

## Overview

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

### 1. Accounts and Finances of Local Bodies

There was no system in place to consolidate the finances of PRIs. The Budget and Accounts formats for PRIs prescribed by the Comptroller and Auditor General of India are yet to be implemented in Mandal Parishads and Gram Panchayats. Creation of database in PRIs is under process. Though the State Government stated that 17 functions had been devolved to PRIs, the transfer was only partial without corresponding transfer of funds and functionaries. Andhra Pradesh Municipal Accounts Manual was adopted by the Government of AP and is being implemented in ULBs. Property Tax collection in ULBs showed a declining trend. Recovery of Tax and Non-tax arrears were poor in local bodies. The audit of LBs by the Director, State Audit was in huge arrears in GPs and ULBs. District Planning Committees were not constituted so far. EFC grants were mis-utilised/diverted. SFC recommendations were partially implemented.

*[Paragraphs 1.1 and 1.2]*

### 2. Performance review

#### 2.1 Andhra Pradesh Urban Services for the Poor

*In order to achieve sustained reduction in poverty and vulnerability of urban areas, the State Government launched a project, namely Andhra Pradesh Urban Services for the Poor (APUSP) in April 2000, to cover 42 Class I towns. Audit scrutiny revealed several irregularities in implementation of the project such as unfruitful expenditure on water supply works, excess payments, losses, non-accountal of funds, parking of funds in fixed deposits, etc. in the 10 test checked municipalities/Project Coordinator (PC), APUSP. Monitoring was poor both at the level of PC, APUSP and at the municipalities.*

- Though the municipalities carried out project formulation as stipulated and evolved comprehensive municipal action plans for poverty reduction, certain vital proposals such as System Improvement Plan, Finance and Operation Plan, Operation and Maintenance Plan and General Town Plans were either left out altogether or not implemented. Preparation/approval of Basic Municipal Action Plan for Poverty Reduction (BMAPPs) was delayed by majority of the municipalities.

*[Paragraphs 2.1.7.1 and 2.1.7.2]*

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- The State Government budgeted and released funds to AP Urban Infrastructure Development Corporation (APUFIDC) without any correlation to the actual expenditure. As a result, 30 per cent of funds were lying unutilized in the Corporation's Personal Deposit Account as of March 2006.

***[Paragraph 2.1.8.2]***

- Though the project had commenced in 2000, the expenditure incurred during the six-year period 2000-06 at Rs.363.36 crore amounted to only 49 per cent of the total DFID grant of Rs.747.21 crore. Since the project is to be wound up by March 2008, utilisation of the remaining grant before closure of the project is doubtful.

***[Paragraphs 2.1.8.2 and 2.1.8.4]***

- Though all the three components of the project are linked and complementary to each other, only the 'Environmental Services for the Poor (C2)' component was concentrated upon. 'Municipal reforms' and 'strengthening civil society organizations' (C1 and C3) were neglected.

***[Paragraph 2.1.8.4]***

- The Commissioners of six (out of ten) municipalities had invested Rs 4.95 crore of the project funds in fixed deposits, contrary to guidelines.

***[Paragraph 2.1.8.5]***

- There were inordinate delays in implementation of proposals under the C1 component. None of the 122 proposals (BMAPPs) costing Rs 12.80 crore taken up in the 10 test checked municipalities had been completed, rendering the expenditure of Rs 2.29 crore incurred so far largely unfruitful.

***[Paragraph 2.1.9.1]***

- Under the 'Environmental Infrastructure' for sustainability component (C2) too, 652 out of 2495 works sanctioned in different MAPPs remained incomplete. Expenditure of Rs 5.40 crore incurred on 13 water supply, drainage and road-cum-drainage works in six (out of 10) test-checked municipalities without proper planning and survey before conceiving the proposals or awarding contracts resulted in unfruitful expenditure.

***[Paragraph 2.1.10]***

- Though the activities of formation, training and bank linkages to Self Help Groups (SHGs) and creation of livelihood were successfully carried out, none of the 382 proposals costing Rs 34.02 crore in the areas of education, health and vulnerability were implemented in the municipalities test checked. Thus, the performance of 'Strengthening of civil society' (C3) component was far from satisfactory, even after six years of launching the project.

***[Paragraph 2.1.11]***

- Monitoring was poor both at Project Coordinator, APUSP level and at municipalities, adversely affecting the pace of progress in implementation of the project as a whole, thereby denying the intended benefits to the targeted population.

***[Paragraph 2.1.12.1]***

## 2.2 Information Technology Audit of Soukaryam – an e-Governance initiative of Greater Visakhapatnam Municipal Corporation

*Greater Visakhapatnam Municipal Corporation (GVMC) implemented ‘Soukaryam’ (meaning facility), an e-Governance project to provide civic services to the citizens in a speedy and transparent manner. IT audit of the implementation of Soukaryam revealed inadequate efforts in project planning, application development, back up recovery/disaster recovery plans, absence of controls, logs and policies resulting in breach of security and integrity of data, exposing the system to possible manipulation. Inadequacy of audit trail made it difficult to identify and fix responsibility in the event of unauthorized access and subsequent manipulation of data/application. Irregularities in data were noticed during data analysis. GVMC still depends on manual procedures to a significant extent and hence was not deriving full benefits of the IT application.*

- System Requirement Specification (SRS) was prepared five years after the implementation of Soukaryam defeating the very purpose.

*[Paragraph 2.2.5.2]*

- Soukaryam does not have a bulletin Module for an audit trail and logs maintained were incomplete, thereby exposing the system to inadequate accountability.

*[Paragraph 2.2.7.3]*

- Most of the Bulk/ Semi-bulk water meter readings were not fed to the computer database indicating deficiencies in implementation.

*[Paragraph 2.2.8.2]*

- Annual budget figures of GVMC did not tally with the computer database figures, depicting inconsistencies.

*[Paragraph 2.2.9.4]*

- Revenue collections relating to property tax, water charges and lease charges amounting to Rs 1.85 crore were not accounted for.

*[Paragraph 2.2.9.5]*

- Non-utilisation of e-Procurement facility to take benefits of competitive prices etc.

*[Paragraph 2.2.10.2]*

- Ineffective redressal of citizens’ complaints through website based complaints module.

*[Paragraph 2.2.12.1]*

### **3. Transaction Audit**

#### **3.1 Panchayat Raj Institutions**

- Laxity of the Chief Executive Officer, Zilla Parishad, Warangal in monitoring the recovery of House Building Advances led to non-recovery amounting to Rs 86.95 lakh, besides Rs 15.49 lakh is a loss to Government.

*[Paragraph 3.1.1]*

- Failure of the CEOs, Zilla Parishad, Nellore and Chittoor to effectively monitor the progress of the MPP building works led to expenditure of Rs 32.73 lakh remaining unproductive for periods ranging from 3 to 20 years, besides cost escalation of Rs 41.65 lakh.

*[Paragraph 3.1.2]*

- Earmarked funds aggregating Rs 11.75 crore either remained unutilised or were not transferred to the respective Finance Corporations of the SC/ST community in 4 Zilla Parishads and 17 Mandal Parishads, depriving the targeted communities of the intended benefits.

*[Paragraph 3.1.3]*

- Scheme funds amounting to Rs.3.09 crore were diverted by two Zilla Parishads and three Mandal Parishads in violation of the scheme guidelines.

*[Paragraph 3.1.4]*

- The ineffective monitoring of works by the Village Water and Sanitation Committees of Raparthy and Doruvulapalem Gram Panchayats resulted in the Protected Water Supply schemes remaining incomplete, even three and a half years after commencement. This had rendered the expenditure of Rs 49.65 lakh incurred on the projects, unproductive.

*[Paragraph 3.1.5]*

- Scrutiny of records of 479 Gram Panchayats during regular audit revealed huge arrears in collection of tax and non tax revenues, diversion of schemes grants, non-accountal of stock, non-maintenance of vital records/registers and poor accounting arrangements.

*[Paragraph 3.1.6]*

### 3.2 Urban Local Bodies

- The systematic disposal of Municipal Solid Waste in Guntur Municipal Corporation had not been achieved even 5 years after concluding an agreement with a company. Due to the inaction of the Commissioner, the uncontrolled and unscientific dumping of waste continues, creating an environment health hazard for the residents. It has also led to avoidable expenditure of Rs 10.97 lakh on provision of infrastructural facilities besides loss of revenue of Rs 29.52 lakh and non-recovery of penal interest of Rs 10.38 lakh.

*[Paragraph 3.2.1]*

- The Guntur Municipal Corporation failed to get competitive rates in awarding advertisement tax collection rights. It extended undue financial benefit to a particular bidder by relaxing the tender/agreement conditions, thereby losing revenue of Rs.44.49 lakh.

*[Paragraph 3.2.2]*

- Failure of the Commissioner, Wanaparthy Municipality to rectify defects in design of a shopping complex for over three years, had resulted in the municipality forgoing revenue of Rs. 11.46 lakh towards rent etc, besides rendering the entire expenditure of Rs 23.60 lakh, unfruitful.

*[Paragraph 3.2.3]*

- Failure of the Commissioner, Bobbili Municipality to effectively monitor the progress of works, resulted in construction work of four shopping complexes remaining incomplete even eight years after commencement. This had resulted in the expenditure of Rs 54.47 lakh incurred, so far being unproductive, besides loss of potential revenue in the form of rent and deposits from the buildings.

*[Paragraph 3.2.4]*

- Scheme funds amounting to Rs 4.89 crore were kept in fixed deposits by the Kurnool Municipal Corporation and three other municipalities, contrary to the schemes guidelines, adversely affecting the implementation of the schemes.

*[Paragraph 3.2.5]*

- Defective survey for selection of site for construction of Vegetable Market and shops and the inordinate delay in recasting the estimates and calling of fresh tenders, resulted in the vegetable market sanctioned in August 2003, not being constructed as yet. The delay of more than three years has already led to cost escalation of about rupees one crore.

*[Paragraph 3.2.6]*

- Non-utilisation of scheme funds of Rs 5.49 crore by Visakhapatnam Municipal Corporation and five other municipalities resulted in locking up of funds besides depriving the targeted urban population of the benefits of developmental schemes.

*[Paragraph 3.2.7]*