

Overview

This Audit Report includes one performance review and nine audit paragraphs on Urban Local Bodies apart from one performance review, one long paragraph and seven 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 reviews and paragraphs were forwarded to the Government and the replies received have been duly incorporated in the Report.

1. Accounts and Finances of Local Bodies

There was no system in place to consolidate the finances of PRIs. The Budget and Accounts formats for PRIs prescribed by the Comptroller and Auditor General of India are yet to be implemented in Mandal Praja Parishads and Gram Panchayats. The creation of database on the finances of PRIs is yet to be completed. 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. The audit by the Director, State Audit was in huge arrears in GPs and ULBs. District Planning Committees were not yet constituted in all the districts. TFC grants were mis-utilised/diverted. SFC recommendations were partially implemented.

[Paragraphs 1.1 and 1.2]

2. Performance reviews

2.1 National Rural Employment Guarantee Scheme in Andhra Pradesh

The Government of Andhra Pradesh launched the National Rural Employment Guarantee Scheme in February 2006 in 13 districts in the state, in accordance with the National Rural Employment Guarantee Act 2005, enacted by the Government of India. The main objective of the scheme is to provide 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. A review on the implementation of the scheme in the State revealed the following:

- Employment Guarantee Scheme Funds to the extent of Rs 38.08 crore were diverted to other schemes.

[Paragraph 2.1.9.4]

- Of the 23.39 lakh rural households who were provided employment during the period from February 2006 to March 2007 the targeted 100 days of employment in a financial year was achieved only in respect of 79,969 households (3 per cent) resulting in non achievement of the main objective of the scheme.

[Paragraph 2.1.10.4]

- Though payments of wages were delayed to 53 per cent of the labourers employed beyond 15 days stipulated, no compensation was paid.

[Paragraph 2.1.10.5]

- Out of works shown as completed, it was observed that 45 per cent of works were closed after incurring expenditure of less than 50 per cent of their estimated values. Closure of works after partial execution had adverse implications on creation of durable assets, a key objective of the scheme besides rendering the expenditure unfruitful.

[Paragraph 2.1.11.2]

- In the 13 districts (phase I) expenditure of Rs 147.38 crore was incurred on ineligible works during 2006-07.

[Paragraph 2.1.11.3]

- Since statutory records at Mandal/GPs were either not maintained or incompletely maintained, audit could not ensure that the provision of legal guarantee of 100 days employment had been translated into action.

[Paragraph 2.1.12]

- Social audits were not conducted at regular intervals thereby defeating the objective of public vigilance in evaluating the quality of the works.

[Paragraphs 2.1.13]

2.2 Long paragraph on Functioning of two Zilla Praja Parishads

The performance of two ZPPs (East Godavari and Warangal), out of 22 ZPPs in the State was reviewed for the five year period from 2002-03 to 2006-07. Test check of records was conducted at the offices of ZPPs including five Panchayat Raj (PR) Engineering divisions, four Rural Water Supply (RWS) divisions and 11 Mandal Praja Parishads (MPPs).

- Audit scrutiny revealed irregularities in implementation of various schemes/programmes viz., diversion of scheme funds, incomplete works despite availability of funds, unfruitful expenditure on construction of ZPP staff quarters, PR wireless grid etc.

[Paragraph 2.2.4]

- Revenue Management was poor due to delay in submission of claims to the Government in respect of Provident Fund relating to PR employees, honorarium to ZPP Members. There were cases of non-receipt of Pension contributions from Gram Panchayats (GPs), diversion of sand auction proceeds, non-realisation of dues and non utilisation/lapse of grants.

[Paragraph 2.2.5]

- The system of Internal Control was also not effective as there were delays in preparation of Annual Accounts, submission of Annual Administrative Reports, non-reconciliation of departmental figures with treasury figures and shortfall in departmental inspections.

[Paragraph 2.2.6]

- Other lapses viz., non-transfer of unutilized balances of earmarked funds, non-apportionment of ferry auction proceeds among MPPs and GPs, Non-collection of User Charges from the beneficiaries for amount spent on water supply schemes in GPs and non-remittance of statutory deductions to Government departments were also noticed.

[Paragraph 2.2.7]

2.3 Financial Management of Vijayawada Municipal Corporation including Information Technology Audit

The Municipality of Vijayawada was constituted on 1 April 1888 with an area of 30 sq km, and was upgraded into a Corporation on 6 June 1981 and with the merger of the surrounding villages in 1985, the total area of the Corporation (VMC) rose to 58 sq km. Performance Audit of the financial management of VMC and Information Technology system revealed the following deficiencies:

- VMC has not compiled the Annual Accounts since 2005-06. It failed to submit the audited accounts for the years 2001-02 to 2004-05 to the State Legislature though stipulated under the provisions of Hyderabad Municipal Corporation Act.

[Paragraph 2.3.6]

- The maintenance of cash books was deficient with regard to posting of DDs/cash, periodic closing of cash books. Reconciliation of cash book figures with those of bank statements was never carried out.

[Paragraph 2.3.6.1]

- Stock registers were not maintained properly and physical verification of stock at the end of each year was not done.

[Paragraph 2.3.6.2]

- Financial management was deficient as budget estimates were not being prepared on a realistic basis. VMC failed to realise its share of auction proceeds (Rs. 7.85 crore) in respect of sand bearing areas. The construction of shopping complexes suffered due to deficit planning resulting in loss of revenue of Rs. 7.39 crore.

[Paragraphs, 2.3.7.1, 2.3.7.4 and 2.3.8.1]

- Works were undertaken without first ensuring acquisition of land and other clearances and this resulted in number of works on which considerable expenditure has been incurred remaining incomplete for several years with consequential blockage of funds of Rs. 5.64 crore.

[Paragraphs 2.3.9.4]

- The Management of Waste was far from satisfactory. Despite spending an amount of Rs. 4.61 crore on Sewerage Treatment Plant the basic objective of treating sewerage scientifically was not achieved as no sewerage was treated.

[Paragraphs 2.3.10.1 and 2.3.10.2]

- Due to inefficient pumping system, there was excess consumption of electricity towards supply of water to the city. During the year 2006-07, the extra expenditure worked out to Rs 1.26 crore.

[Paragraph 2.3.10.4]

- Instances of non-remittance of Seignorage charges to the Government, Library cess to Zilla Grandhalaya Samstha, deductions made on behalf of National Academy of Construction were noticed.

[Paragraph 2.3.11]

INFORMATION TECHNOLOGY AUDIT

- VMC has not evolved foolproof mechanism to ensure that meter readings are properly taken in respect of all meter connections and where meter readings are taken, the demands are promptly and correctly issued.

[Paragraph 2.3.14.3 and 2.3.14.4]

- Lapses were noticed in accounting of bounced cheques.

[Paragraph 2.3.16.2]

- The data in VOICE was incomplete and lacked integrity due to absence of validation checks.

[Paragraph 2.3.17]

- Lack of segregation of duties and absence of logs were not conducive to fix the responsibility in case of unauthorised manipulation and loss of data.

[Paragraph 2.3.18.2]

3. Transaction Audit

3.1 Panchayat Raj Institutions

- Failure to remedy the basic deficiencies responsible for poor response to training in tailoring resulted in staff on whom an expenditure of Rs 25.35 lakh was incurred on pay and allowances being not utilised for the objectives for which they were deployed.

[Paragraph 3.1.1]

- In two Gram Panchayats, Protected Water Supply schemes constructed at an expenditure of Rs 33.66 lakh were not put to use which resulted in non-achievement of the objective of providing safe drinking water to the inhabitants.

[Paragraph 3.1.2]

- Delays in land acquisition and construction of auditorium resulted in blocking up of funds of Rs 25 lakh for a period of 2 to 9 years.

[Paragraph 3.1.4]

- Statutory deductions of Rs 83.05 lakh effected by 43 Mandal Praja Parishads were not remitted to Government account/other agencies as per the codal provisions.

[Paragraph 3.1.5]

- The unspent balances of Rs 30.11 lakh pertaining to various schemes were still lying in the accounts of 12 MPDOs for over two years without being transferred to the scheme sanctioning authorities.

[Paragraph 3.1.6]

- Audit of 741 Gram Panchayats (out of 21807) during 2006-07 revealed huge arrears of tax and non-tax revenues, non-utilization of grants, diversions of scheme funds, non-accountal of stock, non maintenance of records/registers and poor accounting arrangements.

[Paragraph 3.1.7]

3.2 Urban Local Bodies

- Inordinate delay in completion of construction of Road over Bridge resulted in unfruitful expenditure of Rs 4.19 crore also the incomplete work did not serve the intended objective of relieving the traffic congestion.

[Paragraph 3.2.1]

- Construction of vegetable Market Complex at Nainnagar, Hanmakonda without undertaking demand survey led to unfruitful expenditure of Rs 25.19 lakh besides loss of revenue of Rs 27.30 lakh.

[Paragraph 3.2.2]

- Failure to collect Entertainment tax by the Commissioner, Warangal Municipal Corporation resulted in loss of revenue of Rs 1.31 crore.

[Paragraph 3.2.3]

- Commencement of work without ensuring availability of funds resulted in the work of Storm water drain remaining incomplete for more than four years despite incurring an expenditure of Rs 75.60 lakh.

[Paragraph 3.2.4]

- Unauthorised investment of Municipal funds by the Commissioner, L.B Nagar, Municipality in violation of the codal provisions resulted in loss of Rs 21.62 lakh.

[Paragraph 3.2.5]

- Construction of meat market complex at a cost of Rs 32.80 lakh in Kamareddy Town on a site encroached by meat vendors remained idle over four years.

[Paragraph 3.2.6]

- Lack of proper mechanism in segregating the Library cess by the ULBs from the Property tax collections, followed by remittance with in stipulated dates deprived the Zilla Grandhalaya Samsthas of getting their dues to the extent of Rs 42.13 crore.

[Paragraph 3.2.7]

- Scheme funds aggregating Rs 4.24 crore were kept in Fixed Deposits and Joint account in violation of the guidelines.

[Paragraph 3.2.8]

- Two Municipal Corporations and four Municipalities in violation of scheme guidelines diverted scheme funds amounting to Rs 1.91 crore.

[Paragraph 3.2.9]