Appendix- 4.1**. In three³⁸ test-checked ULBs, improvement schemes were sanctioned and were in progress as of June 2016, while

³² GoI (37 projects), State Government (11) and World Bank (6)

³³ Anantapuramu, Badvel, Dhone, Guntur, Kakinada, Markapur, Piduguralla, Pithapuram, Ramachandrapuram, Tadipatri, Tanuku and Vizianagaram

³⁴ Department of Revenue Tax Research Unit, Ministry of Finance, GoI circular No. 945/6/2011-CX dated 16 May 2011

³⁵ Paragraph 2.2.8.3 of CPHEEO Manual on Water supply and Treatment

³⁶ Dhone, Pedana, Pithapuram, Tirupati and Vijayawada

³⁷ Gudur, Guntakal, Markapur, Narsipatnam, Piduguralla, Salur and Vizianagaram

³⁸ Markapur (70 per cent), Piduguralla (89 per cent) and Vizianagaram (65 per cent)

in the other five, no such scheme was drawn up. Gap in supply was expected to persist till the sustainability of water source is ensured and all the water supply improvement schemes were to be completed to achieve the objectives as envisaged.

Government replied (December 2016) that the gap between demand and supply would be covered as and when the proposed water supply projects were completed/taken up under new projects.

4.9.2 Duration of Water Supply

Service Level Benchmark (SLB) of round the clock water supply was prescribed by the Thirteenth Finance Commission, which had not been achieved in any of the test-checked ULBs. In 110 ULBs, periodicity of water supply ranged from twice in a day to once in five days and duration of supply ranged from less than one hour to three and half hours per day.

Government replied (December 2016) that steps were being initiated to supply water as per Service Level Benchmarks.

4.9.3 House Service Connections (HSCs)

Thirteenth Finance Commission (TFC) had prescribed a Service Level Benchmark of 100 *per cent* coverage of water supply connections to the households in the ULBs. However, it was observed that out of 30.78 lakh properties covered under property tax in the State, only 13.01 lakh (42 *per cent*) households were provided with water supply connections. In the eight test-checked ULBs, out of 2.16 lakh properties only 0.48 lakh properties (22 *per cent*) were provided with water connections.

In two³⁹ test-checked ULBs, Comprehensive Water Supply Improvement Scheme was taken up with World Bank aid. In two⁴⁰ test-checked ULBs, DPRs were not approved by GoI due to the absence of elected body and closure of the UIDSSMT scheme under JNNURM. In Gudur ULB, even though the scheme was completed (April 2012), only 4,200 household connections were given as against the targeted connections of 11,680. In Piduguralla ULB, bore wells/stand posts were provided, instead of household connectivity. In three⁴¹ test-checked ULBs, household connectivity was provided in a phased manner. In two⁴² test-checked ULBs, DPRs submitted by the ULBs for approval were pending with State Government as of April 2016.

Thus, the objective of providing safe and clean drinking water to all the households in the test-checked ULBs remained unachieved.

Government replied (December 2016) that necessary steps would be taken to provide household connections by the ULBs concerned. However, it did not spell out any specific steps planned by it.

³⁹ Markapur and Vizianagaram

⁴⁰ Narsipatnam and Salur

⁴¹ Dhone, Guntakal and Tirupati

⁴² Nandigama and Pithapuram

4.9.4 BPL households not covered

With a view to reducing the burden on urban poor seeking tap connection, State Government had granted (July 2008) concessional household service connection charges of ₹200 (instead of ₹1,200) and had directed (December 2012) ULBs to conduct a ward level survey of BPL households to provide household connections. The survey was yet to be taken up in ten⁴³ test-checked ULBs. Data collected from revenue/ULB authorities showed that 1.78 lakh⁴⁴ BPL households were yet to be provided connectivity.

Government replied (December 2016) that necessary steps would be taken to provide BPL household connections by the ULBs concerned. However, it did not spell out any specific steps planned by it.

4.9.5 Metering of water connections

Water meter is a scientific instrument for accurate measurement of quantity of water distributed to the consumers and fulfills the need to know the quantity of water produced and distributed. As per O&M manual⁴⁵, metering of water supply is desirable to minimise the wastage and to maintain the economic pricing of water. The benchmark for metering water supply connections prescribed by the Thirteenth Finance Commission was 100 *per cent*; however, water meters were not installed in seven⁴⁶ test-checked ULBs. In the remaining six⁴⁷ ULBs, water connections were metered to the extent of six *per cent*⁴⁸ only. ULBs stated that consumers were not coming forward for installation of meters. Further, metering of water connections was not made mandatory by ULBs. As such, the objective of minimizing wastage, ascertaining quantity and economic pricing of water could not be achieved.

In two⁴⁹ test-checked ULBs, 470 out of 556 water meters were not functioning prior to 2011-12. No action was taken as of June 2016 to rectify the problem. The ULBs continued to levy water charges at fixed rate, irrespective of actual consumption, due to non-installation of water meters causing possible loss of revenue to ULBs.

Government replied (December 2016) that consumers were not coming forward for installation of water meters and that necessary steps were being taken to create general awareness in public and proposals would be formulated for mandatory installation of meters in the new schemes. However, the shortfall arose primarily because metering of water connections was not made mandatory by ULBs. As per

⁴³ Dhone, Gudur, Markapur, Narsipatnam, Pedana, Piduguralla, Pithapuram, Salur, Tirupati and Vizianagaram

⁴⁴ Dhone– 8,424, Guntakal– 26,631, Gudur– 17,173, Markapur- 17,020, Narsipatnam- 26,493, Pedana– 5,668, Pithapuram– 14,105, Salur- 14,482 and Vizianagaram– 48,412

⁴⁵ Paragraph 1.2.2 of Manual on O&M

⁴⁶ Dhone, Markapur, Nandigama, Narsipatnam, Pedana, Piduguralla and Salur

⁴⁷ Guntakal, Gudur, Pithapuram, Tirupati, Vijayawada and Vizianagaram

⁴⁸ 10,741 connections out of 1,82,702 connections

⁴⁹ Gudur and Vizianagaram

the manual of the Central Public Health and Environmental Engineering Organisation adopted by the State, this was to have been made mandatory.

4.9.6 Unaccounted for Water

Unaccounted for water (UFW) is leakage of water which mostly occurs in the distribution system and house service connection. A systemic approach towards wastage was required to save considerable quantity of water and prevent possible contamination. As per the manual on Water Supply and Treatment upto 15 per cent⁵⁰ of water wastage i.e., UFW is allowed. In Salur and Vizianagaram ULBs, UFW was within the limits. In eight⁵¹ test-checked ULBs the percentage of UFW was beyond the benchmark. In the absence of flow meters and water meters, correctness of UFW reported could not be ascertained.

Government replied (December 2016) that a decision was to be taken to formulate guidelines and rules for installation of flow meters and water meters.

4.10 Water quality management

Safe water is essential for good health of the community⁵². Improvement in drinking water quality had a direct impact on improvement in the health of the consumers. Water supply agencies are responsible for supply of safe water to consumers and to monitor its quality.

4.10.1 Water sample tests

Water supply and treatment laboratories with adequate facilities and manned by qualified personnel are essential for inspection and evaluation of the suitability of water supplied for public use. Water supply and treatment manual⁵³ prescribes laboratory examination of physical, chemical, bacteriological and biological analysis of water samples to confirm the quality of water.

In all the test-checked ULBs (except Tirupati and Vijayawada) laboratory facilities were not put in place as part of the water supply system. In Gudur ULB, provision was made for construction of laboratory in the estimate for 'Improvement of Water Supply Scheme' in January 2008. Though the water supply scheme was completed in April 2012, construction of laboratory was not taken up. In the absence of this, water sample tests were conducted in the Regional/District Public Health Laboratories (RPHL/DPHL) concerned only on random basis, instead of on regular basis as stipulated in paragraph 15.3.4 of the Manual on Water Supply and Treatment. Thus, due to the lack of laboratory facilities in ULBs, there was shortfall in the coverage of tests during audit period as detailed in **Appendix- 4.2**.

⁵⁰ Paragraph 2.2.8.3 of CPHEEO manual on Water supply and treatment

⁵¹ Percentage – Dhone (20), Gudur (32), Guntakal (25), Markapur (20), Narsipatnam (50), Pedana (35), Pithapuram (40) and Tirupati (21).

⁵² Paragraph 9.2 and 9.4 of CPHEEO manual on O&M

⁵³ Paragraph 15.3.4 of manual on Water supply and Treatment

Government replied (December 2016) that action would be initiated to provide laboratories with the necessary facilities; however, it failed to show any plan towards addressing this gap.

4.10.2 Survey and surveillance

Water quality monitoring and surveillance is a continuous process, along with vigilant assessment and control of safe potable water supply, to be undertaken by the ULB. Surveillance is an investigative activity which was to be undertaken by an agency consisting of the members from State Public Health Engineering Department (PHED), Local Health Authority, Chief Medical Officer/Health Officer and Pollution Control Board, to identify and evaluate factors posing health risk related to drinking water supplied. The surveillance agency had to communicate to the water supply agency and pinpoint the risk areas and give advice for remedial action.

However, no such surveillance agencies were formed in any of the test-checked ULBs. Thus, in the absence of surveillance agencies, safe water supply to consumers could not be taken as having been achieved.

Government accepted the audit observation (December 2016) and assured that water quality monitoring and surveillance agencies would be formed.

4.10.3 State Pollution Control Board

The Andhra Pradesh Pollution Control Board (APPCB) monitors the water bodies under National Water Monitoring Programme which is available in the public domain. The Board monitors the water pollution generated by the industries/Urban Local Bodies by issuing notices and stipulates standards for discharge of effluents by the industries/Urban Local Bodies. On the directions of Honorable High Court of Andhra Pradesh (February 2006) the Government of Andhra Pradesh (GoAP) had directed all the Commissioners of Municipalities/Municipal Corporations/Nagar Panchayats to protect the drinking water from pollution by ensuring that garbage discharge or industrial waste did not flow into any of the water channels which cause health hazards.

APPCB had issued (January 2013) notices prohibiting all the ULBs from discharging untreated sewerage into the water bodies and prescribed construction of Sewerage Treatment Plants (STPs) to treat water before discharge. Further, APPCB had reported that the water quality of main rivers was not satisfactory. It was observed that Vizianagaram and Salur ULBs were discharging the drainage water into the Pedda cheruvu and Vegavathi river, respectively (main drinking water sources), whereas in the other four⁵⁴ test-checked ULBs, no measures were taken for treating the drainage water before disposal.

Government replied (December 2016) that necessary guidelines in this regard would be formulated, as ULBs had to protect drinking water from pollution.

⁵⁴ Dhone, Guntakal, Markapur and Pedana

4.11 Operations and Maintenance

Operation⁵⁵ refers to hourly and daily operations of the components of a system such as plant, machinery and equipment. Maintenance involves keeping the plant, equipment, structures and other related facilities in optimum working condition for supply of quality water to the consumers.

4.11.1 Improper planning

- i. For planning future augmentation and improvement of water works in operation, certain key records⁵⁶ relating to supply of water are required to be maintained. However, history sheets of pumps and motors, preparation of maps showing the entire network etc., were not maintained by any of the test-checked ULBs.

Government accepted the audit observation (December 2016) and assured that action would be initiated to maintain the key records.

- ii. Preventive maintenance⁵⁷ has to be planned for maintenance of the pipelines, servicing of valves, expansion joints etc., to act against possible contamination and improve pressure in the distribution system. In five⁵⁸ test-checked ULBs, preventive maintenance was not carried out.

Government stated (December 2016) that replacement of old pump sets, distribution pipelines, valves etc., was in progress.

- iii. Maintenance schedule is required to be prepared to improve the level of maintenance of water transmission system through improved coordination and planning of administrative and field work and through the use of adequate techniques, equipment and materials. An action plan was to be prepared for Operation and Maintenance. None of the test-checked ULBs had prepared any maintenance schedule for O&M activities.

Government accepted the audit observation (December 2016) and assured that action would be initiated to prepare action plan for maintenance schedule.

Thus, due to failure in preparation of maintenance schedule and planning for preventive maintenance, repairs to water transmission system were attended only as and when complaints were received. Non-maintenance of basic records resulted in operating problems not being brought on record.

⁵⁵ Paragraph 2.2 of CPHEEO O&M Manual

⁵⁶ Paragraph 2.3.11, 3.6.1.8, 4.3.8.1 of manual on O&M – List of tools and plants, history sheets of works/equipment, updated transmission system map, flow meter readings at upstream and downstream, man-hours spent on routine operations, age of pipes, quality of pipes etc.; and Paragraph 13.3.6 of manual on Water supply and treatment – daily and cumulative supply over the years, number of connections of various sizes given and cumulative number of connections each month, water treated and the supply billed

⁵⁷ Paragraph 4.3.3.2 of manual on O&M

⁵⁸ Gudur, Narsipatnam, Pithapuram, Salur and Vizianagaram

4.11.2 Response to complaints

In eight⁵⁹ test-checked ULBs it was noticed that the average response time to attend complaints was one to two days. In addition, no norms were fixed for rectifying the defects to ensure optimum response and to avoid wastage of safe potable drinking water.

Government replied (December 2016) that delay in average response time to attend the complaint was due to shortfall in manpower and assured to take necessary steps.

4.11.3 Staffing pattern

The Water Supply and Treatment (WST) manual⁶⁰ prescribed staffing pattern of five functionaries' such as pumping house operator, fitter, helper, electrician/mechanic and watchman for O&M of water works, based on capacity/quantum of water supply. The staffing pattern prescribed and men-in-position in the test-checked ULBs are given below.

Table 4.2

Name of the post	Staffing Pattern	Men in Position	Shortfall	Percentage of shortfall
Pump House Operator	62	0	62	100.00
Fitters	121	4	117	96.69
Helpers	83	5	78	93.98
Electrician/Mechanic	7	0	7	100.00
Watchman	46	18	28	60.87
Total	319	27	292	91.54

There was substantial shortfall in staffing pattern in 10⁶¹ out of 13 test-checked ULBs and in three⁶² test-checked ULBs, the information was not furnished. Instead of filling-up the vacant posts which are technical in nature, the ULBs were outsourcing personnel for the respective posts for O&M and water works.

Government replied (December 2016) that action was being taken up to fill up all the vacancies in the ULBs, but no evidence was produced to audit to substantiate the claim.

4.11.4 Inadequate training

To carry out O&M tasks effectively and efficiently, there is a need for strengthening technical, operational and managerial categories of staff. Every supervisory and operating staff engaged for water works should be subjected to appropriate training

⁵⁹ Dhone, Guntakal, Markapur, Narsipatnam, Pithapuram, Salur, Tirupati and Vizianagaram

⁶⁰ Paragraph 13.11 of CPHEEO Manual on Water Supply and Treatment

⁶¹ Dhone, Gudur, Guntakal, Markapur, Narsipatnam, Pedana, Pithapuram, Salur, Tirupati and Vizianagaram

⁶² Nandigama, Piduguralla and Vijayawada

course⁶³ at least once in every three/five years during his service. Training was imparted only in 10⁶⁴ out of 110 ULBs. No training was imparted to staff at any of the test-checked ULBs, except Vizianagaram ULB. As such, efforts were not made to upgrade and enrich the skills of the personnel engaged in water supply system.

In the exit conference, Government accepted the audit observation (December 2016) and assured of taking appropriate measures for imparting training.

4.12 Revenue on water supply

It is essential to establish a sound financial management system to make the water supply system financially viable. This can be achieved by controlling expenditure and increasing the income. Thirteenth Finance Commission had stipulated Service Level Benchmark of 100 *per cent* cost recovery in water supply services. A tariff structure was to be evolved to recover the O&M cost and have a surplus for debt servicing and depreciation. Control of O&M expenditure could have been achieved by preparing an annual budget of income and expenditure based on realistic estimates.

4.12.1 Gap in cost recovery

The major source of revenue under water supply was from collection of water charges from households, Government and commercial establishments besides water connection charges. Expenditure comprises salaries and wages, consumables, electricity charges, repairs and replacement charges. Water charges⁶⁵ are to be fixed by the utility taking into account the expenditure on various heads, such as, operating cost, establishment cost, depreciation, debt services, asset replacement fund etc.

ULBs have to generate revenue and incur expenditure for O&M activities as no funding was provided by the State Government. Revenue and expenditure on water supply in respect of test-checked ULBs during 2011-16 are given in the chart below.

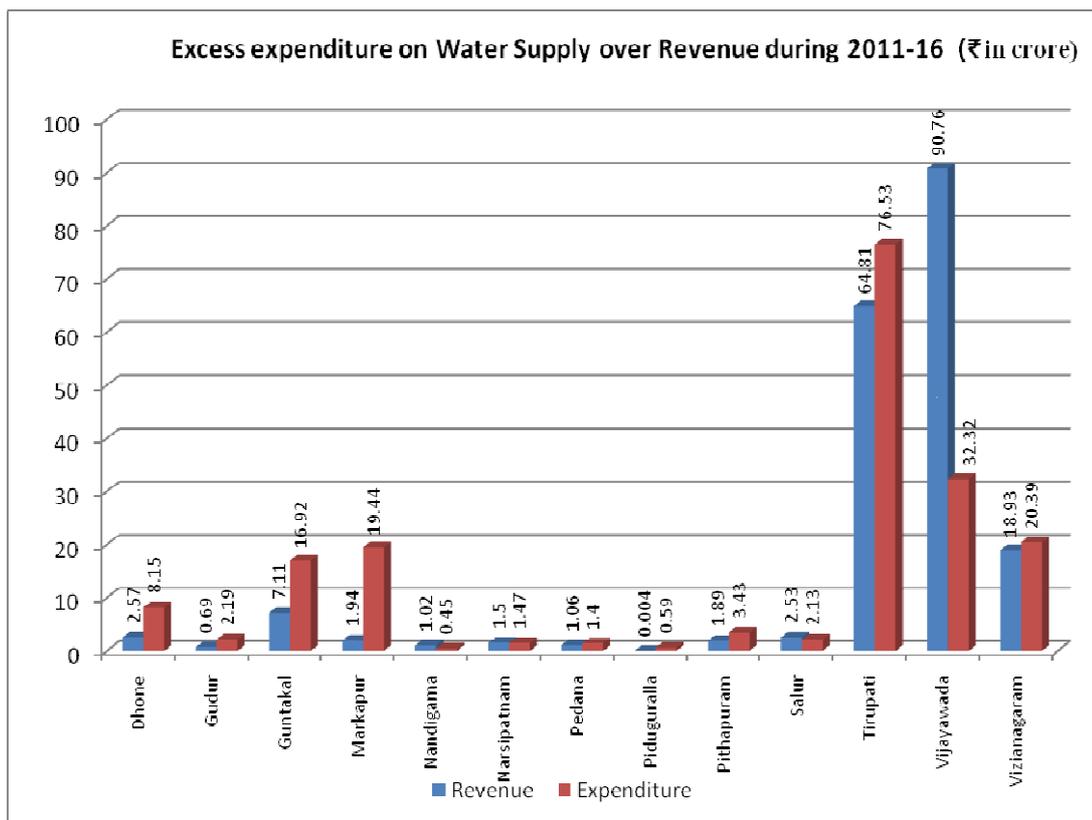
⁶³ Paragraph 14.6 and 17.12 of CPHEEO Manual on Water Supply and Treatment

⁶⁴ Technical: Anantapuramu, Atmakur, Palasa, Proddutur, Puttaparthi, Rayachotty, Srikakulam and Vizianagaram

Managerial: Atmakur, Gudivada, Ponnur, Puttaparthi, Srikakulam and Vizianagaram;
O&M: Puttaparthi, Rayachotty and Vizianagaram

⁶⁵ Paragraph 13.2 of CPHEEO manual on O&M

Chart 4.2



Source: Revenue and expenditure account furnished by the test-checked ULBs.

In nine⁶⁶ test-checked ULBs, expenditure exceeded revenue. Out of this, in four⁶⁷ ULBs, the gap was acute.

For any financially self-sustained water utility, the tariff should be reasonably fixed. In four⁶⁸ ULBs, tariff was revised during the period 2013-15. In six⁶⁹ ULBs, tariff fixed during the period 1998-2012 was not revised. In Guntakal, Markapur and Tirupati ULBs, the gap was acute even after revision of tariff during 2014-15.

Government had issued orders (August 2004) to fix water charges for domestic consumers at ₹100 per month. In four⁷⁰ ULBs, water tariff was less than the minimum. Audit assessed loss of revenue as ₹seven⁷¹ crore during the period covered due to non-implementation of Government orders regarding water charges.

Gap in cost recovery would persist until ULBs treat the water as an economic good and evolve a proper tariff structure with improved collection efficiency.

⁶⁶ Dhone, Gudur, Guntakal, Markapur, Piduguralla, Pedana, Pithapuram, Tirupati and Vizianagaram

⁶⁷ Dhone, Guntakal, Markapur and Tirupati

⁶⁸ Guntakal, Markapur, Tirupati and Vijayawada

⁶⁹ Dhone (2012), Gudur(2001), Pedana(1998), Pithapuram(2011), Salur(2007) and Vizianagaram (1999)

⁷⁰ Gudur(₹75), Pedana(₹60), Salur(₹70) and Vizianagaram (₹60)

⁷¹ Gudur(₹0.57 crore), Pedana(₹1.37 crore), Salur(₹0.53crore) and Vizianagaram (₹4.53crore)

Government stated (December 2016) that steps were being taken to enhance the tariff under AMRUT, Andhra Pradesh Municipal Development Project (APMDP) and other schemes. The reply was not acceptable since review of the gap had to be done for all the ULBs to improve tariff/collection efficiency.

4.12.2 Water charges

Gudur Municipality had fixed (November 2001) water charges for metered connections at ₹150 per month irrespective of the quantity of water consumed. Demands were not raised in respect of 123 metered connections existing even prior to 2011. Loss of revenue was assessed in audit at ₹11.07⁷² lakh, for which the ULB had assured of raising the demand. During beneficiary survey, it came to light that demands had not been raised for four apartments. ULB agreed to the audit observation and stated that seven more such apartments were also identified and assured of serving demand notices.

Government accepted the audit observation (December 2016) and assured that necessary steps were being taken for collection of water charges in all the municipalities.

4.12.3 Delay in issue of demand notices

As per the Water Supply Bye laws, water charges due for a month are payable before 10th of the subsequent month in the municipal treasury. In case of metered connections, the charges are payable within seven days after the demand is made. However, all the ULBs were raising demand half yearly/annually.

The service level benchmark for efficiency in collection of water supply related charges was 90 *per cent* under Thirteenth Finance Commission. However, the average efficiency in the test-checked ULBs was 41 *per cent*. There were 21,589 chronic defaulters⁷³ from whom ₹7.45 crore remained uncollected. In Vizianagaram ULB, an amount of ₹2.94 crore was outstanding since 1993-94 onwards.

Government accepted the audit observation (December 2016).

4.12.4 Non-Revenue Water

Non-Revenue Water (NRW)⁷⁴ is the extent of water produced which does not earn the utility any revenue. NRW comprises public stand posts, illegal water connections, water theft, metering inaccuracies and leakages in the transmission and distribution networks. Service Level Benchmark for NRW is 20 *per cent*. In all the test-checked ULBs, NRW ranged from 21 *per cent* to 100 *per cent*. In Vijayawada and Markapur test-checked ULBs, NRW was within the limit. In Piduguralla ULB, since only public taps were provided, NRW was 100 *per cent*.

⁷² 123 metered connections x ₹150 x 60 months

⁷³ Defaulting for more than one year

⁷⁴ Difference between the total water produced (ex-treatment plant) and the total water sold expressed as a percentage of the total water produced

In Gudur and Narsipatnam ULBs, 2,367 un-authorized water connections were identified during 2012-13 and 2015-16, respectively. As of March 2016, no action was taken to regularise these unauthorized water connections. This resulted in loss of revenue of ₹1.92 crore (Gudur-₹1.63⁷⁵ crore, Narsipatnam - ₹0.29⁷⁶ crore).

In respect of three⁷⁷ ULBs, since the periods from which unauthorized connections (1,200 nos.) existed were not available, the loss could not be assessed. However, tap donation charges⁷⁸ of ₹67 lakh⁷⁹ were not collected.

However, if corrective action such as individual household connectivity, provision of water meters, replacement of non-functioning water meters, regularisation of unauthorised connections and regular maintenance to avoid leakages, were not taken expeditiously, higher percentage of NRW is likely to continue.

Government accepted the audit observation (December 2016) and assured that action would be taken as per bye-laws to regularise the unauthorised/illegal water connections.

4.13 Other findings

4.13.1 Non-utilisation of funds

- i. Grants of ₹4.33 crore under the Thirteenth Finance Commission received from GoI, were released by the State Government to the four⁸⁰ test-checked ULBs towards water supply works during the period 2011-15. Out of this, only ₹0.39 crore was utilized as of March 2016 and the remaining ₹3.94 crore remained unspent by the ULBs due to reasons such as delayed release of funds, dropping of proposed works, delay in preparation of estimates, etc. This resulted in non-execution of works such as construction of Elevated Level Service Reservoirs (ELSRs), repairs of distribution lines, providing pumping mains from the reservoirs and replacement of pump sets which deprived consumers of improved water supply.
- ii. The GoAP had released Adverse Seasonal Conditional (ASC) grants to meet the requirements of water supply during the summer season. However, the grant released (₹66.41 lakh) remained unutilized in two test-checked ULBs (Vizianagaram-₹62.10 lakh, Pithapuram-₹4.31 lakh), without serving the intended purpose of providing water supply during summer season.

Government accepted the audit observation (December 2016) and assured that steps would be taken for effective utilisation of funds.

⁷⁵ Monthly water charges of ₹7,685 x 2,120 unauthorized connections

⁷⁶ Monthly Charges of ₹11,660 x 247 unauthorized connections

⁷⁷ Dhone (250), Guntakal (600) and Tirupati (350)

⁷⁸ Initial charges (one time) collected from the consumers at the time of providing water connections

⁷⁹ Dhone-₹15 lakh, Guntakal-₹24 lakh and Tirupati-₹28 lakh

⁸⁰ Gudur- ₹1.17 crore, Narsipatnam-₹0.53 crore, Salur-₹0.73 crore and Vizianagaram-₹1.90 crore

4.13.2 Avoidable expenditure for delayed payment of electricity charges

Six test-checked ULBs paid late payment charges of ₹40.04 lakh⁸¹ on account of delays in payment of electricity consumption charges beyond the due dates for the electricity connections taken for water supply arrangements. This was avoidable had the charges been paid in time.

Government accepted the audit observation (December 2016) and assured that priority would be given to payment of electrical consumption charges before due date.

4.13.3 Review of Contract Maximum Demand (CMD)

In respect of High Tension (HT) connections, for the purpose of levy and collection of electricity charges, the billing is to be on the maximum demand recorded during the month or 80 per cent of Contract Maximum Demand (CMD), whichever is higher. For HT connections in three test-checked ULBs, an amount of ₹16.97 lakh⁸² was paid as penalty for exceeding the CMD during the period from August 2013 to March 2016. For HT connections in five⁸³ test-checked ULBs, an amount of ₹34.45 lakh was paid at 80 per cent of CMD even though the consumption was consistently less than 80 per cent every month. The Engineer-in-Chief (PHMED) had instructed (June 2015) all the Commissioners to analyse the HT bills and take necessary corrective action to curtail avoidable expenditure. However, no action was taken to analyze the consumption pattern.

Government stated (December 2016) that revision of CMD according to actual demand to avoid penalty was under consideration.

4.14 Monitoring

4.14.1 Conduct of inspections

Public Health & Municipal Engineering (PH&ME) department, a State Level Principal Agency, had to conduct periodical inspections of water supply schemes maintained by ULBs. No inspections were carried out during the period 2011-15. During 2015-16, inspections were carried out in 20 ULBs (four⁸⁴ are test-checked ULBs) out of 110 ULBs. Thus, there was shortfall in all ULBs in conduct of inspections.

Government accepted the audit observations (December 2016) and assured that necessary inspections would be carried out as prescribed.

⁸¹ Gudur- ₹11.45 lakh, Markapur- ₹0.24 lakh, Pedana- ₹0.39 lakh, Pithapuram- ₹2.25 lakh, Salur- ₹0.69 lakh and Vizianagaram ₹25.02 lakh

⁸² Pithapuram - ₹3.99 lakh, Salur – ₹2 lakh and Tirupati – ₹10.98 lakh

⁸³ Dhone, Gudur, Pedana, Tirupati and Vijayawada

⁸⁴ Gudur, Narsipatnam, Salur and Vijayawada

4.14.2 Public awareness programmes

As per O&M Manual⁸⁵, public awareness programmes are to be conducted regularly for the consumers to sensitise them about potable water not being a free commodity and that it is a value-added commodity with cost implications with the objective of achieving better customer relations, greater water conservation and enhanced organisational credibility. Audit observed that:

- i. In four⁸⁶ test-checked ULBs, public awareness programmes were not conducted. In other test-checked ULBs, no public awareness programmes were conducted except mike announcements.
- ii. Vigilance Committees and Consumer Service Committees to improve the public awareness were not formed.
- iii. Consumer survey was not conducted to obtain feedback from the consumers about the services at regular intervals for refining the service standards.
- iv. The authorities were to list out various aspects of public awareness programmes and work out cost implications for implementing the awareness programmes. None of the test-checked ULBs had provided any budget for implementing awareness programmes except Vizianagaram ULB, which did not conduct any such programme.

Government replied (December 2016) that wide publicity was being given by the ULBs. However, no evidence to that effect was furnished to audit. No reply was furnished to the other issues.

4.14.3 Water and Energy audit

- i. As per O&M manual⁸⁷, water audit of a water supply scheme was to be conducted to assess the capacity of total water produced by the water supply authority and the actual quantity of water distributed throughout the area of service and also to assess losses both physical⁸⁸ and non-physical⁸⁹ which needed immediate attention and control. However, water audit was not conducted in any of the test-checked ULBs. Thus, the benefits of water audit, such as, containing loss of water by control of leakages and increase in revenues from under-billed consumers, etc., had not been achieved.
- ii. As per O&M manual⁹⁰, energy audit of a water supply scheme should be conducted to regulate the energy consumption and to identify the possible steps

⁸⁵ Chapter 18 of manual on O&M

⁸⁶ Gudur, Narsipatnam, Piduguralla and Pithapuram

⁸⁷ Chapter 15 of manual on O&M

⁸⁸ Leakage of water in the network from pipes, joints and fittings, reservoirs, overflows of reservoirs and sumps

⁸⁹ Theft of water through illegal connections, under-billing through defective meters, water wasted by consumer through open taps, public stand posts etc.

⁹⁰ Paragraph 16.1 of O&M Manual of CPHEEO prescribed periodicity for conducting Energy Audit for various installations

needed to conserve energy and reduce the energy cost, so that water tariff is kept as low as possible. Further, large installations are to have energy audit every year, medium installations once in two years and small installations once in three years. Energy audit was not conducted in any of the test-checked ULBs.

4.14.4 Vehicle Tracking system

The ULBs are supplying water to the un-served areas through water tankers. To keep a watch on the plying of water tankers, the Engineer-in-Chief, Public Health had proposed (March 2015) to implement live Vehicle Tracking System (VTS) in all the ULBs across the State as it was becoming difficult to monitor the water supplied through water tankers. Even though implementation of VTS was under the purview of ULBs, the same was not implemented in any of the test-checked ULBs except Tirupati. Thus, the objective of monitoring of the water tanker serving in unserved areas had not been achieved as VTS was not put in place.

Government replied (December 2016) that action would be initiated for implementation of live Vehicle Tracking System.

4.14.5 Supervisory Control and Data Acquisition (SCADA) and telemetry

As per O&M manual⁹¹, the inspection, monitoring and control of O&M of water utility can be automated partially through telemetry⁹². Telemetry when extended to include actions based on the data for remote control of pumps and other equipment can be Supervisory Control and Data Acquisition (SCADA⁹³). This would facilitate minute real time information from remote terminal units located at the water treatment plant, reservoir, flow meter, pumping stations etc., and transmitted to a central control station where the information is updated, displayed and stored manually or automatically. However, in none of the test-checked ULBs, SCADA or telemetry system was implemented. Due to lack of these systems, the ULBs did not have the real time information on water networks to curb leakages, pilferages and un-authorised connections.

Government replied (December 2016) that action would be initiated for implementation of SCADA and Telemetry to gather real time information on water network in major ULBs.

4.14.6 GIS mapping

Geographic Information System (GIS) is a computer program that combines mapping with detailed information on physical structures with geographic areas. The

⁹¹ Paragraph 12.5 of manual on O&M

⁹² Telemetry enables regular monitoring of the data (hours of pumping, pressure and flow of water in distribution system etc.) on real time basis and the data is reviewed to take decision

⁹³ SCADA a computer aided system which collects, stores and analyses the data on all aspects of O&M

GIS creates a database within a mapped area such as streets, valve chambers/manholes, pipe networks and pumping stations. As per O&M manual⁹⁴, these maps can be used to inform the maintenance crew to locate the place of work. Preparation of GIS based maps by capturing 44 layers of attributes was taken up through contract agency in April 2013 for completion within 11 months with sanctioned cost of ₹4.20 crore. As of June 2016, the work was not completed. Thus, database on physical structures with geographical areas was not available.

Government replied (December 2016) that action would be initiated to complete the work of GIS mapping.

4.15 Findings of Beneficiary survey

Beneficiary survey covering 50 beneficiaries in each test-checked ULB (650 beneficiaries from 13 test-checked ULBs) was conducted to assess the response of the consumers with regard to quantity and quality of water supplied. The results of survey are summarised below:

- i. Water meters were not provided to 94 *per cent* of beneficiaries.
- ii. Majority of the beneficiaries (54 *per cent*) stated that they were not receiving water supply daily. Beneficiaries stated that water was supplied with a gap of more than two days in summer.
- iii. Wherever water was supplied daily, 76 *per cent* of the beneficiaries stated that it was supplied for one hour only.
- iv. Majority (61 *per cent*) of the beneficiaries were using bore well/well in addition to municipal water supply.
- v. 58 *per cent* of beneficiaries felt that water charges levied by the ULBs were reasonable. On the other hand, 78 *per cent* of the beneficiaries were not in favour of increase in water tariff.
- vi. 71 *per cent* of beneficiaries surveyed stated that public awareness camps were not conducted by ULBs to create awareness regarding safe and hygienic drinking water and that problems with regard to water supply were not discussed in Ward/Area sabha.

Government accepted (December 2016) the beneficiary survey findings.

4.16 Conclusion

Water Regulatory Authority was yet to be established for uniformity in operations and pricing for supply of water. Orders for conservation/recharge of ground water were not complied with by the ULBs. Water treatment plants were not available where sub-surface was the source. Water supply was inequitable since distribution network was inadequate. Flow meters were not installed at source/treatment

⁹⁴ Paragraph 8.4.2.3 of manual on O&M

plant/distribution zones. Coverage of households including BPL households was not adequate. Delay in completion of projects affected provision of potable drinking water. There was no action plan for maintenance. There was inadequacy in staffing pattern for operation and maintenance of water works. Gap between demand and supply of water persisted. No water meters were installed for water connections. ULBs did not install their own laboratories and frequency of tests prescribed was not adhered to. Revenue did not match expenditure on water supply arrangements. Monitoring was inadequate. Public awareness programmes were not conducted effectively.

4.17 Recommendations

Audit recommends the following measures for consideration of the Government:

- *Measures for replenishment of ground water should be strengthened to ensure sustainability of water sources.*
- *Adequate steps should be taken to conduct all types of prescribed tests to ensure adherence to the standards for supply of safe drinking water.*
- *The system of Operation and Maintenance should be strengthened to avoid wastage of drinking water and to provide better services.*
- *Water should be treated as an economic good and steps should be taken to reduce gap in cost recovery.*

Government accepted the recommendations made by Audit.

Chapter – V

Compliance Audit Paragraphs

Municipal Administration and Urban Development Department

5.1 Sewerage and Underground Drainage in Urban Areas

5.1.1 Introduction

Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was one of the flagship programmes launched¹ by Government of India (GoI) to support various infrastructural development projects including sanitation and sewerage in selected cities/towns². GoI had sanctioned 14³ Underground Drainage (UGD) projects for State during the period 2005-06 to 2010-11. These projects were sanctioned under the components of Urban Infrastructure and Governance (UIG) and Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). JNNURM guidelines stipulate that funds under UIG component were to be shared in the ratio of 50:20:30 by GoI, State Government and ULBs/other implementing agencies, while under UIDSSMT, the sharing pattern was 80:10:10 respectively.

5.1.2 Responsibility centers

5.1.2.1 State Level

Andhra Pradesh Urban Finance Infrastructure Development Corporation (APUFIDC) was designated (February 2006) by the State Government as State Level Nodal Agency (SLNA). It was responsible for appraising proposals submitted by implementing agencies to GoI and also implementation of UGD projects sanctioned under UIG and UIDSSMT components of JNNURM.

5.1.2.2 Implementing agencies

Public Health Engineering Divisions/Urban Local Bodies (ULBs) were the implementing agencies of JNNURM/State sponsored projects in the State. These units were responsible for submission of Detailed Project Reports (DPRs) to SLNA for appraisal, accounting of funds received from SLNA, tendering, award of contracts, ensuring adherence to the time schedule as well as quality of the works executed by the contractors, furnishing of periodical reports on physical and financial progress, submitting utilization certificates, maintaining inventory of assets created, operate assets and facilities created etc.

¹ December 2005 with a mission period of seven years 2005-12 extended up to 2014

² 65 Cities/Urban Agglomerations (UAs) across the country were termed as 'Mission Cities' and other cities as 'Non-mission cities'

³ **UIG:** 1. Sewerage System in Central part of Visakhapatnam, 2. Providing sewerage facilities to Old City of Visakhapatnam, 3. Providing Sewerage facilities in Northern part of Vijayawada City, 4. Providing UGD facilities to the un-served areas in Vijayawada, 5. Providing Sewerage facilities in un-served areas of VMC covering Housing Board Colony, Gunadala, Devinagar, Kedaeswarpet of Vijayawada and 6. Providing sewerage treatment plant at Singhnagar in Vijayawada.

UIDSSMT: 1. Kadapa, 2. Nagari, 3. Narasaraopet, 4. Tirupati (later upgraded to UIG) and 5. Yemmiganur

State Funds: 1. Nandyal, 2. Proddatur 3. Tadepalligudem

5.1.3 Audit approach

Out of 14 UGD Projects sanctioned under JNNURM, audit of implementation of 10 projects (nine⁴ in progress and one completed⁵) covering the period 2011-16 was conducted between January 2016 and May 2016 to assess whether planning was robust enough to establish UGD projects; fund management was effective; implementation of projects was effectively carried out as per the guidelines of JNNURM and monitoring mechanism including quality controls was adequate and effective.

Audit methodology involved examination of records of APUFIDC, the State Level Nodal Agency (SLNA) and the implementing units of selected projects. Audit findings were benchmarked against criteria sourced from GoI guidelines on JNNURM; Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual; Guidelines/Orders/Circulars issued by GoI/State Government/Nodal Agency; Detailed Project Reports (DPRs) of the selected projects, Andhra Pradesh Financial Code etc.

Audit Findings

5.1.4 Planning

5.1.4.1 Preparation of City Sanitation Plan

Central Public Health and Environmental Engineering Organisation (CPHEEO) manual stipulates that every ULB should have a City Sanitation Plan (CSP), a part of City Master Plan and to undertake to implement it for all its citizens in an economic, environmentally friendly and sustainable manner. Out of the eight test-checked ULBs, CSP was not prepared in two ULBs (Tadepalligudem and Yemmiganur). In respect of the remaining six⁶ ULBs, implementing agencies did not furnish the information regarding preparation of CSP.

Government accepted (December 2016) the observation.

5.1.4.2 Deficiencies in preparation of Detailed Project Report

The Detailed Project Report (DPR) for UGD Project of "Sewerage system in central part of Visakhapatnam" was originally proposed for 700 kms of sewerage network in 2006. It is a pre-requisite that a survey of entire length of the project (i.e., 700 kms) is surveyed with a view to incorporate the same in the DPR. However, it was seen that

⁴ **UIG:** Greater Visakhapatnam Municipal Corporation (GVMC):1. Sewerage System in Central part of Visakhapatnam, Vijayawada Municipal Corporation (VMC): 2. Providing Sewerage facilities in Northern part of Vijayawada City 3. Providing UGD facilities to the un-served areas
UIDSSMT: 1. Kadapa 2. Narasaraopet and 3. Yemmiganur

State Funds: 1.Nandyal, 2.Proddatur and 3.Tadepalligudem

⁵ Providing sewerage facilities in un-served areas of VMC covering Housing Board Colony, Gunadala, Devinagar and Kedareshwarapet

⁶ Kadapa, Nandyal, Narasaraopet, Proddatur, Vijayawada and Visakhapatnam

the survey was conducted (May 2006) only for 296 kms. Since the survey for the entire proposed length was not conducted, as prescribed in the Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual, there were large number of deviations, such as increased length of pumping mains, change in location of Sewerage Treatment Plants (STPs)/Sump Cum Pump House, increase in sewer pipe lines/manholes etc. This had resulted in increase in the cost of the project by ₹45.72 crore. Further, the liability of meeting this entire cost had to be borne by the State Government/implementing agencies, as the revised cost of projects would not be shared by GoI as per the guidelines of JNNURM.

Government accepted (December 2016) the observation.

5.1.5 Fund Management

Under JNNURM, GoI and State Government released funds to SLNA for onward disbursement to the ULBs/other implementing agencies. First instalment of GoI grants (25 per cent in case of UIG projects and 50 per cent in respect of UIDSSMT projects) was to be released on signing of the Memorandum of Understanding (MoU) by the State Government/ULB/other implementing agencies for implementation of JNNURM projects. The balance assistance was to be released in instalments on submission of Utilisation Certificates (UCs) and fulfilment of other conditions as agreed upon in the MoU.

Funds released and expenditure incurred towards implementation of test-checked projects as of March 2016 are given in *Appendix- 5.1*.

5.1.5.1 Short release of funds

Audit observed shortfall of ₹141.27 crore in release of grants by both GoI and State Government in all the test-checked projects as shown in the *Appendix- 5.1*. This had affected the pace of execution of works. Reasons for short releases of funds by both GoI and State Government were not furnished by the department.

Further, there was a short release of ₹79.70 crore to the implementing agencies by SLNA in respect of test-checked projects. This was attributed to slow progress of works.

Government (December 2016) did not furnish the reply.

5.1.5.2 Funds lying idle

In Kadapa ULB, an amount of ₹two crore was released (December 2014) by State Level Nodal Agency for acquisition of land required for construction of Sewerage Treatment Plant. However, due to indecision⁷ of the implementing agency in acquiring land, ₹two crore has been lying idle as of May 2016.

⁷ Change in technology for STP from Waste Stabilization Pond to Sequencing Batch Reactor technology

Government replied (December 2016) that the preliminary valuation of land for acquisition was still under process.

5.1.6 Execution of projects

Of the ten test-checked projects, only one project (Providing sewerage facilities in unserved areas of Vijayawada Municipal Corporation covering Housing Board colony, Gunadala etc.) was completed and the remaining nine projects were in progress. Audit observed the following significant observations on execution of projects.

5.1.6.1 Improper sanction of projects

Three⁸ test-checked Underground Drainage Projects proposed (2005-06) by State Government under UIDSSMT were not approved by GoI. As such, the State Government decided to take up these three projects with its own funds. It was observed that the progress⁹ in these works was slow due to funds constraint. The State Government had decided (November 2012) to review the works wherever the progress was less than 25 per cent. Since the progress of UGD projects of Proddatur and Nandyal was less than 25 per cent, ULBs proposed dropping these works in September 2014 and August 2015, respectively. As a result, the infrastructure (laying of sewer lines), created with an expenditure of ₹9.48 crore¹⁰ on these projects, became infructuous.

Government accepted (December 2016) that the works were dropped and stated that efforts would be made to utilize the sewer network already laid.

5.1.6.2 Acceptance of Single tender

As per Government order (July 2003) financial bid is to be opened only after the bidder qualifies the technical bid conditions. In case of receipt of single tender, the department should go for a second call after giving wide publicity for the purpose of obtaining competitive rates.

Audit observed that eleven works/sub-works of five ULBs¹¹ were entrusted to contractors on single tender on first call only. Of this, one sub-work of underground drainage project of Vijayawada Municipal Corporation, single tender was accepted even though tenderer did not satisfy technical specification relating to physical quantity of laying Stoneware Glazed pipes. Thus the bidding procedure was not followed as specified by the Government.

Government stated (December 2016) that since only single bid was received the same was accepted. The reply was not acceptable as the department should have gone for

⁸ Nandyal, Proddatur and Tadepalligudem

⁹ Nandyal nine per cent, Proddatur 18 per cent and Tadepalligudem 60 per cent

¹⁰ Nandyal ₹4.30 crore and Proddatur ₹5.18 crore

¹¹ Nandyal, Narasaraopet, Tadepalligudem, Vijayawada (seven works) and Yemmiganur

second call in case of receipt of single tender as per the Government orders mentioned *ibid*.

5.1.6.3 Delay/Non-completion of UGD Projects

Significant audit observations on incomplete test-checked projects are discussed below:

- i. The State Government had proposed to GoI for approval of underground drainage project to Tadepalligudem under UIDSSMT at an estimated cost of ₹61.40 crore. Since the project was not approved by GoI, the State Government decided to take up with its own/ULB funds. The work was awarded in November 2008 to contractor at a contract value of ₹57.27 crore with a stipulation to complete in 24 months (November 2010). Later, the validity of the contract was extended up to December 2015. Against this stipulated date of completion, progress of works was only 60 *per cent* as of March 2016 with an expenditure of ₹27.91 crore. The project could not progress since the permission for passing of pipe line below the bridge was denied (October 2009) by the Railways. Permission from Irrigation and Roads & Buildings departments was also pending. Failure of ULB in ensuring the permissions before execution of the work resulted in non-completion of the project.

Government accepted the audit observation (December 2016).

- ii. The State Government had proposed underground drainage project to Kadapa under UIDSSMT at an estimated cost of ₹72.16 crore and accorded administrative sanction (February 2007). The contract was awarded in March 2008 and was scheduled to be completed by March 2010. Validity of the contract was extended up to June 2013 due to non-removal of structures for laying sewer lines and non-acquisition of land. Since the contractor did not turn up after May 2013, the contract was terminated in July 2015. An amount of ₹68.34 crore was paid to the contractor as of May 2013.

Meanwhile, revised estimates were proposed (February 2014) with additional sewer network and construction of Sewerage Treatment Plant (20 MLD), which was sanctioned by Government in September 2014 for ₹108.41 crore. However, the ULB did not call for fresh tenders due to pending technical approval by Engineer-in-Chief as of September 2016. This resulted in unfruitful expenditure of ₹68.34 crore on the work left by the contractor in May 2013.

Government accepted (December 2016) the audit observation.

5.1.6.4 Pipes lying idle

Pipes worth ₹8.19 crore¹² procured in (November 2010 – May 2013) by four ULBs for the purpose of laying sewerage lines and pumping mains remained unutilized as of May 2016. The quality/durability of the pipes procured in advance would be adversely affected while lying idle in open. The reasons for not utilizing these pipes were not forthcoming from the records produced to audit.

Government stated (December 2016) that the pipes would be used after finalization of the location for construction of Sewerage Treatment Plant in Tadepalligudem and that payment made for un-utilized pipes in Kadapa and Proddatur would be recovered as per agreement conditions. Government did not furnish reply for Vijayawada project.

5.1.6.5 Undue benefit to the contractors

In respect of underground drainage project of Yemmiganur, the cost of 'Refilling of trenches and Relaying of roads' was to be borne by the contractor as per the agreement conditions. However, an amount of ₹47 lakh was paid to the contractor for this item. This was an undue benefit to the contractor.

Government stated (December 2016) that additional cost of ₹47 lakh was paid to contractor as provision made in the contract was not adequate. The reply was not acceptable as the agreement conditions clearly stated that cost of these works were to be borne by the contractor.

Further, as per Central Board of Excise and Customs notification (July 2012), Service Tax was exempted on all works contracts. Contrary to this, an amount of ₹0.27 crore was paid (November 2015) to the contractor.

Government accepted (December 2016) the audit observation.

5.1.6.6 Non-recovery of Mobilisation Advance

In respect of one¹³ sub-work under underground drainage project of Vijayawada, an amount of ₹0.25 crore was paid to the contractor in November 2009 towards mobilisation advance, which was to be recovered along with the interest¹⁴ from the subsequent running account bills made to the contractor. However, an amount of ₹2.74 crore was paid to the contractor through running bills without recovering the mobilisation advance as of June 2016. Similarly, in UGD project of Nandyal, mobilisation advance of ₹three crore paid to the contractor in July 2009 was not recovered as of June 2016.

¹² Kadapa ₹1.44 crore (idle from May 2013), Proddatur ₹3.22 crore (idle from November 2010), Tadepalligudem ₹3.30 crore (idle from February 2011) and Vijayawada ₹0.23 crore (idle from January 2011)

¹³ Providing 600 mm DI K9 UGD pumping main from Prakash Nagar collection well to Ajithsingh Nagar STP

¹⁴ Two *per cent* over and above prime lending rate

Government accepted the observation and stated (December 2016) that the mobilisation advance paid in Nandyal project would be recovered. However, no reply was furnished in respect of Vijayawada project.

5.1.6.7 Bank Guarantees not revalidated

In respect of underground drainage project of Kadapa, the contract was terminated in July 2015 due to the contractor not turning up after partial completion of work. The contractor was paid ₹68.41 crore for the work done without effecting recovery of ₹8.52 crore due from contractor. Against ₹8.52 crore, ₹6.96 crore¹⁵ was available with the implementing agency as Security Deposit and Bank Guarantees (BGs). The validity of BGs expired in April 2014 when the contract was still valid. Since these BGs were not revalidated, the implementing agency was unable to encash the bank guarantees to set off the dues against the contractor.

Government stated (December 2016) that the contractor in respect of Kadapa Project did not revalidate the BGs in spite of repeated notices and those dues would be recovered from other works of the agency. However, the works where from the dues would be recovered was not specified.

The reply of the Government was not acceptable, as under the rules, recovery relating to a specific work could not be ensured on payments from other works of the contractor.

5.1.6.8 Short levy and recovery of VAT

Value Added Tax (VAT) is to be levied and recovered at the rate of four *per cent* from the contractor as per Section 4 of AP VAT Act 2005 and as per the clause 91 of Agreement condition, prevailing rates of taxes should be applied. VAT was enhanced from four *per cent* to five *per cent* from September 2011. However, VAT was recovered at four *per cent* only in three packages of Greater Visakhapatnam Municipal Corporation (GVMC) project, resulting in short recovery of ₹85.76 lakh as of July 2015. GVMC replied that short recovery would be adjusted in final payment due to the contractor.

Government accepted the audit observation (December 2016) and assured that the amount would be recovered from the future payments of the agency.

5.1.6.9 Non-levy of Labour Cess

As per State Government orders, Labour cess had to be levied at the rate of one *per cent* of value of work done and transfer to labour department of Government for welfare of workers under construction activities. However, Vijayawada Municipal Corporation did not include this in the agreement and did not levy labour cess. This

¹⁵ Bank Guarantee: ₹4.82 crore and Security Deposit ₹2.14 crore

resulted in non-recovery of ₹26.44 lakh from the contractor's bills in respect of nine works of two¹⁶ projects.

Government (December 2016) did not furnish specific reply.

5.1.6.10 Consent from Pollution Control Board

As per Water (Prevention and control of Pollution) Act, 1974, previous consent of the State Pollution Control Board (SPCB) is necessary for establishment of treatment and disposal system to ascertain whether the proposed treatment plant design meets the discharge standards for treated sewerage. In four¹⁷ test-checked ULBs, Waste Stabilization Pond (WSP) was proposed to treat sewage discharge. However, the consent of SPCB as required under mandatory provision was not obtained by these ULBs.

Government accepted (December 2016) the audit observation and assured that the same would be obtained before commissioning the projects.

5.1.7 Monitoring and Evaluation

5.1.7.1 Short fall in testing

As per the conditions of the agreements of Kadapa and Yemmiganur projects, after the pipes (sewer lines/pumping mains) were laid and jointed, they were to be subjected to hydrostatic pressure test. Out of 4,05,962 Running meters (Rmts) executed in these two projects, the test was conducted only for 1,92,949 Rmts (48 per cent). The contractor of Kadapa Project did not turn up after May 2013 and the contract was terminated in July 2015. Thus, the quality of work was compromised. The implementing agency failed to ensure completion of test of pipes laid before termination of contract.

Government stated (December 2016) that testing of already laid sewer network of the projects would be carried out with other agency at the cost of the original agency. The reply was not acceptable since hydrostatic pressure test could not be conducted for 2,13,013 Rmt without excavation work.

5.1.7.2 Improper utilization of MS pipes

According to Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual, Mild Steel (MS) pipes should be avoided in sewerage pumping system/raising mains, since they are prone to corrosion. However, audit observed that in the underground drainage project of Greater Visakhapatnam Municipal

¹⁶ Providing Under Ground Drainage facilities to un-served areas (five works) – ₹23.36 lakh and Providing sewage facilities in un-served areas of VMC covering HB Colony, Gunadala etc.,(four works) –₹3.08 lakh

¹⁷ Kadapa, Narasaraopet, Tadepalligudem and Yemmiganur

Corporation¹⁸ MS pipes worth ₹nine crore were used in contravention to the manual provisions. This would jeopardise the entire sewerage system.

Government accepted the audit observation (December 2016) that MS pipes were used and reasons for the lapse would be called for from the ULB.

5.1.7.3 Quality Control Checks

In respect of underground drainage project of Kadapa, third party agency had observed (February 2014) that seepage water was present in the manholes. The defect was not rectified since permission for extension of the main was pending with Irrigation Department. Further, erosion observed on the bund at Sewerage Treatment Plant at Nanepally was also not rectified as of May 2016. In other test-checked projects, satisfactory reports of the third party quality control were found on records.

Government did not furnish specific reply (December 2016) for rectification.

5.1.8 Conclusion

Audit observed shortcomings in the planning and implementation of the project. City sanitation plan was not prepared by the ULBs. There was shortfall in release of funds by GoI and State Government. ULBs were overburdened with escalation in cost due to improper survey on the requirement of sewerage network and delay in completion of projects. Contract was terminated without revalidating bank guarantees. There was shortfall in conducting hydraulic pressure tests on the pipes already laid. Quality control checks were not addressed.

5.2 Infructuous expenditure of ₹53.30 lakh

Failure of the department to ensure availability of funds before commencement of work resulted in infructuous expenditure of ₹53.30 lakh

As a commercial scheme under the Integrated Development of Small and Medium Towns, ‘Construction of shopping cum office complex in municipal office compound, Narasaraopet’ was proposed in April 2003. The scheme was expected to yield annual rental income of ₹32.32 lakh and municipal tax of ₹4.30 lakh from 19 shops, to be raised by 10 *per cent* every three years. Technical sanction was accorded in May 2005 for an estimated cost of ₹1.26 crore.

The contract was awarded in December 2005 but cancelled (May 2007) due to non-release of funds. A fresh contract was awarded for the execution of the work in August 2008 at a cost of ₹1.29 crore. The period of completion was stipulated as May 2009.

Scrutiny of records of Narasaraopet Municipality (December 2012) showed that the work was completed upto the ground floor and then stopped by the contractor in

¹⁸ Providing Sewerage system to Central part of Visakhapatnam city

October 2009, expressing his inability to continue due to non-release of funds. Expenditure of ₹53.30 lakh was incurred by then. Even after the lapse of seven years, no action had been initiated by the Department to complete the unfinished works.

Department in its reply (March 2016) confirmed that the work was not resumed/completed and that there was no income generation.

Thus, failure of the department to ensure availability of funds before commencement of work resulted in infructuous expenditure of ₹53.30 lakh due to non-completion of the construction of shopping cum office complex. In addition, revenue that was projected as rent and taxes too could not be generated.

The matter was reported to Government in June 2016; reply has not been received (December 2016).

5.3 Short levy/assessment and collection of Building Penalisation charges

Incorrect application of rates on Penalisation Charges for unauthorised constructions/deviations by Narasaraopet Municipality resulted in loss of revenue of ₹49.65 lakh

Government of Andhra Pradesh had issued notification in December 2007 to penalise the unauthorised constructions/deviations as a one-time measure in respect of existing buildings constructed after 1 January 1985 and before 15 December 2007, with a view to regulating unauthorised constructions/deviations. This was amended in January 2008, revising the penalisation charges. Penalisation charges varied according to the percentage of deviation, built up area and market value of land/plinth area of a flat and also according to the usage *viz.*, residential or commercial.

Scrutiny of records of Narasaraopet Municipality during December 2012 regarding Building Penalisation Scheme showed that, during 2010-11, 1,277 applications were received for regularisation of unauthorised constructions/deviations by paying Building Penalisation Charges. Of these, 939 cases were finalised after realising ₹2.44 crore. Audit had test-checked 20 cases. Out of these, in 10 cases, there were short realisations of penalisation charges of ₹49.65 lakh (*Appendix- 5.2*). This was due to reasons such as improper charging of commercial usage as residential, omission in plinth area, incorrect adoption of rates of basic penalisation charges, incorrect adoption of market value and erroneous computation of area of deviation.

The Commissioner, Narasaraopet Municipality stated (April 2016) that the matter was being reviewed and action taken in this regard would be intimated to audit. However, as per the notification, the competent authority was to communicate approval/rejection not beyond six months from the date of receipt of application. Hence, the proceedings already finalised/pending could not be revived at this stage.

As a result, the municipality suffered loss of ₹49.65 lakh on account of short assessment arising out of incorrect adoption of rates/usage/plinth area in determining the penalisation charges for unauthorised constructions/deviations.

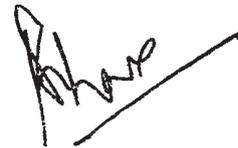
The matter was reported to Government in June 2016; reply has not been received (December 2016).

Hyderabad
The
01 FEB 2017



(L.TOCHHAWNG)
Principal Accountant General (G&SSA)
Andhra Pradesh and Telangana

Countersigned



New Delhi
The
02 FEB 2017

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix 1.1
(Reference to paragraph 1.3 page 3)

**Statement showing district-wise and department-wise devolution of funds to
PRIs during 2015-16**

(₹ in crore)

Name of the District	Name of the departments						Total
	Agriculture	Animal Husbandry	BC Welfare	Fisheries	School Education	Social welfare	
Anantapuramu	0	0	0.07	0.95	0.07	0	1.09
Chittoor	0	0	0	1.91	0	0	1.91
East Godavari	0	0	0	1.10	0	0.01	1.11
Guntur	0	0	0	9.98	0	0	9.98
Krishna	0.42	0	0	20.00	0	0	20.42
Kurnool	0	0	0	1.68	0	0.03	1.71
SPSR Nellore	0	0	0	8.95	0	0	8.95
Prakasam	0	0	0	2.38	0	0	2.38
Srikakulam	0	0.31	0	1.37	0	0	1.68
Visakhapatnam	0	1.98	0	2.24	0	0	4.22
Vizianagaram	0	0	0	0.26	0	0	0.26
West Godavari	0	0	0.05	14.96	0	0	15.01
YSR	0	0	0	1.42	0	0	1.42
Total	0.42	2.29	0.12	67.20	0.07	0.04	70.14

Source: Information furnished by CPR & RD, Andhra Pradesh (December 2016)

Appendix 2.1

(Reference to paragraph 2.1.3.1 page 15)

Brief of Panchayat Enterprise Suite applications

S.No	Name of the Application	Brief Description
1	Local Government Directory (LGD)	This application is used to generate unique code for each State/UT, District, Sub-District, village and any other local government body which will be used among all the other applications of the PES.
2	Plan Plus	It captures different types of activities (Public Works, Beneficiary Oriented Programme, etc.) planned in a local body (Gram Panchayat - GP). It facilitates convergence of funds from Central and State sponsored schemes and other resources to address the needs of the people and also facilitates tracking of fund flow to GP.
3	Panchayat Raj Institutions Accounting Software (PRIASoft)	PRIASoft manages complex accounting procedures by capturing the 3-tier classification of Panchayat Raj Institutions (PRIs) and generates all the reports in the formats prescribed by the sub-committee on Budget and Accounting Standards for PRIs.
4	Action Soft	Action Soft aims at monitoring and keeping record of the progress of the works being undertaken as part of the approved plans (Action Plan) of various Urban Local Bodies (ULB), Rural Local Bodies (RLB) and Line departments as available in Plan Plus. It also facilitates proper recording of the Financial and Physical progress of the works.
5	National Asset Directory (NAD)	NAD acts as a repository of various assets created/ controlled/ maintained by RLBs/ULBs/Line Departments and assign a code to each asset for its unique identification leading to effective utilization of the assets.
6	Area Profiler	Area Profiler envisages facilitating the Local Government Bodies to manage their socio-economic information, demographical information, public infrastructure and amenities. It has details of the elected representatives and other officials working in Local Governments and also acts as a centralized database where the information will be available to other e-PRI applications for effective use.
7	National Panchayat Portal (NPP)	NPP aims to provide a unique website to each PRI in the country and generates dynamic portals for each district panchayat, intermediate panchayat, village panchayat, State PR department and MoPR website. It also facilitates content management.
8	Service Plus	Government of India, State Governments and Local Governments provide various services to the citizens. Service Plus is a web enabled generic application to enable electronic delivery for all the services provided by the Government to the citizen. It enables the

		administrator to define and customize the services according to local needs.
9	Social Audit & Meeting Management (SAMM)	Social Audit process involves auditing of various schemes by Social Auditor and Social Audit facilitator and submission of the audit report. SAMM aims to understand, measure and verify the works undertaken under different schemes by the Panchayat and improves performance of respective Panchayats.
10	Training Management	This software helps institutions in capturing the Training demands or needs of the elected representatives, officials and citizens (potential trainees). It also helps in preparation of training calendar and resource estimation.
11	Geographical Information System (GIS)	It is a spatial layer to view all data generated by all Applications on a GIS map. This application is under development.

Source: e-Panchayat portal

Appendix 2.2

(Reference to paragraph 2.1.5.12 page 26)

Misclassification of vouchers in PRIASoft

Receipt vouchers

Year	Particulars	Classified as per data available	To be classified as per accounting rules	
		Major Head (Description)	Major Head	Description
2014-15	639 vouchers pertaining to Interest receipts on bank amount/ deposit	0030 (Stamps & Registration fee) 0035 (Taxes on property other than agriculture land) 0044 (Service Tax) 0515 (Panchayat Raj programmes) 1601 (Grants-in-aid) 8443 (Civil Deposit) 8550 (Civil advances) 8658 (Suspense Account) 8782 (Cash remittances and adjustments between panchayats)	0049	Interest receipts
	5809 vouchers pertaining to house tax, water tax etc.,	0515 (Panchayat Raj programmes)	0035 0215	Taxes on property other than agriculture land Water supply & sanitation
	104 vouchers towards profession tax	0515 (Panchayat Raj programmes)	0028	Taxes on Profession, trades etc.
	918 vouchers towards Stamp duty/ adjustments	0515 (Panchayat Raj programmes)	0030	Stamps & Registration fee
	543 vouchers towards house tax	0028 (Taxes on Profession, trades etc.)	0035	Taxes on property other than

				agriculture land
	204 vouchers towards Stamp duty/ adjustments	0028 (Taxes on Profession, trades etc.)	0030	Stamps & Registration fee
	3676 vouchers towards adjustment by treasury under profession tax etc.	0028-101 (Profession tax) 0028-102 (Trade tax) 0028-103 (Trade licence fees)	0028-901	Share of net proceeds assigned to panchayats
	17 vouchers towards Janmabhoomi scheme grant.	0515 (Panchayat Raj programmes) 0029 (Land Revenue)	1601	Grant-in-Aid
	289 vouchers pertaining to house tax, water tax etc.,	1601 (Grant-in-Aid)	0035 0215	Taxes on property other than agriculture land Water supply & sanitation
	885 vouchers towards profession tax	1601 (Grant-in-Aid)	0028	Taxes on Profession, trades etc.
	596 vouchers towards Stamp duty/ adjustments	1601 (Grant-in-Aid)	0030	Stamps & Registration fee
	14263 vouchers towards adjustment by treasury under stamps duty	0030-101 (Duty on transfer by sale)	0030-901	Sale of net proceeds assigned to panchayats
	25 vouchers towards profession tax	0035 (Taxes on property other than agriculture land)	0028	Taxes on Profession, trades etc.
	230 vouchers towards Stamp duty/ adjustments	0035 (Taxes on property other than agriculture land)	0030	Stamps & Registration fee
	1759 vouchers towards water/drainage tax/fee	0035 (Taxes on property other than agriculture land)	0215	Water supply & sanitation
2015-16	20 vouchers pertaining to Interest receipts on bank amount/ deposit	0028 (Taxes on Profession, trades etc.) 0515 (Panchayat Raj programmes) 1601 (Grants-in-aid)	0049	Interest receipts
	1596 voucher pertaining to house tax, water tax etc.,	0515 (Panchayat Raj programmes)	0035 0215	Taxes on property other than agriculture land Water supply & sanitation
	07 vouchers towards profession tax	0515 (Panchayat Raj programmes)	0028	Taxes on Profession, trades etc.
	110 vouchers towards Stamp duty/ adjustments	0515 (Panchayat Raj programmes)	0030	Stamps & Registration fee
	42 vouchers towards house tax	0028 (Taxes on Profession, trades etc.)	0035	Taxes on property other than agriculture land

	16 vouchers towards Stamp duty/ adjustments	0028 (Taxes on Profession, trades etc.)	0030	Stamps & Registration fee
	329 vouchers towards adjustment by treasury under profession tax etc.	0028-101 (Profession tax) 0028-102 (Trade tax) 0028-103 (Trade licence fees)	0028-901	Share of net proceeds assigned to panchayats
	03 vouchers towards Janmabhoomi scheme grant.	0515 (Panchayat Raj programmes)	1601	Grant-in-Aid
	16 vouchers pertaining to house tax.	1601 (Grant-in-Aid)	0035	Taxes on property other than agriculture land
	63 vouchers towards profession tax	1601 (Grant-in-Aid)	0028	Taxes on Profession, trades etc.
	107 vouchers towards Stamp duty/ adjustments	1601 (Grant-in-Aid)	0030	Stamps & Registration fee
	1952 vouchers towards adjustment by treasury under stamps duty	0030-101 (Duty on transfer by sale)	0030-901	Sale of net proceeds assigned to panchayats
	02 vouchers towards profession tax	0035 (Taxes on property other than agriculture land)	0028	Taxes on Profession, trades etc.
	25 vouchers towards Stamp duty/ adjustments	0035 (Taxes on property other than agriculture land)	0030	Stamps & Registration fee
	622 vouchers towards water/drainage tax/fee	0035 (Taxes on property other than agriculture land)	0215	Water supply & sanitation

Payment vouchers

Year	Particulars	Classified as per data available	To be classified as per accounting rules	
		Major Head (Description)	Major Head	Description
2014-15	1285 vouchers towards maintenance and laying of CC roads	2049 (Interest payments) 2059 (Maintenance of community assets) 2215 (Water supply & sanitation) 2225 (Welfare of SCs/STs & other weaker sections) 2235 (Social security & welfare) 2501 (Poverty alleviation programme) 2515 (Panchayat Raj programmes) 2801 (Rural electrification) 4215 (Capital outlay on water supply & sanitation) 4515 (Capital outlay on Panchayat Raj programme)	3054-101-40 5054-101	Transportation - Roads - Maintenance & repairs Capital outlay on transportation - Construction of village/ district roads

	09 vouchers towards GPF payments	2215 (Water supply & sanitation) 2515 (Panchayat Raj programmes) 4515 (Capital outlay on Panchayat Raj programme)	8009	Provident fund
	314 vouchers towards bank charges, maintenance charges, other expenditure, Telephone bill etc.	2049 (Interest payments)	To be classified under relevant heads viz., MH-2515 (Administration expenses of PRIs) for bank charges and other relevant heads viz., 2059-Maintenance of community assets, 2215-Maintenance of water supply & sanitation	
	1066 vouchers towards Current consumption charges	2059 (Maintenance of community assets) 2215 (Water supply & sanitation) 2216 (Rural Housing) 2435 (Social security & welfare) 2501 (Poverty alleviation Programme) 2515 (Panchayat Raj programmes) 2810 (Non-conventional sources of energy) 3054 (Transportation) 4216 (Capital outlay on rural housing) 4515 (Capital outlay on Panchayat Raj programme) 4801 (Capital outlay on rural electrification) 5054 (Capital outlay on transportation) 8443 (Civil Deposit)	2801	Rural Electrification
2015-16	255 vouchers towards maintenance and laying of CC roads	2059 (Maintenance of community assets) 2215 (Water supply & sanitation) 2225 (Welfare of SCs/STs & other weaker sections) 2515 (Panchayat Raj programmes) 4215 (Capital outlay on water supply & sanitation) 4515 (Capital outlay on Panchayat Raj programme)	3054-101-40 5054-101	Transportation - Roads - Maintenance & repairs Capital outlay on transportation - Construction of village/ district roads
	01 voucher towards GPF payments	2215 (Water supply & sanitation) 2515 (Panchayat Raj programmes) 4515 (Capital outlay on Panchayat Raj programme)	8009	Provident fund
	02 vouchers towards Telephone bill	2049 (Interest payments)	Administrative expenses of PRIs is to be classified under 2515-Panchayat Raj programmes	
	111 vouchers towards Current consumption charges	2215 (Water supply & sanitation) 2501 (Poverty alleviation Programme) 2515 (Panchayat Raj programmes) 4801 (Capital outlay on rural electrification)	2801	Rural Electrification

Annexure 2.3

(Reference to paragraph 2.2.4 page 35)

Status of incomplete projects as of September 2016

(₹ in crore)

S. No	Name of Scheme	District	Name of the Grant in which scheme was sanctioned	Estimated Project cost	Name of the Division	Status	Expenditure incurred
1	CPWS Scheme Jaladanki	SPSR Nellore	12th Finance Commission	6.00	Nellore	Not Completed	5.88
2	JCNR Drinking Water supply Phase-I , II, III, IV	Anantapuramu	HUDCO	508	Anantapuramu	Not completed	332.08
Total							337.96

Appendix 4.1

(Reference to paragraph 4.9.1 page 59)

Statement showing the gap between demand and supply of water in test-checked ULBs

S. No.	Name of the ULB	Present demand (in MLD)	Present Supply (in MLD)	Gap in supply (in MLD)	Gap (in percentage)
1	Gudur	9.94	7.30	2.64	26.56
2	Vizianagaram	36.45	19.17	17.28	47.41
3	Salur	6.68	3.28	3.40	50.90
4	Narsipatnam	4.59	1.76	2.83	61.66
5	Markapur	7.50	2.50	5.00	66.67
6	Piduguralla	9.81	2.50	7.31	74.52
7	Guntakal	17.56	3.56	14.00	79.73

Source: Information furnished by the test-checked ULBs.

Appendix 4.2

(Reference to paragraph 4.10.1 page 62)

Statement showing the frequency of tests prescribed and actually conducted in test-checked ULBs

S.No.	Name of the ULB	Population served	Frequency of tests prescribed	Frequency of tests actually conducted
1	Tirupati	>1 lakh	Daily	Daily
2	Vijayawada	>1 lakh	Daily	Weekly
3	Guntakal	>1 lakh	Daily	Half-yearly
4	Vizianagaram	>1 lakh	Daily	Monthly
5	Dhone	>50000 and <=1 lakh	Once in four days	At random
6	Pithapuram	>50000 and <=1 lakh	Once in four days	Half-yearly
7	Narsipatnam	>50000 and <=1 lakh	Once in four days	Monthly
8	Markapur	>50000 and <=1 lakh	Once in four days	At random
9	Gudur	>50000 and <=1 lakh	Once in four days	Quarterly
10	Pedana	>20000 and <=50000	Once in 2 weeks	At random
11	Salur	>20000 and <=50000	Once in 2 weeks	Monthly
12	Nandigama	>20000 and <=50000	Once in 2 weeks	At random

Source: RPHL and records of test-checked ULBs. Piduguralla ULB did not have household connections

Appendix-5.1

(Reference to paragraph 5.1.5 page 77)

Statement showing the funds released and expenditure incurred towards implementation of Underground Drainage works in test-checked ULBs

(₹ in crore)

Name of the Project	Estimate Cost	Releases							Expenditure incurred	Shortfall in release of funds by GoI and State Government (column5+8)
		GoI			State Government			ULB Actuals		
		Share	Actual release	Shortfall	Share	Actual release	Shortfall			
1	2	3	4	5	6	7	8	9	10	11
Providing Sewerage system to Central part of GVMC	244.44	122.22	118.69	3.53	48.89	48.89	0	88.62	254.05	3.53
Providing Sewerage to the Northern part of Vijayawada	178.15	89.08	62.18	26.9	35.63	26.01	9.62	43.15	106.45	36.52
Providing underground drainage facilities to the Unserved areas in Vijayawada	56.56	28.28	26.81	1.47	11.31	11.31	0	34.71	68.65	1.47
Providing sewerage facilities in unserved areas of VMC covering Housing Board Colony, Gunadala, etc.	19.85	9.92	9.39	0.53	3.97	3.97	0	11.91	23.77	0.53

Name of the Project	Estimate Cost	Releases							Expenditure incurred	Shortfall in release of funds by GoI and State Government (column5+8)
		GoI			State Government			ULB Actuals		
		Share	Actual release	Shortfall	Share	Actual release	Shortfall			
1	2	3	4	5	6	7	8	9	10	11
Narasaraopet	26.41	21.13	21.12	0.01	2.64	2.64	0	20.24	25.35	0.01
Kadapa	49.15	39.32	39.32	0	4.91	4.91	0	46.1	68.41	0
Yemmiganur	38.67	30.94	15.93	15.01	3.87	3.98	-0.11	8.23	35.57	14.9
Tadepalligudem	49.6	0	0	0	44.64	27.94	16.7	2.5	27.91	16.7
Proddatur	30	0	0	0	27	5.38	21.62	1.25	5.18	21.62
Nandyal	66.83	0	0	0	60.14	14.15	45.99	0	4.3	45.99
Total	759.66	340.89	293.44	47.45	243	149.18	93.82	256.71	619.64	141.27

- Note: 1. UGD projects of Tadepalligudem, Proddatur and Nandyal were not approved by GoI. Hence, these projects were taken up by State Government with its own/ULB funds. Hence GoI portion has been included in GoAP.
2. ULB releases under UIG represent amounts over and above GoI/State Government releases.
3. The JNNURM funds are shared among Central, State Governments and ULBs in the ratio of 50:20:30 (UIG) and 80:10:10 (UIDSSMT).

Appendix 5.2
(Reference to paragraph 5.3 page 84)
Statement showing the short assessment of Building Penalisation Charges

S. No.	Name of the Building. owner	BPS No.	Site Area (in Sq. Mts)	Market Value (per Sq. Yard)	BPS charges to be collected as per rules(₹)	BPS charges collected (₹)	Short collection(₹) (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Inavolu Jagannatha Rao	22/G1/2008	135.22	2850	2,23,848	1,65,527	58,321
2	N.Subbaraya Gupta	340/G1/2008	466.14	9075.00	12,85,506	2,78,947	10,06,559
3	Kasa Srinivasa Rao	378/G1/2008	254.73	7425.00	1,94,844	1,13,500	81,344
4	P.V.SubbaRao	43/G1/2008	818.62	1100.00	3,02,265	2,37,185	65,080
5	G.V.Govardhana Babu	219/G1/2008	2335.21	4400.00	24,63,800	13,69,400	10,94,400
6	Y.Ramana Reddy	61/G1/2008	170.83	9075.00	5,02,731	2,39,072	2,63,659
7	Marri Peddaiah	471/G1/2008	915.29	1100.00	8,30,271	2,50,925	5,79,346
8	Mellachervu Radhika	858/G1/2008	359.09	3675.00	12,03,353	1,96,615	10,06,738
9	I.Dana Reddy	272/G1/2008	829.35	2100.00	7,19,600	3,89,700	3,29,900
10	Potti Guru Prasad	377/G1/2008	1023.61	2100.00	11,07,600	6,28,235	4,79,365
Total							49,64,712

Source: Records of Narasaraopet Municipality

Glossary of Abbreviations

AAP	Annual Action Plans
AC bills	Abstract Contingent bills
AEE	Assistant Executive Engineers
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
APFC	Andhra Pradesh Financial Code
APMAM	Andhra Pradesh Municipal Accounts Manual
APPCB	Andhra Pradesh Pollution Control Board
APPR Act	Andhra Pradesh Panchayat Raj Act
APTC	Andhra Pradesh Treasury Code
APTS	Andhra Pradesh Technology Service
APUFIDC	Andhra Pradesh Urban Finance and Infrastructure Development Corporation
ASC grant	Adverse Seasonal Conditional grant
BG	Bank Guarantee
BPL	Below Poverty Line
BSNL	Bharat Sanchar Nigam Limited
BSUP	Basic Services to Urban Poor
CA	Chartered Accountant
CAAT	Computer Assisted Audit Techniques
CDMA	Commissioner and Director of Municipal Administration
CEO	Chief Executive Officer
CFC	Central Finance Commission
CFMS	Central Fund Management System
CIPS	Centre for Innovation in Public System
CMD	Contract Maximum Demand

CPHEEO	Central Public Health and Environmental Engineering Organisation
CPR&RD	Commissioner Panchayat Raj and Rural Development
CPR&RE	Commissioner Panchayat Raj and Rural Employment
CPWS	Comprehensive Protected Water Supply
CRD	Commissioner Rural Development
CSP	City Sanitation Plan
CSS	Centrally Sponsored Schemes
DC bills	Detailed Contingent bills
DDO	Drawing and Disbursing Officer
DEABAS	Double Entry Accrual Based Accounting System
DEO	Data Entry Operator
DPC	District Planning Committee
DPRs	Detailed Project Reports
DSA	Director, State Audit
DWMA	District Water Management Agency
EE	Executive Engineer
EGS	Employment Guarantee Scheme
EIA	Environment Impact Assessment
ELSR	Elevated Level Service Reservoir
EMP	Environment Management Plan
ENC	Engineer-in-Chief
ETC	Extension Training Centres
FC	Fully Covered
FFC	Fourteenth Finance Commission

FTOs	Fund Transfer Orders
GIS	Geographic Information System
GoAP	Government of Andhra Pradesh
GoI	Government of India
GP	Gram Panchayat
GVMC	Greater Visakhapatnam Municipal Corporation
HMC	Hyderabad Municipal Corporation
HoD	Head of Department
HSC	House Service Connection
HT	High Tension
ICT	Information and Communication Technology
IHSDP	Integrated Housing and Slum Development Programme
IRs	Inspection Reports
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MA&UD	Municipal Administration and Urban Development
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MMP	Mission Mode Projects
MoPR	Ministry of Panchayat Raj
MoU	Memorandum of Understanding
MoUD	Ministry of Urban Development
MPDO	Mandal Parishad Development Officer
MPP	Mandal Praja Parishad
MPTC	Mandal Parishad Territory Constituencies

MS	Mild Steel
NAD	National Asset Directory
NeGP	National e-Governance Plan
NIC	National Informatics Centre
NMAM	National Municipal Accounts Manual
NRDWP	National Rural Drinking Water Programme
NRW	Non-Revenue Water
NSS	No Safe Source
O&M	Operation and Maintenance
PC	Partially Covered
PES	Panchayat Enterprise Suite
PHED	Public Health Engineering Department
PHMED	Public Health and Municipal Engineering Division
PMU	Programme Management Unit
POL	Petroleum, Oil and Lubricant
PR&RDD	Panchayat Raj and Rural Development Department
PR&RE	Panchayat Raj and Rural Employment
PRI	Panchayat Raj Institution
PRIASoft	Panchayat Raj Institutions Accounting Software
RGPSA	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan
RR	Revenue Recovery
RTA	Road Transport Authority
RWHS	Rain Water Harvesting Structures
RWS	Rural Water Supply

RWS&S	Rural Water Supply & Sanitation
SAMM	Social Audit & Meeting Management
SCADA	Supervisory Control and Data Acquisition
SD	Security Deposit
SE	Superintending Engineer
SEGF	State Employment Guarantee Fund
SFC	State Finance Commission
SLBs	Service Level Benchmarks
SLNA	State Level Nodal Agency
SPCB	State Pollution Control Board
SPIU	Strategic Performance Innovation Unit
SR	Subsidiary Rules
SSAAT	Society for Social Audit, Accountability and Transparency
STP	Sewerage Treatment Plant
TFC	Thirteenth Finance Commission
TGS	Technical Guidance and Supervision
TR	Treasury Rules
UA	Urban Agglomerations
UCs	Utilisation Certificates
UFW	Unaccounted for Water
UGD	Underground Drainage
UIDSSMT	Urban Infrastructure Development Scheme for Small and Medium Towns
UIG	Urban Infrastructure and Governance
ULBs	Urban Local Bodies

UPS	Uninterrupted Power Supply
USOF	Universal Service Obligation Fund
VAT	Value Added Tax
VMC	Vijayawada Municipal Corporation
VTS	Vehicle Tracking System
WSP	Waste Stabilisation Pond
WST	Water Supply Treatment
WTP	Water Treatment Plants
ZPP	Zilla Praja Parishad
ZPTC	Zilla Parishad Territory Constituencies

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