

Preface

1. The Report of the Comptroller and Auditor General of India (CAG) on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Andhra Pradesh for the year ended 31 March 2008 is prepared for submission to the Governor of Andhra Pradesh under Article 151 (2) of the Constitution.
2. CAG conducts audit of PRIs and ULBs under Section 14 of CAG's (DPC) Act, 1971. Further, based on the recommendations of the Eleventh Finance Commission, Government of Andhra Pradesh entrusted the CAG with the responsibility of providing Technical Guidance and Supervision under Section 20 (1) of CAG's (DPC) Act.
3. The Report contains three chapters. Chapter one gives an overview of the structure and finances of Local Bodies. Chapter two deals with the findings of Performance Audit of selected Zilla Praja Parishads and a Municipal Corporation. The last chapter contains observations arising out of audit of transactions in PRIs and ULBs.

Overview

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

1. Accounts and Finances of Local Bodies

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

[Paragraphs 1.1 and 1.2]

2. Functioning of two Zilla Praja Parishads

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

[Paragraph 2.1]

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

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

[Paragraph 2.2]

4. Transaction Audit

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

Panchayat Raj Institutions

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

[Paragraph 3.1.4]

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

[Paragraph 3.1.6]

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

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

[Paragraph 3.1.3]

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

[Paragraph 3.1.5]

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

[Paragraph 3.1.2]

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

[Paragraph 3.1.1]

Urban Local Bodies

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

[Paragraph 3.2.9]

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

[Paragraph 3.2.6]

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

[Paragraph 3.2.7]

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

[Paragraph 3.2.8]

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

[Paragraph 3.2.2]

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

[Paragraph 3.2.3]

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

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

CHAPTER I

ACCOUNTS AND FINANCES OF LOCAL BODIES

CHAPTER SUMMARY

- **There was no system in place to consolidate the details relating to the revenue and expenditure of PRIs.**
- **The Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs.**
- **The Budget and Accounts formats for PRIs are yet to be implemented in Mandal Praja Parishads and Gram Panchayats.**
- **The functioning of District Planning Committees is to be streamlined.**
- **TFC grants were mis-utilised/diverted.**
- **Data Base grants remained unutilised and instead parked in fixed deposits.**

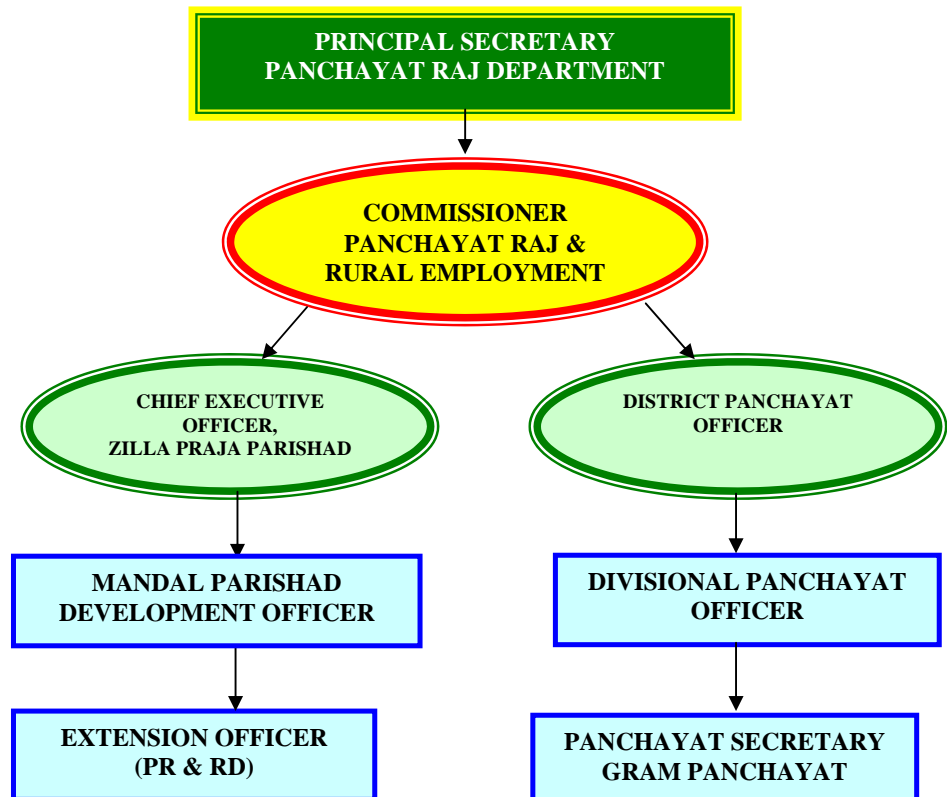
1.1 PANCHAYAT RAJ INSTITUTIONS

1.1.1 Introduction

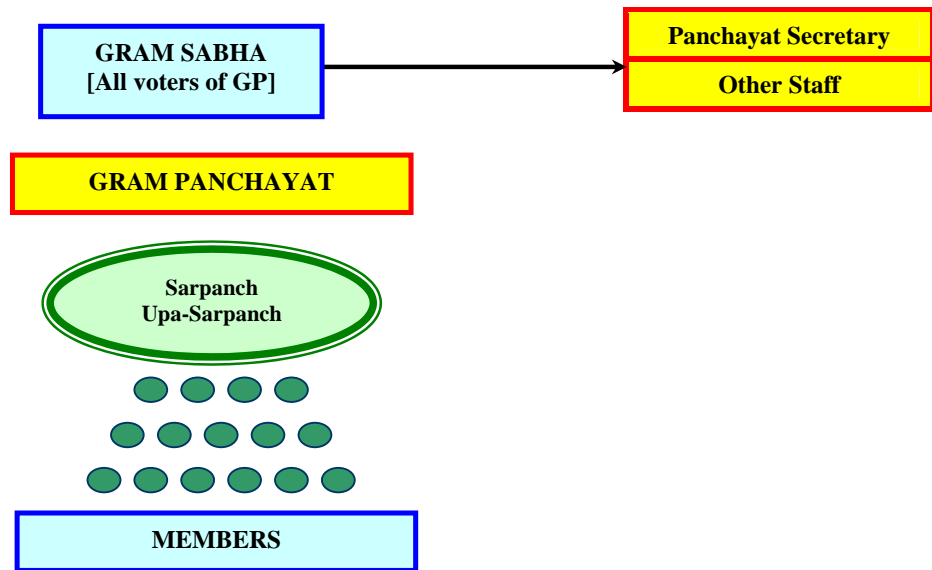
In conformity with 73rd Constitutional Amendment Act, the Andhra Pradesh Panchayat Raj (APPR) Act was enacted in 1994 repealing all existing Acts, to establish a three-tier system at the Gram Panchayat, Mandal Praja Parishad and Zilla Praja Parishad level. As per the 2001 census, the total population of Andhra Pradesh State was 7.57 crore, of which 5.52 crore (72.92 per cent) lived in rural areas. As on 31 March 2008, there were 22927 Panchayat Raj Institutions (PRIs) in the State consisting of 22 Zilla Praja Parishads (ZPPs), 1098 Mandal Praja Parishads (MPPs) and 21807 Gram Panchayats (GPs). Elections to the PRIs were conducted in the months of July and August 2006 and newly elected members took charge in October 2006.

1.1.2 Organisational set-up

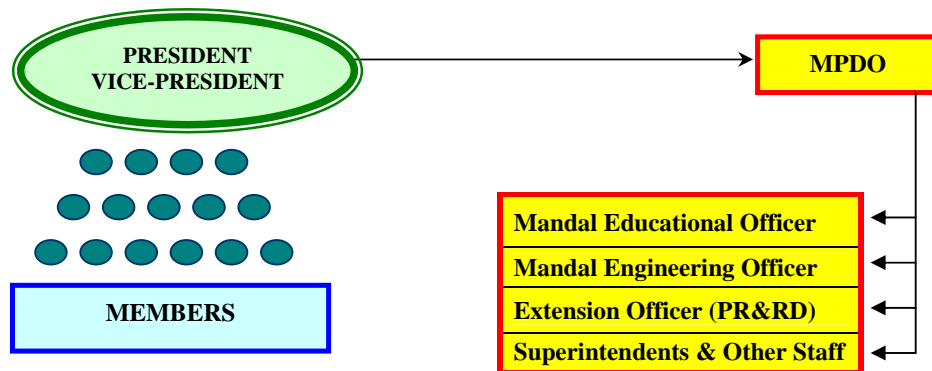
The organisational set-up of PRIs in the State is as under:



Gram Panchayat: The Government may by notification and in accordance with the rules in this behalf declare any Revenue Village or Hamlet thereof or any part of a Mandal to be a Village for the purpose of the APPR Act, 1994 and specify the name of the Village. For every village, the State Government shall constitute a Gram Panchayat. Every village shall have a Gram Sabha (GS) consisting of persons registered in the electoral rolls pertaining to the area of the Village. The organisation structure is given below:

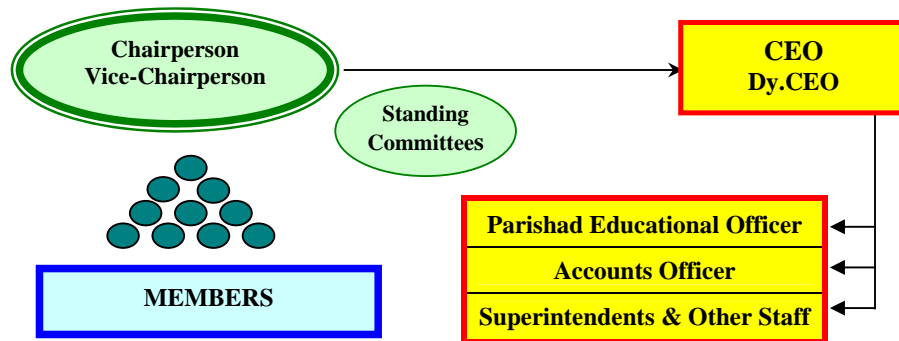


Mandal Praja Parishad: A district may be divided into Mandals¹ comprising such contiguous villages as may be specified in the notification by the State Government and for every Mandal there is a MPP which is divided into many territorial constituencies having population between three and four thousand. One member shall be elected to the MPP from each territorial constituency. The structure of the MPP is depicted below:



¹ The Blocks as a unit of development is obliterated and in its place the Mandal has emerged. 332 Panchayat Samithies constituted earlier were replaced by 1098 Mandal Praja Parishads.

Zilla Praja Parishad: The ZPP consists of one elected member from each Mandal besides Member of Legislative Assembly (MLA) of the State representing the constituency, Member of House of People (MP) representing a constituency, Member of the Legislative Council of States (MLC), who is a registered voter in the district concerned and two co-opted members belonging to minorities. Each ZPP has seven Standing Committees (Planning and Finance, Rural Development, Agriculture, Education and Medical Services, Women Welfare, Social Welfare and Works) and the Chairperson is the Ex-officio member of all Standing Committees. The District Collector, who is a permanent invitee, shall be entitled to participate in all the Standing Committee meetings without right to vote. The structure of a ZPP is depicted below:



1.1.3 Funding of Panchayat Raj Institutions

The State and Central Government funded the PRIs through Grants-in-aid for general administration and development activities. The Gram Panchayats generate revenue from property tax and water tax and non-tax revenue from various fees such as tap connection fees, rents from properties etc. The MPP and ZPP do not generate any tax revenue and depend mainly on Grants-in-aid. The funds are utilised by the PRIs for providing civic amenities and welfare measures. Though the accounts are prepared by the PRIs individually, there is no system in place to consolidate the revenue and expenditure figures under various heads of accounts of all the PRIs, due to which effective monitoring of the finances was not possible and an overall picture of finances of PRIs could not emerge.

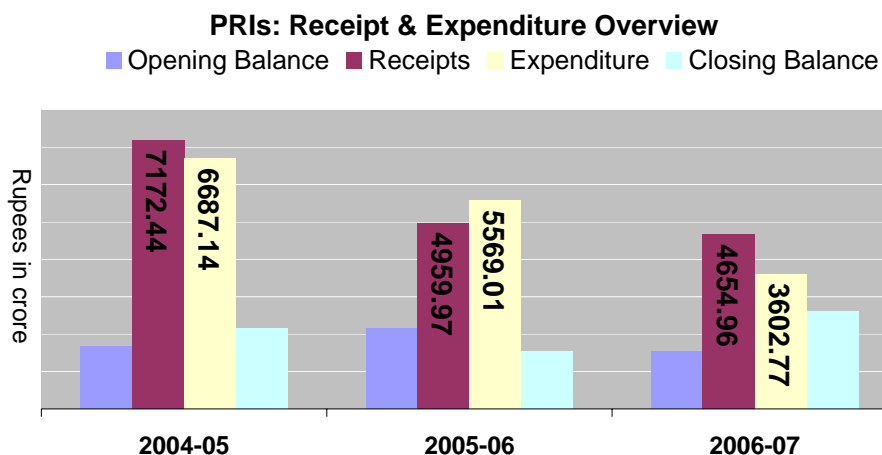
Financial Position of the PRIs: As there was no system to consolidate the finances at Commissioner level, the receipt and expenditure particulars of PRIs for the year 2006-07² were obtained from State Audit Department and the details are tabled below along with figures of 2004-05 and 2005-06.

(Rupees in crore)

Zilla Praja Parishad					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2004-05	1024.28	2326.97	3351.25	2396.54	954.71
2005-06	954.71	1805.19	2759.90	1758.75	1001.15
2006-07	1001.15	3041.82	4042.97	1982.98	2059.99
TOTAL	2980.14	7173.98	10154.12	6138.27	4015.85
Mandal Praja Parishad					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2004-05	462.94	2317.48	2780.42	2261.97	518.45
2005-06	518.45	1259.09	1777.54	1263.70	513.84
2006-07	513.84	760.73	1274.57	852.52	422.05
TOTAL	1495.23	4337.30	5832.53	4378.19	1454.34
Gram Panchayat					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2004-05	177.56	2527.99	2705.55	2028.63	676.92
2005-06	676.92	1895.69	2572.61	2546.56	26.05
2006-07	26.05	852.41	878.46	767.27	111.19
TOTAL	880.53	5276.09	6156.62	5342.46	814.16

The receipts of ZPPs increased in the year 2006-07 compared to 2005-06 but declined to a large extent in respect of MPPs and GPs. The Director, State Audit had not furnished specific reasons for the same when sought for. In case of MPPs expenditure during 2006-07 is more than the receipts.

² As the accounts for 2007-08 were not finalised, State Audit Department furnished the figures for only 2006-07.



Sources of Funds: The details of receipts for PRIs from 2004-05 to 2006-07, as furnished by the State Audit department are given below.

(Rupees in crore)

Source of Funds		2004-05	2005-06	2006-07
Gram Panchayats				
1. Own Revenue				
a.	Taxes (House tax, Water tax, etc.)	203.00	186.41	143.37
b.	Non-taxes (Market rents, rents of shops and other property, auctions, etc.)	302.61	215.43	151.50
Total		505.61	401.84	294.87
2. Grants-in-aid				
a.	Salary Grant	151.26	128.59	36.59
b.	Sampoorna Grameena Rozgar Yojana (SGRY)	334.18	265.41	
c.	Eleventh Finance Commission (EFC)	317.46	176.75	
d.	State Finance Commission (SFC)	192.70	105.44	
e.	Other grants (per capita grant, seignorage charges, profession tax etc.)	740.86	605.76	363.42*
Total		1736.46	1281.95	400.01
3. Deposits and Advances		11.24	18.67	11.99
4. Other Receipts		274.68	193.23	145.54
Total		2527.99	1895.69	852.41

* Break-up for remaining items of Grant-in-aid was not furnished by the Director, State Audit for 2006-07.

(Rupees in crore)

Mandal Praja Parishads				
Grants and other receipts including fund accounts		2004-05	2005-06	2006-07
a.	General Fund (per-capita grant, seignorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.)	104.17	248.94	146.84
b.	Social Welfare	16.84	50.29	20.85
c.	Minor Irrigation and Rural Water Supply	1.92	12.09	7.17
d.	Roads and Bridges maintenance	2.92	5.41	1.75
e.	Education	2085.41	609.93	205.52
f.	SGRY	25.18	146.91	86.22
g.	EFC/TFC/SFC	1.72	5.79	26.51
h.	Others (Building grant, Natural Calamity grant, NABARD, MPLADS, Pension grants, etc)	62.64	160.30	251.09
i.	Deposits, Advances and Loans	16.68	19.43	14.78
Total		2317.48	1259.09	760.73
Zilla Praja Parishads				
Grants and other receipts including fund accounts		2004-05	2005-06	2006-07
a.	General Fund (per-capita grant, seignorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.)	122.42	384.00	405.54
b.	Social Welfare	27.92	24.67	13.69
c.	Minor Irrigation and Rural Water Supply	148.53	136.91	154.06
d.	Roads and Bridges maintenance	131.57	68.34	108.27
e.	Education	1099.14	234.44	244.69
f.	SGRY	318.26	373.46	97.31
g.	EFC/TFC/SFC	17.07	45.12	276.29
h.	Minimum Needs Programme (MNP)	3.07	6.95	-
i.	NABARD	6.50	26.71	19.86
j.	Others (Building grant, Natural Calamity grant, MPLADS, Pension grants, etc)	206.61	350.26	539.62
k.	Deposits, Advances and Loans	245.88	154.33	1182.49
Total		2326.97	1805.19	3041.82
GRAND TOTAL (GP, MPP & ZPP)		7172.44	4959.97	4654.96

The income of GPs and MPPs declined drastically in the year 2006-07 (Rs 852.41 crore and Rs 760.73 crore) compared to previous year (Rs 1895.69 crore and Rs 1259.09 crore). As seen from above, release of grants by the Government was reduced to a large extent i.e by 55 *per cent* in case of GPs and 40 *per cent* in case of MPPs over the previous year. The overall receipts of PRIs decreased from Rs 4959.97 crore in 2005-06 to Rs 4654.96 crore in 2006-07 i.e. by 6 *per cent* over the previous year.

Application of funds:

The PRIs incur expenditure mainly on providing and maintaining civic amenities such as roads, sanitation, water supply, lighting, etc. It includes both recurring expenditure on maintenance and non-recurring expenditure on creation of capital assets. The information relating to sector-wise expenditure was not available with the Commissioner, PR&RE. However, as per the data made available by the Director, State Audit, the sector wise expenditure incurred by PRIs from 2004-05 to 2006-07 is detailed below:

(Rupees in crore)

Application of Funds		2004-05	2005-06	2006-07
Gram Panchayats				
Expenditure particulars				
a.	Salary	194.01	229.82	72.27
b.	Works expenditure from grants received under SGRY, EFC, SFC, etc.	1306.15	1772.70	380.85
c.	Maintenance Expenditure	266.04	275.18	176.66
d.	Deposits and Advances	17.85	47.78	18.05
e.	Other administrative expenditure	244.58	221.08	119.44
Total		2028.63	2546.56	767.27
Mandal Praja Parishads				
Expenditure particulars				
a.	Education	2046.66	646.10	224.46
b.	Social Welfare	16.12	54.10	22.96
c.	Minor Irrigation and Rural Water Supply	1.33	12.24	27.60
d.	Roads and bridges maintenance	4.35	23.83	24.28
e.	Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure.	68.63	143.33	358.33
f.	Expenditure from General Fund account	105.34	216.09	142.84
g.	Deposits, Advances and Loans	14.31	12.01	20.33
h.	Other expenditure	5.23	156.00	31.72
Total		2261.97	1263.70	852.52
Zilla Praja Parishads				
Expenditure Particulars				
a.	Education	1095.55	235.72	203.09
b.	Social Welfare	13.70	18.98	14.36
c.	Minor Irrigation and Rural Water Supply	131.06	134.00	186.51
d.	Roads and Bridges maintenance	95.99	85.30	164.42
e.	Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure.	486.42	391.18	745.07
f.	Expenditure from General Fund account	132.23	288.55	377.40
g.	Deposits, Advances and Loans	154.16	310.73	274.69
h.	Other expenditure	287.43	294.29	17.44
Total		2396.54	1758.75	1982.98
GRAND TOTAL (GP, MPP & ZPP)		6687.14	5569.01	3602.77

The expenditure incurred on works by MPPs and ZPPs in 2006-07 was 150 per cent and 90 per cent respectively more than the previous year whereas there was huge decline in expenditure of Gram Panchayats on works. The expenditure on Education sector declined due to direct payment of GOAP to Teaching Staff with effect from April 2005.

1.1.4 Accounting arrangements

The PRIs maintain accounts on cash basis. The Budget and Accounting formats prescribed by the CAG were adopted by the State Government (May 2005). The GPs and MPPs have started implementing these formats from 2006-07 onwards, while ZPPs implemented the same from the year 2005-06. Government issued (September 2007) orders for deployment of a Master Book-Keeper in each Mandal through CDS- Andhra Pradesh Academy of Rural Development (APARD) to assist in maintenance of accounts and feeding the data of all GPs of respective Mandal. However the Commissioner stated (February 2009) that the issue of deployment of Master Book-keepers was still in discussion stage with the Commissioner, AMR-APARD.

1.1.5 Creation of Data Base of PRIs

GOAP released EFC grants amounting to Rs 22.96 crore (2002-04) and TFC grants of Rs 26.98 crore (2005-09) to the Commissioner, Panchayat Raj and Rural Employment for creation of database on the finances of PRIs. The Commissioner kept the above funds with the Chief Executive Officer, Zilla Praja Parishad, Ranga Reddy District. The PR Department initiated a project for computerisation of GPs for which the NIC, Hyderabad developed an 'e' Panchayat software. Initially the Government selected 475 GPs for implementation of the project and based on the Major Modules developed by the NIC on the functional areas like House Tax, Trade Licenses, Issue of Birth and Death Certificate and Pension schemes, the GPs started implementing the project.

The following expenditure was so far incurred on the project.

(Rupees in crore)

Sl.No.	Name of the office	Amount transferred	Purpose
1.	District Collector (Panchayat Wing)	4.27	Purchase of systems and data entry of existing records.
2.	NIC, Hyderabad	1.90	For supply of hardware/operating system and training to GPs staff etc.,
3.	Commissionerate /PR	0.41	Purchase of computer hardware

The balance amount of Rs 43.36 crore was parked in fixed deposits at various Banks.

The other applications relating to Meetings, Works Monitoring, Personal Data of Employees, Regional Training Institutes, Elections and Data of Elected Representatives under "e" panchayat are under progress. Similarly, the development of 'Panchayat Raj Institutions Accounts (PRIA)' software for

maintenance of accounts by PRIs in the revised accounting formats prescribed by CAG was also entrusted to NIC and the same is under progress.

Thus even after six years, the objective of creation of a database to consolidate the details of finances of PRIs remained unachieved.

1.1.6 Audit arrangements

CAG conducts audit of PRIs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of EFC, GOAP entrusted (August 2005) the responsibility for providing Technical Guidance and Support (TGS) in connection with the accounts and audit of Local Bodies under Section 20(1) of CAG's (DPC) Act.

1.1.6.1 Audit by the Director, State Audit

Director, State Audit is the statutory auditor for PRIs under the Andhra Pradesh State Audit Act, 1989. There were no arrears in audit conducted by the Director, State Audit in respect of ZPPs and there were marginal arrears in respect of MPPs. However, there were huge arrears in case of GPs. To the end of March 2008, audit of 7773 GPs was in arrears, of which only 814 GPs were audited to the end of December 2008. Director attributed various reasons viz., non-production of records by Sarpanchs, loss of records due to theft, floods etc.

1.1.6.2 Submission of Consolidated State Audit and Review Reports

As per Section 11(2) of the State Audit Act, the Director, State Audit is to prepare Consolidated State Audit Review Reports and present the same to the State Legislature. The Director, State Audit has so far prepared Consolidated State Audit and Review Reports for the years 1989-90 to 2005-06 and submitted to the Finance department. The Government tabled the Consolidated Audit and Review Reports in the Andhra Pradesh Legislative Assembly for the period from 1989-90 to 1997-98 and 1998-99 to 2004-05 in March 2008 and December 2008 respectively. Report of 2005-06 is yet to be placed. Some of the major findings by the Director, State Audit related to excess utilisation/non-utilisation/diversion/misutilisation of grants, non-collection of dues, advances pending adjustments/violation of rules, wasteful expenditure etc.

1.1.6.3 Misappropriation Cases

The following misappropriation cases were noticed during the years 2005-06 and 2006-07 by the Director, State Audit and remained to be disposed off to the end of 31 March 2008.

(Rupees in lakh)

S.No	Name of the Institution	2005-06		2006-07	
		No. of misappropriation cases	Amount involved	No. of misappropriation cases	Amount involved
1.	Zilla Praja Parishads	4	1.34	4	7.05
2.	Mandal Praja Parishads	113	28.36	100	30.17
3.	Gram Panchayats	863	278.53	2123	667.92

1.1.6.4 Issue of Surcharge Certificates

According to Section 10 of the Andhra Pradesh State Audit Act, 1989 the Director, State Audit is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of Local authorities or other authorities. In this regard, details of surcharge certificates issued, the amount recovered/waived and balance pending as of March 2008 against all the three tiers of PRIs are as shown below:

(Rupees in crore)

Sl. No	Unit	No of certificates issued		Recovered/ Waived		Balance	
		Cases	Amount	Cases	Amount	Cases	Amount
1.	Zilla Praja Parishads	185	0.13	1679	2.37*	122133	86.56*
2.	Mandal Praja Parishads	821	0.69				
3.	Gram Panchayats	122806	88.11				
Total		123812	88.93	1679	2.37	122133	86.56

*Unit wise (ZPP, MPP & GP) details of cases waived and the cases pending were not made available to audit.

1.1.7 District Planning Committees

In terms of Article 243-ZD of the Constitution of India, District Planning Committees (DPCs) are to be constituted by the State Government so as to consolidate the development plans formulated by the local bodies. Accordingly, GOAP enacted Andhra Pradesh District Planning Committee Act, 2005 (Act 40 of 2005) for constitution of DPCs. Though enactment was made in the year 2005 for constitution of DPCs, the Government issued (January 2007 / October 2007) orders after a gap of two years for framing the rules for electing the members and guidelines for functioning of DPCs.

All the 22 districts have formed the DPCs and Action Plans for the year 2007-08 were submitted to the State Level High Power Committee. However the Action Plans prepared by DPCs were restricted to only release of funds in respect of the scheme, Backward Region Grant Fund (BRGF). The details of funds released to PRIs based on the Action Plans submitted by DPCs were not furnished by the Government though sought for.

1.1.8 Finance Commissions

Twelfth Finance Commission:

As per para 7 of the TFC guidelines, CAG is empowered to audit the release and utilisation of TFC grants. The audit of release and utilisation of TFC grants for the year 2006-07 was undertaken during June - September 2008.

During the year 2006-07, the following were the releases of TFC grants made by the State Government to PRIs.

(Rupees in crore)

Details of release	Amount	Date of Release by GOI	Date of release by the State Govt. to PRIs	No. of days delayed	Details of interest released.
1 st Instalment	158.70	13.9.06	19.9.06	No delay	-
2 nd Instalment	158.70	18.5.07	28.5.07	No delay	-

The following observations were made on scrutiny of records:-

- Though the CPR&RE adjusted the amounts within the stipulated time, there was a considerable delay ranging from 10 to 222 days in respect of first instalment and 1 to 130 days for second instalment in adjusting the funds to the accounts of PRIs by the Treasury authorities.
- A huge sum of Rs 17.93 crore (36.86 *per cent*) remained unutilised to the end of March 2007 out of the total grant of Rs 48.64 crore released to the PRIs of six³ test checked districts.
- An amount of Rs 68.45 lakh was incurred on ineligible works like formation/construction of roads, construction of shopping complexes, diversion to other schemes like ISLs, SFC/General funds, payment of salaries, construction of bus shelters etc., by 44 Gram Panchayats, two Engineering Divisions and five Mandals of five test checked districts as detailed in *Appendix 1*.
- The consolidated abstract showing the details of receipts, expenditure and balance available to the end of financial year was not being furnished by the CEOs and DPOs of all the test checked districts to the CPR&RE which resulted in non-accountal/reporting of excess expenditure of Rs 19.56 lakh noticed in three⁴ test checked ZPPs.
- There was improper maintenance of Records and Registers resulting in lack of assurance that the funds were properly utilised.

State Finance Commission

According to Article 243-I of the Constitution and Section 235 (1) & (2) of Andhra Pradesh Panchayat Raj Act, 1994 constitution of State Finance Commission (SFC) once in five years to recommend devolution of funds from the State Government to Local Bodies is mandatory. The First SFC was constituted during 1994. The Second SFC started functioning from December 1998 and its Report was placed in the State Legislature in August 2002.

³ East Godavari, West Godavari, Prakasam, Nalgonda, Khammam and Chittoor.

⁴ Chittoor, Nalgonda and Khammam.

(a) Second State Finance Commission (SSFC)

As per the recommendations of SSFC, Rs 200 crore per annum are to be allocated in the budget for release to PRIs. The following amounts were released to PRIs during 2005-06 to 2007-08 under SSFC as furnished by the Commissioner/PR&RE.

(Rupees in crore)

Unit	Amount released		
	2005-06	2006-07	2007-08
Zilla Praja Parishads	20.00	113.55	20.00
Mandal Praja Parishads	12.50	8.73	12.50
Gram Panchayats	167.50	47.16	157.50
Total	200.00	169.44	190.00

- As against the recommended amount of Rs 200 crore, there was a shortfall in release of funds to the extent of Rs 30.56 crore in the year 2006-07 and Rs 10 crore in the year 2007-08.
- The releases were further inclusive of pending dues (CC charges, construction of ISLs, RESCO) of PRIs adjusted by the Government for Rs 286 crore during 2005-06 to 2007-08.
- Audit noticed discrepancies in the figures furnished by the Director, State Audit and the Commissioner/PR&RE for the year 2006-07 as shown below:

(Rupees in lakh)

Unit	Figures furnished by the Director, State Audit	Figures furnished by Commissioner/ PR&RE
Zilla Praja Parishads	4527.87	1755.37
Mandal Praja Parishads	827.25	873.28

- In contravention of the guidelines of SFC, Audit noticed inadmissible expenditure of Rs 2.53 crore⁵ incurred on construction of CC Roads, Community Centres, Culverts, side drains etc. instead of taking up works such as provision of Drinking Water and Sanitary latrines in the ZPP schools, maintenance works of Rural roads, ZPP buildings and ZPP school buildings.

(b) Third State Finance Commission

The Third SFC constituted in January 2003 with a term of eighteen months was given extension up to January 2008. The Third SFC submitted its Report in January 2008. The Government constituted (March 2008) a committee of Ministers/Secretaries to examine the recommendations of the Third SFC and to table the Action Taken Report in the Andhra Pradesh Legislative Assembly/Council. So far the Action Taken Report was not placed in the APLA/LC.

⁵ Rs 245 lakh by ZPP Ananthapur during 2004-05 and 2005-06 and Rupees eight lakh by ZPP/Ongole during 2005-06.

1.1.9 Devolution of Funds, Functions and Functionaries to PRIs

The 11th Schedule of the 73rd Constitutional Amendment Act, 1992 enlisted 29 subjects for devolution to strengthen the PRIs. The Ministry of Panchayat Raj, Government of India held seven Round Table Conferences at various places in the country with State Governments to arrive at a blue print for effective devolution of powers to Panchayat Raj Institutions.

During 2007-08, the Government of Andhra Pradesh devolved the following 10 functions to PRIs.

1. Agriculture and Agriculture Extension
2. Animal Husbandry, Dairy and Poultry
3. Fisheries
4. Rural Development
5. Drinking Water and Sanitation (RWS)
6. Primary, Secondary and Adult Education
7. Health, Sanitation, PHC, Dispensaries, Family Welfare
8. Social Welfare
9. Backward Classes Welfare
10. Women and Child Development

Accordingly, the line departments released the following funds during 2007-08 to some of the PRIs as detailed below:

(Rupees in lakh)

Sl. No	Department	Purpose for which the funds were released	Name of the unit to which funds were released	Amount
1.	Agriculture	Soil and Water Conservation Watershed Development	ZPPs of Nine ⁶ districts	37.00
		Risk Management	ZPPs of four ⁷ districts	1580.80
2.	Fisheries	Development of Inland and Marine Fisheries and Welfare scheme for fishermen	ZPPs of nine ⁸ districts	55.32
3.	Social Welfare	Construction of Community Halls	ZPPs of five ⁹ districts	10.00
4.	Backward Classes Welfare	Incentives to inter-caste married couples	ZPP Guntur	0.20

However the above funds were released without transfer of corresponding functionaries. As a result, in some of the ZPPs test checked, the amounts were drawn and returned to the line departments concerned as pointed out in the long para on 'Functioning of two ZPPs'(para 2.1) incorporated in Chapter-II of the Report. Thereby the objective of the devolution of funds to PRIs was not fully achieved.

⁶ Medak, Kadapa, Nellore, East Godavari, Chittoor, Ananthapur, Warangal, Kurnool and Vizianagaram.

⁷ Medak, Nellore, Chittoor and Guntur.

⁸ Kadapa, Nellore, East Godavari, Chittoor, Kurnool, Vizianagaram, Guntur, Khammam and Srikakulam.

⁹ Medak, Kadapa, Nellore, Guntur and Khammam.

1.1.10 Status of CAG's Audit observations

Test audit of accounts of five ZPPs (including engineering divisions), 23 MPPs and 670 GPs was conducted under Section 20(1) of CAG's (DPC) Act, 1971 during the year 2007-08. As of April 2009, there were 726 Inspection Reports comprising 4632 objections pending settlement with PRIs up to the year 2007-08. These Reports include the items relating to audit conducted under Section 14 prior to entrustment of Local Bodies Audit under TGS in 2005-06.

1.1.11 Internal Control

The system of internal control in any organisation promotes economical, efficient and effective operations. It seeks to safeguard the resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities by ensuring adherence to the laws, regulations and management directives.

Test check (2007-08) of accounts of PRIs revealed several financial irregularities, lapses in utilization of grants/funds resulting in diversion of funds, excess expenditure, incomplete projects, loss of revenue, locking up of funds etc., which were communicated through the Inspection Reports. Some of the major findings are incorporated in para 3.1 of Chapter III of the Report. Similarly, the compliance to the pending inspection reports of PRIs was also poor.

1.1.12 Conclusions

The Commissioner, Panchayat Raj is not consolidating the receipts and expenditure particulars of PRIs reflecting poor monitoring of finances. The income of GPs and MPPs declined drastically during 2006-07. The recovery of Tax and Non-Tax revenues by GPs during 2006-07 was poor as compared to 2005-06. The transfer of funds in respect of subjects devolved to PRIs was inadequate and the utilisation of these funds suffered due to non-transfer of functionaries. The Data Base to consolidate the details of finances was not created even after lapse of six years of releasing the funds. Deviations to the guidelines were noticed in utilisation of Twelfth Finance Commission and State Finance Commission grants. Though the DPCs are constituted in all the districts, the functioning was still deficient.

1.1.13 Recommendations

- Diversion of TFC/SFC grants should be avoided.
- GOAP should ensure timely release of TFC grants to PRIs.
- The State Government may expedite transfer of functionaries to facilitate effective functioning in the areas of subjects devolved.
- Creation of database should be expedited.
- Functioning of DPCs should be streamlined.
- Replies to the Inspection Reports may be expedited.

1.2 URBAN LOCAL BODIES

1.2.1 Introduction

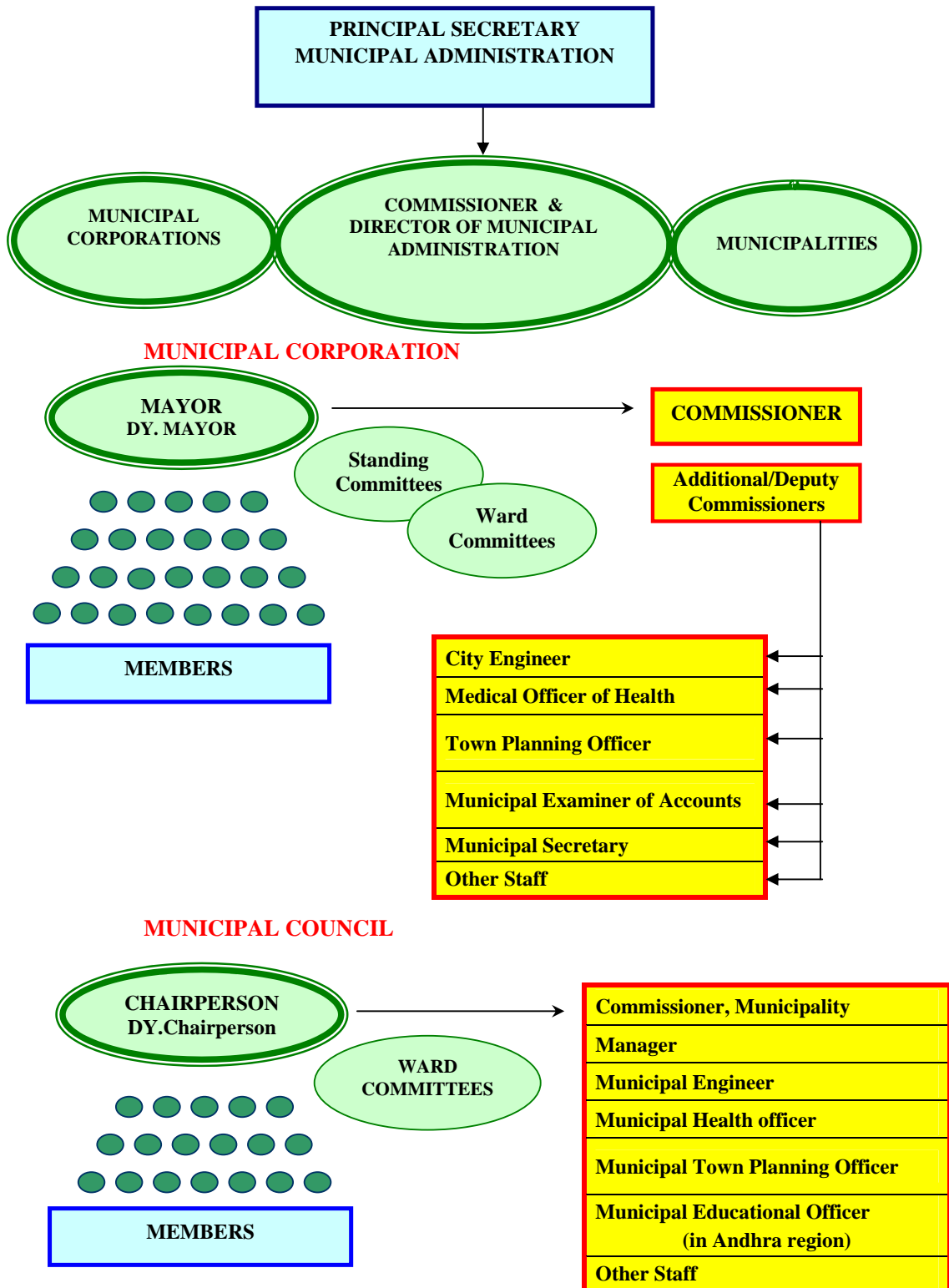
The 74th Constitutional Amendment Act identified 18 functions for Urban Local Bodies (ULBs) as incorporated in Twelfth Schedule of the Constitution. The Andhra Pradesh Municipal Corporations Act, 1994 was enacted (Act 25 of 1994) to provide for the establishment of Municipal Corporations in the State of Andhra Pradesh and for matters connected therewith or incidental thereto. However, save as otherwise expressly provided, all the provisions of Hyderabad Municipal Corporation Act, 1955 including the provisions relating to the levy and collection of any tax or fee were extended to all other Municipal Corporations in the State. Thus, the provisions of the Hyderabad Municipal Corporation Act, 1955 as amended from time to time and the rules framed there under are followed by Corporations. The Municipalities are, however, governed by the Andhra Pradesh Municipalities Act, 1965.

As per 2001 census, the total population of the State of Andhra Pradesh was 7.57 crore of which 2.05 crore (27.08 *per cent*) reside in urban areas. As on 31 March 2008, there were 124 Urban Local Bodies (ULBs) in the State. Of these, 109 were Municipalities and 15 were Municipal Corporations. The State Election Commission conducted elections to the ULBs in the month of September 2005.

1.2.2 Organisational set-up

All the ULBs consist of such number of elected members (Corporators/Councillors) as may be notified from time to time by the Government. The Municipal Council in respect of Municipalities is headed by the Chairperson and by Mayor in Corporations.

The organisational set up of ULBs in the state is depicted below:



The Municipal Council and the Corporation transact their business as per the provisions of the concerned Act. There is a Standing Committee consisting of the Chairpersons of all the Ward Committees in a Corporation. There are Ward Committees in Municipalities. The Standing Committees and Ward Committees shall meet for the transaction of business in the Corporation/Municipalities from time to time; make such regulations with respect to such meetings and to the scrutiny of municipal accounts. The main functions of ward committee include maintenance of sanitation, water supply and drainage, street lighting, roads, market places, play grounds, school buildings, review the revenue collections, preparation of Annual Budget and sanctioning the works. The day-to-day administration rests with the Commissioner. He is assisted by Additional/Deputy/Assistant Commissioner, Municipal Engineer, Medical Health Officer, Examiner of Accounts, Town Planning Officer and other staff.

1.2.3 Funding of Urban Local Bodies

The resources of ULBs consist of grants and assistance from the Government of India (GOI) and the State Government under various schemes, loans from Financial Institutions (HUDCO etc.,) and own revenue generated through various tax and non-tax collections. The tax revenue mainly accrues from property tax and taxes on advertisement, while non-tax revenue comes from water charges, encroachment fee, developmental charges, building fee, etc. Figures given in the following table were furnished by the Commissioner and Director of Municipal Administration (CDMA). These figures were, however, not certified as the audit of ULBs was in arrears ranging from 2 to 32¹⁰ years in most of the ULBs as detailed in para 1.2.5.

¹⁰ Ananthapur 32 years.

Position of overall receipts during 2005-06 to 2007-08 is detailed below:

(Rupees in crore)

Source of Funds		2005-06	2006-07	2007-08
Own Revenues				
A	Taxes			
i)	Property tax	520.41	495.76	772.29
ii)	Other Tax revenue (Advertisement tax, taxes on animals and taxes on carriages and carts)	20.03	134.04 ¹¹	32.46 ¹²
Total Tax revenue		540.44	629.80	804.75
B	Non-Taxes			
i)	Water charges	119.91	130.06	150.60
ii)	Encroachment fee	84.90	2.18	1.61
iii)	Betterment/Development charges	59.83	66.91	86.53
iv)	Building license fee	42.73	66.36	65.47
v)	Others (Water supply donations, market fee, slaughter house fee, shops rent, trade license fee, etc.)	107.78	258.19	253.79
Total Non-Tax revenue		415.15	523.70	558.00
Assigned Revenue				
i)	Entertainment tax	46.52	26.44	37.81
ii)	Surcharge on stamp duty	282.83	312.96*	315.24
iii)	Profession tax	111.65	36.58	91.09
Total Assigned revenue		441.00	375.98	444.14
Non-Plan Grants		198.99	220.45**	347.76
Plan Grants		120.28	185.95**	179.02
Loans		10.99	9.67**	-
Other Income		290.65	344.93#	159.63
Grand Total		2017.50	2290.48	2493.30

* including the figures of Entertainment Tax and Profession Tax pertaining to Municipal Corporation of Hyderabad (MCH) as the break-up for the items of Assigned Revenue was not furnished.

** excluding the figures of MCH

includes the non plan grants, plan grants and loans of MCH.

The tax revenue comprising mainly Property Tax increased sharply (56 per cent) from Rs 495.76 crore in 2006-07 to Rs 772.29 crore in 2007-08. Similarly there was an increase in other receipts viz., Non-tax revenue, Assigned revenue and Non-plan grants during 2007-08 compared to 2006-07. As of March 2008, the total Tax and Non-tax revenue pending collection by ULBs amounted to Rs 256.92 crore and Rs 88.61 crore respectively.

¹¹ Other ULBs – Rs 15.01 crore, MCH – Rs 119.03 crore.

¹² Tax revenue in respect of GHMC under Conservancy Tax, Lighting Tax, Education Tax and Vehicle Tax was nil in 2007-08 compared to Rs 76.26 crore realised during 2006-07.

Application of funds:

The expenditure of ULBs comprises recurring expenditure on pay and allowances, maintenance of capital assets etc., and non-recurring expenditure on creation of capital assets. The expenditure for ULBs in the past three years as furnished by CDMA is detailed below:

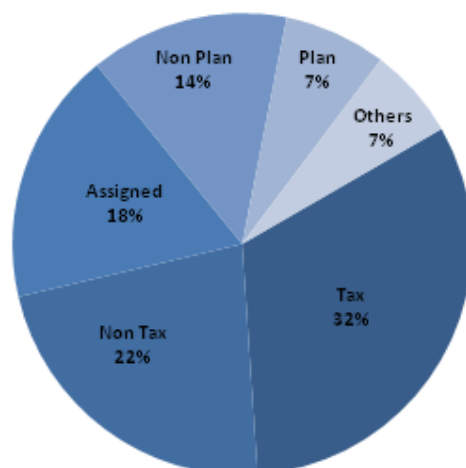
(Rupees in crore)

Application of Funds		2005-06			2006-07			2007-08		
		Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total
a.	Roads *	208.08	70.15	278.23	112.36	33.51	145.87	463.98	136.24	600.22
b.	Drains and Culverts*	71.75	12.89	84.64	46.66	6.46	53.12	91.44	29.46	120.90
c.	Buildings*	26.97	6.74	33.71	27.88	4.82	32.70	43.94	16.08	60.02
d.	Public Health and sanitation	17.17	195.89	213.06	17.86	245.90	263.76	19.66	171.42	191.08
e.	Water supply*	94.48	81.32	175.80	86.21	66.51	152.72	163.38	88.72	252.10
f.	Lighting*	27.51	68.60	96.11	13.85	50.48	64.33	43.29	133.70	176.99
g.	Remunerative enterprises*	17.70	7.74	25.44	22.44	5.05	27.49	17.49	3.79	21.28
Total		463.66	443.33	906.99	327.26	412.73	739.99	843.18	579.41	1422.59
h.	Pay and allowances	-	370.42	370.42	-	533.66	533.66	-	567.99	567.99
i.	Loans Repayment*	-	38.83	38.83	-	60.98	60.98	-	46.67	46.67
j.	Depreciation (MCH)	-	-	-	-	119.66	119.66	-	-	-
i.	Other expenditure (town planning, land acquisition, management expenses, etc.)	-	721.67	721.67	-	*682.37	682.37	-	931.75	931.75
Total		-	1130.92	1130.92	-	1396.67	1396.67	-	1546.41	1546.41
GRAND TOTAL		463.66	1574.25	2037.91	327.26	1809.40	2136.66	843.18	2125.82	2969.00

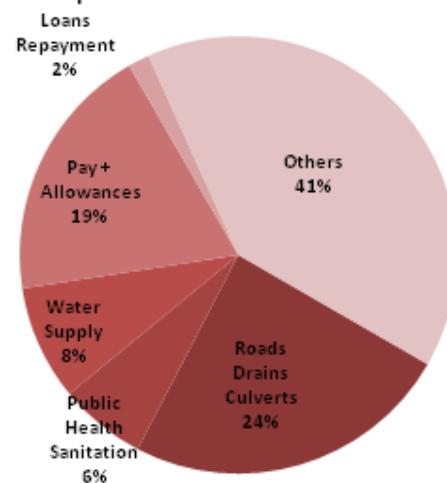
* Details are excluding the figures of MCH for the year 2006-07. Expenditure of MCH relating to these sectors for the year 2006-07 is included in other expenditure.

The total expenditure during 2007-08 (Rs 2969 crore) increased by 38.95 per cent over previous year (Rs 2136.66 crore). The expenditure on pay and allowances during 2007-08 was 22.78 per cent of total receipts and 19.13 per cent of total expenditure. The figures of receipts and expenditure for 2007-08 are depicted through pie chart as shown below.

Receipts: Rs 2493.30 Crore



Expenditure: Rs 2969.00 Crore



1.2.4 Accounting arrangements

Accounts of ULBs are being maintained on cash basis. The Municipal Corporation of Hyderabad has adopted accrual based double entry system for maintaining its accounts since 2002-03. Ministry of Urban Development and Poverty Alleviation, GOI and CAG had formulated (December 2004) National Municipal Accounts Manual (NMAM) with double entry system, for greater transparency and control over finances and requested (May 2005) the States to adopt the same with appropriate modifications to meet States specific requirements. Accordingly, a Steering Committee was constituted by GOAP (May 2005) and the Andhra Pradesh Municipal Accounts Manual (APMAM) was developed during 2006-07. The State Government issued orders during August 2007 for adoption of Andhra Pradesh Municipal Accounts Manual in all the ULBs in the State. During the year 2007-08, 13¹³ out of 15 Municipal Corporations and 46 out of 109 municipalities switched over to the Double Entry Accrual Based accounting system while the GHMC adopted the same in 2006-07. Compilation of accounts by ULBs was in arrears since 1980-81 onwards in most of the units.

1.2.5 Audit arrangements

The Director, State Audit is the statutory auditor for ULBs under the Andhra Pradesh State Audit Act, 1989. CAG conducts audit of ULBs under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of EFC, GOAP entrusted the Technical Guidance and Support for audit and accounts of Urban Local Bodies to CAG under Section 20 (1) of CAG's (DPC) Act.

According to Rule 4 of Andhra Pradesh Municipalities (Preparation and Submission of Accounts and Abstracts) Act, 1970, ULBs are to compile their Accounts annually and forward a copy to Auditor not later than 15 June. Certification of accounts gives an assurance that the funds have been utilized as per codal provisions. However, the audit of accounts of ULBs by the Director of State Audit was pending for the past several years, as the accounts were yet to be compiled by ULBs. As of March 2008, district wise arrears position in respect of Municipalities and Municipal Corporations ranged between 2 to 32 years. However, in case of certain Municipal Corporations, audit by the Director, State Audit was pending despite finalisation of Annual Accounts due to shortage of manpower. List of such cases as of April 2008 are vide *Appendix 2*.

As per Section 11(2) of the State Audit Act, the Director, State Audit is to prepare Consolidated State Audit Review Reports and present the same to the State Legislature. The Director, State Audit has so far prepared Consolidated State Audit and Review Reports for the years 1989-90 to 2005-06 and submitted to the Finance department. The Government tabled the Consolidated Audit and Review Reports in the Andhra Pradesh Legislative Assembly for

¹³ Greater Visakhapatnam Municipal Corporation, Vijayawada, Guntur, Kakinada, Rajahmundry, Eluru, Nellore, Tirupathi, Kurnool, Ananthapur, Karimnagar, Nizamabad and Warangal Municipal Corporations.

the period from 1989-90 to 1997-98 and 1998-99 to 2004-05 in March 2008 and December 2008 respectively. Report of 2005-06 is yet to be placed. Some of the major findings by the Director, State Audit related to excess utilisation/non-utilisation/diversion/misutilisation of grants, non-collection of dues, advances pending adjustments/violation of rules, wasteful expenditure etc. Delay in audit results in delay in remedial action on deficiencies noticed in audit.

1.2.6 Finance Commissions

Twelfth Finance Commission:

During the year 2006-07, following were the releases of TFC grants made by the State Government to ULBs.

(Rupees in crore)

Details of release	Amount	Date of Release by GOI	Date of release by State Govt. to ULBs	No. of days delayed	Interest payable	Interest paid by GOAP
1 st Instalment	37.40	14.11.06	29.12.06	30 days	Not worked out	-
2 nd Instalment	37.40	18.05.07	10.07.07	37 days	Not worked out	-

Test check of records (June - September 2008) relating to TFC grants for the year 2006-07 revealed the following-

- According to TFC guidelines, the grant should be credited to the accounts of the ULBs within 15 days from the date of receipt of grants of GOI. However, it was noticed that the State Government released the grants amounting to Rs 74.80 crore for the year 2006-07 in two instalments with a delay of 30 to 37 days. The amounts were credited in respective banks accounts of ULBs with further delays of 41 to 79 days by CDMA. However, the State Government did not work out and transfer the interest for delayed releases to ULBs in contravention of the guidelines.
- As against the available amount of Rs 15.32 crore for the year 2006-07, the test checked 25 ULBs utilised an amount of Rs 1.38 crore (9 per cent) only leaving a huge unspent balance of Rs 13.94 crore due to delay in making arrangements for lands required for setting up of compost yards.
- As per the TFC guidelines, 50 per cent of the grants should be utilized for Solid Waste Management (SWM) and ULBs (with population more than one lakh) should prepare and submit Comprehensive Action Plan (CAP) for implementation of SWM. It was, however, noticed that the CAPs prepared by the test checked ULBs and approved by the CDMA were ineffective as the amounts to the tune of Rs 67.61 lakh (Rs 45.55 lakh + Rs 22.06 lakh) were parked in fixed deposits by the two test checked municipalities (Suryapeta and Kothagudem) due to land acquisitions and other related problems.

- Although segregation of solid waste is one of the important items of work in SWM, importance was given to collection and transportation of waste only and no plan for fruitful utilisation of solid waste which would have generated income to the ULBs by way of producing compost and recyclable dry waste.
- Though as per TFC guidelines, funds are to be earmarked for creation of database and maintenance of accounts, no funds were earmarked.

State Finance Commission: The second SFC made 39 recommendations pertaining to financial devolution and structural reforms covering nine major sectors in ULBs. Out of these, 14 recommendations such as providing additional amounts to municipalities for civic amenities, grants linked to the performance of local bodies and transfer of schools to municipalities/Corporations in urban areas of Telangana region were yet to be acted upon.

The Third SFC submitted its report in January 2008. The Government constituted (March 2008) a committee of Ministers/Secretaries to examine the recommendations of the Third SFC and to table the Action Taken Report in the Andhra Pradesh Legislative Assembly/Council. So far the Action Taken Report was not placed in the APLA/LC.

1.2.7 Status of CAG's observations

Test audit of accounts of six Municipal Corporations and eight Municipalities was conducted under Section 20(1) of CAG's DPC Act, 1971 during the year 2007-08. As of April 2009, there were 74 Inspection Reports comprising 1495 objections pending settlement with ULBs up to the year 2007-08. The Inspection Reports includes the items relating to audit conducted prior to entrustment of Local Bodies Audit under TGS in 2005-06.

1.2.8 Internal Control

The system of internal control in any organization promotes economical, efficient and effective operations. It seeks to safeguard the resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities by ensuring adherence to the laws, regulations and management directives.

Test check (2007-08) of accounts of 14 ULBs revealed several financial irregularities, lapses in utilization of grants/funds resulting in diversion of funds, excess expenditure, incomplete projects, loss of revenue, locking up of funds etc., which were communicated through the Inspection Reports. Some of the major findings are incorporated in para 3.2 of Chapter III of the Report. Audit observed that there was poor compliance to Inspection Reports from ULBs. The internal control system was totally inadequate and did not ensure economical/efficient operation.

1.2.9 Conclusions

Compilation of accounts by ULBs is in arrears since 1980-81 onwards in most of the units. The Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs. TFC grants were released with delay. TFC grants were not utilised for Solid Waste Management and not earmarked for Database. There were huge arrears ranging between 2 to 32 years in audit by the Director, State Audit, primarily due to arrears in compilation of accounts by ULBs.

1.2.10 Recommendations

- The Municipal Administration Department needs to oversee and ensure that the compilation of Annual Accounts is taken up in earnestness and the arrears cleared in time bound manner, so as to facilitate timely audit and remedial action on deficiencies.
- Adoption of Andhra Pradesh Municipal Accounts Manual should be expedited by remaining 64 ULBs.
- Delay in release of TFC grants should be avoided and the utilisation of TFC grants on SWM should be prioritised.
- With increasing trend in urbanisation, emphasis is to be laid on speedy implementation of recommendations of SFC.
- Replies to the Inspection Reports are to be expedited.

CHAPTER II

PERFORMANCE AUDIT

This chapter contains a long paragraph on Functioning of Zilla Praja Parishads (2.1) and Performance Audit on Functioning of Greater Hyderabad Municipal Corporation in four selected areas (2.2).

PANCHAYAT RAJ INSTITUTIONS

2.1 Functioning of two Zilla Praja Parishads

2.1.1 Introduction

The Zilla Praja Parishad (ZPP) is the apex body of PRIs and was constituted under Section 177 of Andhra Pradesh Panchayat Raj Act, 1994. The ZPP at the district level coordinates functions of Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs).

The powers and functions of ZPPs *interalia* are to:

- Examine and approve the budgets of MPPs.
- Distribute the funds allotted to the district by the Central or State Government to the MPPs and GPs in the district.
- Prepare District plan for the entire district in coordination with the MPPs.
- Generally supervise the activities of the MPPs.
- Perform such of the powers and functions delegated by the Government.
- Publish statistical information on the activities of the local self Government.

2.1.2 Scope and methodology of audit

The performance of the two ZPPs (Khammam and Sri Potti Sree Ramulu Nellore (SPSR Nellore)) out of 22 districts was reviewed during the months of February – May 2009 for the five year period 2003-04 to 2007-08, besides the records of six¹ PR Divisions, four² RWS Divisions and ten³ out of 92 MPPs test checked.

Important points noticed during the course of review are summarized in the succeeding paragraphs.

¹ Khammam, Kothagudem, Bhadrachalam of Khammam district; SPSR Nellore, Gudur, Kavali of SPSR Nellore District.

² Kothagudem, Khammam of Khammam District and SPSR Nellore and Gudur of SPSR Nellore District.

³ Dummugudem, Thirumalayapalem, Burgumpadu, Tekulapalli, Khammam (Urban) of Khammam District; SPSR(Rural) Nellore, Gudur, Kaligiri, T.P.Gudur, Bogole of SPSR Nellore District.

2.1.3 Planning Process

As per article-243-ZD of the Constitution of India, the Government is required to constitute a District Planning Committee (DPC) to consolidate the plans prepared by the Panchayats and the Municipalities in the District by undertaking legislation. Accordingly, the Government of Andhra Pradesh enacted an Act on constitution of A.P District Planning Committee through a notification in November 2005 which is called A.P DPC Act, 2005. Subsequently, guidelines were issued⁴ in October 2007 with regard to (1) functions and meeting procedures (2) preparation of District Plan by DPC and (3) collection and maintenance of Database on Socio Economic and General Statistics and Development of Indicators. The particulars of formation/functioning of DPCs in ZPP Khammam and Nellore were as follows:

District	Constitution of DPC	Formation of Sub-committees/ District level Technical Advisory Committee	Approval of integrated Action plan / Perspective plan (2008-09)	Date of submission to Govt. for inclusion in the State plan
Khammam	November 2007	November 2007	September 2008	September 2008
SPSR Nellore	April 2007	Not constituted	Not prepared	Integrated action plan for 2008-09 was not prepared

In this connection, the following observations are made:

Inadequate preparation of Consolidated Development plans

Submission of Consolidated Development Plans	<ul style="list-style-type: none"> No specific dates were stipulated in the APDPC Act 2005 for submission and approval of Consolidated Development Plans for incorporation into State Plan. In Khammam, the Action Plan for 2008-09 was approved in September 2008 and submitted to the Government for inclusion in the State Plan. As a result, the proposed developmental works in the Action Plan for the financial year 2008-09 could not be implemented during the year. In SPSR Nellore, the formation of DPC was not completed.
Non-creation of village level data base	As per guidelines, the DPC should give high priority to create and maintain the data base of village wise educational status, land utilization, live stock & poultry, market outlets, employment status, details of assets such as factories, business establishments, bridges, forest area, orchards etc., before the Action Plan is finalised. However, the DPC, Khammam formulated the Integrated Action Plan for 2008-09 without compiling the village level data.
Capacity Building	As per guidelines, the DPC should co-ordinate with AMR-APARD in Capacity Building efforts of the elected representatives and also the officials of PRIs and ULBs in decentralized planning. The capacity building shall cover building awareness regarding human rights, rights of Women, Children, disabled, SCs, STs and Right to Information etc. However, in Khammam ZPP, no Capacity Building efforts were made in coordination with AMR-APARD.
Non-constitution of District Level committee for monitoring the utilization of earmarked funds	Government issued orders (November 1977) to constitute a committee at the District level with six members headed by the District Collector as Chairman and CEO as the convener with the objective of reviewing the utilization of earmarked funds in a district and to submit the review report to State Level Committee. The Committee should meet at least once in a month. However, no such committee was constituted in both ZPPs of Khammam and SPSR Nellore.

⁴ G O Ms No.448, 449 and 450 of PR& RD (Election Rules) Department in October 2007.

2.1.4 Financial Management

Sources of revenue for ZPPs are i) grants released by the State Government like per-capita grant, seignorage fee grant, salary grant for staff, TA and contingent grant etc. ii) assigned revenues like sand auction proceeds, surcharge on stamp duty etc. and iii) own revenues like rent receipts from shopping complexes, guest houses, staff quarters, ferry rentals, T&P charges, petty supervision charges, hire charges of department road rollers etc.

The details of the receipt and expenditure of the test checked ZPPs i.e., Khammam and SPSR Nellore during the years 2003-04 to 2007-08 were as under:

(Rupees in crore)

District	2003-04		2004-05		2005-06		2006-07		2007-08	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
Khammam	115.02	110.94	103.41	94.05	114.11	104.50	118.27	108.43	151.11	111.77
SPSR Nellore	106.20	103.28	97.24	107.73	102.74	81.51	110.69	99.34	154.43	114.74

2.1.4.1 Short release of Per capita grant to PRIs

Per capita grant was short released to PRIs

- In accordance with the orders⁵ of Government, a sum calculated at the rate of four rupees per person residing in the district as per the latest census figure was to be released by the Government to ZPPs. During the years 2003-04 to 2007-08, Government released an amount of Rs 3.36 crore and Rs 2.92 crore to ZPPs Khammam and SPSR Nellore as against Rs 4.25 crore and Rs 4.14 crore respectively resulting in short release of Rs 89 lakh and Rs 1.22 crore respectively.
- Similarly, a sum of Rupees eight per person is to be released in case of Mandals. Audit noticed huge shortfall in release of per capita grant to the nine test checked Mandals as detailed below:

(Rupees in lakh)

S.No	Name of the Mandal	Population	PC grant to be released during 03-04 to 07-08	PC grant released during 03-04 to 07-08	Shortfall
1	MPDO, Thirumalaya Palem	60568	24.23	19.51	4.72
2	MPDO, Burgumpadu	55102	22.04	14.09	7.95
3	MPDO, Tekulapally	43301	17.32	11.48	5.84
4	MPDO, Khammam Urban	98858	39.54	22.07	17.47
5	MPDO, SPSR Nellore(Rural)	103586	41.43	26.39	15.04
6	MPDO, Gudur	50838	20.34	13.75	6.59
7	MPDO, Kaligiri	40589	16.24	11.99	4.25
8	MPDO, T P Gudur	49511	19.80	15.62	4.18
9	MPDO, Bogolu	48935	19.57	16.35	3.22
Total			220.51	151.25	69.26

⁵ G.O.Ms.No.279, PR& RD (Mandals-I), dated 20.06.1998.

Non-
utilisation of
funds by PRIs
due to non-
transfer of
functionaries

2.1.4.2 Transfer of Funds, Functions and Functionaries to PRIs

The 73rd Constitutional amendment enlisted 29 functions to be devolved to PRIs in order to strengthen the Local Self Government. During the year 2007-08, GOAP transferred 10 core subjects to PRIs and accordingly, some funds were also released by the line departments to PRIs. However, due to non-transfer of functionaries, it was noticed in the test checked ZPPs that the funds amounting to Rs 13.14 lakh released (September/December 2008) by the Fisheries Department to ZPP, Khammam and Rs 1.92 lakh released (March 2008) by the Agriculture Department to SPSR, Nellore were returned back (January 2009 and March 2009 respectively) to the respective departments by the ZPPs. Consequently, the very purpose of devolution of powers to PRIs was defeated.

2.1.4.3 Release and utilization of Back Ward Region Grant Fund (BRGF)

Delay in
release of
BRGF
amounts to
PRIs resulted
in non-
achievement
of progress
during
2007-08

The Back Ward Region Grant Fund (BRGF) introduced by the GOI in 2006 is funded 100 *per cent* by Central Government. The Scheme has two funding windows i.e., a) Development Grant of 90 *per cent* as first instalment and b) Capacity building Fund of 10 *per cent* as second instalment. As per BRGF guidelines, funds against Annual Plan 2008-09 would be released only when the district achieves at least 75 *per cent* of physical and financial progress of the funds released against Annual Plan 2007-08. Funds under BRGF will be released annually by the GOI on submission of District Perspective Plan by District Planning Committee concerned.

Khammam is one of the thirteen districts covered under BRGF in Andhra Pradesh. Based on the Action Plan (2007-08) submitted by DPC in November 2007, an amount of Rs 24.08 crore was released (December 2007) by the GOI to the district under 90 *per cent* Development Grant as first instalment. The State Government released Budget in February 2008 and Budget Authorisation was issued by the Commissioner, PR&RD in March 2008. The CEO, ZPP released funds to Gram Panchayats (50 *per cent* Rs 12.04 crore) and to Mandal Praja Parishads (30 *per cent* Rs 7.22 crore) in May 2008. Scrutiny of records of ZPP, Khammam revealed the following

- There was non-achievement of 75 *per cent* of physical and financial progress of the funds released against Annual Plan 2007-08 as the funds did not reach MPPs and GPs concerned during the year 2007-08. As a result, the funds for the year 2008-09 were not (as of March 2009) released.
- Out of 1542 works sanctioned, 16 Anganwadi Building works with an estimated cost of Rs 40 lakh were included in the Annual Plan (2007-08) without identifying site. Similarly, six PHC buildings, already covered under other programmes by the Commissioner of Family Welfare were also included in the Annual Plan.

2.1.4.4 Diversion of SFC and TFC Grants

SFC and TFC grants amounting to Rs 9.36 crore were utilised for inadmissible purposes

GOAP and GOI release Finance Commission grants to PRIs for implementation of various programmes in rural areas. The guidelines of the respective Finance Commissions stipulate that the funds should be utilized for only those purposes for which they were meant for and not to be diverted for other purposes. However, a test check of the records revealed the following diversions of SFC and TFC grants.

Item / Subject	Audit findings
SFC grant	The Commissioner, PR&RE released (June 2003) a sum of Rs 1.19 crore to ZPP, Khammam under SFC towards the construction of 2125 ZPP school toilets with an estimated cost of Rs 1.70 crore. However, based on the orders (June 2004) of District Collector, ZPP Khammam released (February 2005) an amount of Rs 62.90 lakh to EE (Social Welfare) DSCS, Khammam for construction of toilets/bathrooms in 17 Social Welfare Hostels which should have been funded by State Government funds.
TFC grant	<ul style="list-style-type: none"> Government of India released an amount of Rupees four crore and Rupees two crore during 2006-07 and 2007-08 towards sanitation in Khammam district under TFC Grant. Based on State Government orders (April 2006), CEO, ZPP, Khammam released a sum of Rs 3.64 crore in 2006-07 and Rs 1.24 crore in 2007-08 (a total of Rs 4.88 crore) to the District Manager, Housing, Khammam as a matching share for construction of 95778 ISLs under INDIRAMMA houses which should have been financed by State Government. <p>Later it was observed that as per the instruction (November 2007) of District Collector a sum of Rs 4.71 crore, out of Rs 4.88 crore was refunded during 2007-08 by the agency to ZPP for making payment of ISLs through MPDOs concerned. Out of the total amount of Rs 6.71 crore (including Rupees two crore released during 2007-08 towards ISLs by the Government) available, ZPP utilized a sum of Rs 3.91 crore leaving a balance of Rs 2.80 crore to the end of March 2008.</p> <ul style="list-style-type: none"> In ZPP SPSR Nellore, a sum of Rs 3.85 crore (out of six crore released) was kept during 2006-07 with the District Manager, Andhra Pradesh State Housing Corporation for construction of ISLs in INDIRAMMA houses.

2.1.4.5 Locking up of funds

Scrutiny of records of test checked ZPPs revealed that the funds released under SFC and Education Grant by the Government were not utilized but locked up for over three to five years as detailed below:

SFC funds and Education Contingent grant amounting to Rs 1.10 crore were locked up due to non-utilisation in time

Item/Subject	Audit findings
SFC grant	The Commissioner, PR&RE released (June 2003) a sum of Rs 2.45 crore to ZPP, SPSR Nellore under SFC for construction of school toilets (ZPP Schools) to be released to Gram Panchyats for implementation of the scheme. Later, based on the orders (November 2003) of the District Collector, SPSR Nellore, the entire amount of Rs 2.45 crore was placed (December 2003) with Nellore District Water and Sanitation Committee (NDWSC) for construction of 3868 toilets with an estimated cost of Rs 3.06 crore. A sum of Rs 2.22 crore was spent on the scheme from out of available funds of Rs 2.52 crore (interest Rs 7.37 lakh accrued on Rs 2.45 crore) and a balance of Rs 30 lakh remained unspent as of

	March 2008. Thus, due to placing the funds with NDWSC instead of GPs in contravention of SFC guidelines, the ZPP could not monitor the scheme directly resulting in delayed completion of works.
Education Contingent Grant	Grants-in-aid for education contingency and maintenance grant are released by the Government every year to provide basic amenities like electricity, water, stationery, furniture repairs and for maintenance of school buildings. Government released an amount of Rupees one crore during 2003-04 to 2007-08 to the ZPP, Khammam and there was an amount of Rs 0.18 crore lying unutilised as of April 2003. Out of the total amount of Rs 1.18 crore, a sum of Rs 0.38 crore was utilized during the above period leaving an unutilised balance of Rs 0.80 crore to the end of March 2008.

2.1.4.6 Loss of Revenue on ZPPs properties

ZPPs possess certain properties through which they generate revenue in the form of rents/lease etc. Scrutiny of records of test checked ZPPs revealed that the ZPPs sustained losses in generation of revenue due to poor monitoring. Details are as follows.

ZPPs sustained loss of revenue on their properties due to poor monitoring

Item/Subject	Audit findings
Vacant shop (No. I) at Babu Camp Area, Kothagudem for the past 26 years	There are eight shops pertaining to ZPP Khammam in Babu Camp area, Kothagudem. During 1983, all shops were allotted to successful bidders except shop No.1 (vacant since 1983) due to non-response to the open auction by the bidders indicating some basic deficiency with the shop. Consequently, there was a loss of rent to the extent of Rs 1.69 lakh by taking into consideration the lowest rent realized among eight shops.
Non-collection of arrears of rent for the past one decade from Post Office in ZPP premises	A building in the premises of ZPP, SPSR Nellore was let out fifty years ago (actual date of let out was not on record) to the Post Office for a monthly rent of Rs 53. The ZPP did not review enhancement of rent of post office building till November 2002. The rent was then enhanced to Rs 1350 per month with retrospective effect from August 1997 by the Executive Engineer, P.R. Division, SPSR Nellore. As of May 2009, the enhanced rent was not paid by the Postal authorities stating (March 2006) that the matter was to be taken by the Fair Rent Assessment Committee (FRAC) of the Postal Department. So far no effective action was taken by the ZPP to sort out the matter. The arrears accumulated to Rs 1.66 lakh for 128 months up to March 2008.
Non-conclusion of Lease Agreement with the State Bank of Hyderabad for the premises leased out	In the premises of ZPP, Khammam, certain area was leased out (November 2000) to State Bank of Hyderabad and that lease period expired in October 2005. The lease rent was enhanced to Rs 5651 p.m. for a period of five years from October 2005 to October 2010 without a formal written agreement. Despite the banker requesting (December 2006) the CEO, ZPP to renew the lease agreement, no action was taken by ZPP till August 2008. When the CEO, ZPP addressed (August 2008) the Branch Manager, SBH, there was no response from bank authorities. Lack of effective follow up action resulted in the lease agreement not being concluded even after a lapse of three and half years.

Unutilised balances of the EMF were not transferred to the respective Finance Corporations

2.1.4.7 Shortfalls in Sectoral allocation of ZPP funds and Utilisation

Government prescribed the fixed percentages for each sector for utilisation of ZPPs and MPPs General Funds allocated to them. Accordingly, 35 per cent of General Fund is to be utilised towards maintenance works, 15 per cent towards welfare of SC, 6 per cent towards ST and 15 per cent for Women and Child Welfare. The following shortfalls were noticed in utilization of funds by the ZPPs / MPPs of Khammam and Nellore.

Item/Subject	Audit findings
<p>35 per cent General funds to maintenance works</p>	<p>ZPPs</p> <p>a) As against the total amount of Rs 3.70 crore and Rs 5.27 crore in respect of ZPPs Khammam and Nellore to be earmarked for maintenance of works during 2003-04 to 2007-08, a sum of Rs 1.54 crore (41.62 per cent) and Rs 3.87 crore (73.43 per cent) was only utilised for the purpose leaving a balance of Rs 2.16 crore and Rs 1.40 crore in the respective ZPP General Funds. Thus, due to short utilization of funds, the pace of execution of developmental works was not in proportion to allocation of funds as the ZPP did not plan enough developmental works in proportion with the earmarked funds. When brought to notice, ZPPs replied that due to delay in approval by General Bodies, the works could not be proposed.</p> <p>b) In Khammam ZPP, funds were released to the PREDs (executing agencies) directly without adjusting the funds to PAO in contravention of Government instructions. As a result, the PAO could not exercise checks in passing the bills. When brought to notice, it was replied that action would be taken for release of funds through PAO as per the norms prescribed.</p> <p>MPPs</p> <p>In one of the test checked MPPs i.e., Burgumpadu of Khammam district, it was noticed that out of Rs 23.94 lakh earmarked during 2003-04 to 2007-08, a sum of Rs 12.47 lakh was only utilized for maintenance works and the balance of Rs 11.47 lakh remained with MPP General funds.</p>
<p>Funds earmarked for SC/ST/W&CW</p>	<p>ZPPs:</p> <p>(1) In terms of Government orders ZPPs are to earmark 15 per cent, 6 per cent and 15 per cent of General Funds to be spent on schemes beneficial to the SC, ST and Women and Child Welfare respectively. Two-thirds of the earmarked funds in respect of SC, ST were to be spent by the ZPP and the unspent balance at the end of year was to be transferred to SC/ST Finance Corporations. Funds earmarked for Women are to be spent by the ZPP and unspent balance at the end of the year transferred to A.P Women Finance Corporation. Government also issued certain guidelines for utilization of the above earmarked funds. During 2003-04 to 2007-08, ZPP Khammam earmarked a sum of Rs 1.59 crore, Rs 63.55 lakh and Rs 1.59 crore for SC, ST and Women and child respectively. Out of the earmarked amounts, a sum of Rs 86.76 lakh and Rs 28.92 lakh against the two-third portion was spent on schemes benefiting SC/ST respectively and Rs 52.89 lakh and Rs 21.16 lakh (one-third) were transferred to SC/ST Finance Corporations. The cumulative balance of Rs 40.47 lakh and Rs 19.48 lakh available at the end of March 2008 in General Funds was not transferred to respective</p>

	<p>Corporations.</p> <p>With regard to Women and Child allocation, as against the amount of Rs 1.59 crore earmarked for the period 2003-04 to 2007-08 alongwith an amount of Rs 0.56 crore lying unutilised as of April 2003, an amount of Rs 1.35 crore was only utilized on schemes beneficial to Women leaving a balance of Rs 0.80 crore remaining unspent to the end of March 2008.</p> <p>In SPSR Nellore, it was noticed that a sum of Rs 3.14 crore and a sum of Rs 1.29 crore were utilized including <i>one-third</i> amount to be transferred to SC/ST Corporations as against the earmarked amounts of Rs 2.67 crore and Rs 1.07 crore for SC, ST respectively. Thus, a sum of Rs 69 lakh was spent in excess of amount earmarked in both the cases.</p> <p>Further, out of Rs 2.67 crore earmarked for Women and Child welfare for the period 2003-04 to 2007-08, a sum of Rs 0.58 crore (22 <i>per cent</i>) was only spent for the benefit of Women and Children leaving a balance of Rs 2.09 crore not being transferred to the Corporation concerned.</p> <p>MPPs:</p> <p>In four, out of ten MPPs test checked, the funds to be earmarked towards Women and Child Welfare were short allocated during 2003-04 to 2007-08 and also remained unutilized to the extent of amount allocated. Details are as follows:</p> <p style="text-align: right;">(Rupees in lakh)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Name of the Mandal</th> <th style="text-align: center;">15 <i>per cent</i> allocation to be made</th> <th style="text-align: center;">Actual allocation</th> <th style="text-align: center;">Short-fall in allocation</th> <th style="text-align: center;">Funds utilised from allocated amount</th> <th style="text-align: center;">Funds transferred to Corporation</th> <th style="text-align: center;">Funds lapsed up to March 2008</th> </tr> </thead> <tbody> <tr> <td>Tirumalaya Palem</td> <td style="text-align: center;">16.79</td> <td style="text-align: center;">15.21</td> <td style="text-align: center;">1.58</td> <td style="text-align: center;">3.59</td> <td style="text-align: center;">--</td> <td style="text-align: center;">3.47</td> </tr> <tr> <td>SPSR Nellore (Rural)</td> <td style="text-align: center;">51.48</td> <td style="text-align: center;">31.06</td> <td style="text-align: center;">20.42</td> <td style="text-align: center;">7.08</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> </tr> <tr> <td>T P Gudur</td> <td style="text-align: center;">6.79</td> <td style="text-align: center;">2.30</td> <td style="text-align: center;">4.49</td> <td style="text-align: center;">2.27</td> <td style="text-align: center;">--</td> <td style="text-align: center;">--</td> </tr> <tr> <td>Kaligiri</td> <td style="text-align: center;">5.32</td> <td style="text-align: center;">4.30</td> <td style="text-align: center;">1.02</td> <td style="text-align: center;">1.05</td> <td style="text-align: center;">2.81</td> <td style="text-align: center;">0.44</td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: center;">80.38</td> <td style="text-align: center;">52.87</td> <td style="text-align: center;">27.51</td> <td style="text-align: center;">13.99</td> <td style="text-align: center;">2.81</td> <td style="text-align: center;">3.91</td> </tr> </tbody> </table> <p>Thus there was 34 <i>per cent</i> short fall in allocation of earmarked funds. Further, only 26 <i>per cent</i> of funds out of allocated amounts were utilized towards schemes/programmes of Women. Further, due to failure of the MPPs, Thirumalayapalem and Kaligiri to either utilize the funds or to transfer to the Corporation concerned, a sum of Rs 3.91 lakh being the unspent amount allocated for the developmental activities of Women and Children lapsed on expiry of three years.</p>	Name of the Mandal	15 <i>per cent</i> allocation to be made	Actual allocation	Short-fall in allocation	Funds utilised from allocated amount	Funds transferred to Corporation	Funds lapsed up to March 2008	Tirumalaya Palem	16.79	15.21	1.58	3.59	--	3.47	SPSR Nellore (Rural)	51.48	31.06	20.42	7.08	--	--	T P Gudur	6.79	2.30	4.49	2.27	--	--	Kaligiri	5.32	4.30	1.02	1.05	2.81	0.44	Total	80.38	52.87	27.51	13.99	2.81	3.91
Name of the Mandal	15 <i>per cent</i> allocation to be made	Actual allocation	Short-fall in allocation	Funds utilised from allocated amount	Funds transferred to Corporation	Funds lapsed up to March 2008																																					
Tirumalaya Palem	16.79	15.21	1.58	3.59	--	3.47																																					
SPSR Nellore (Rural)	51.48	31.06	20.42	7.08	--	--																																					
T P Gudur	6.79	2.30	4.49	2.27	--	--																																					
Kaligiri	5.32	4.30	1.02	1.05	2.81	0.44																																					
Total	80.38	52.87	27.51	13.99	2.81	3.91																																					

2.1.4.8 Non-collection of pension contributions from non-provincialised employees

As per Government orders issued in September 2002, pension contribution @ 9.5 *per cent* of maximum time scale of pay of the post has to be deducted from the pay bills of the non-provincialised employees and the deducted amount transferred to the ZPP General Fund for payment of pensions.

It was observed that:

An amount of Rs 38.72 lakh remained uncollected towards pension contribution from non-provincialised employees

- As against the demand of Rs 46.30 lakh raised for the period 1985-86 to 2007-08 by ZPP, SPSR Nellore, a sum of Rs 7.58 lakh was only collected leaving a balance of Rs 38.72 lakh remaining uncollected.
- A sum of Rs 4.19 crore paid towards non-provincialised pension during 2003-04 to 2007-08 was met from ZPP General Fund.
- Similarly, in one of the test checked MPPs i.e., Bogolu of SPSR Nellore, a sum of Rs 10.98 lakh was met from MPP General fund towards pension payments during the period January 2003 to December 2008. The MPDO submitted claim to ZPP for reimbursement of the amount in March 2009.

Thus, due to non-observance of provisions, the above PRIs had to bear huge financial burden towards non-provincialised pension payments from their General Funds.

2.1.4.9 Irregularities in apportionment /utilization of Sand Auction Proceeds

Sand auction proceeds of MPP share amounting to Rs 3.22 crore was diverted towards purchase of furniture and other maintenance works

As per the provisions of A.P Panchayat Raj Rules, 2000 and A.P Mines Mineral Concession Rules, 1966 and other rules framed under the above provisions, the sand auction proceeds remitted to ZPP General Fund should be distributed among ZPP, MPPs and GPs in the ratio of 25:50:25 on quarterly basis.

It was seen from the records of ZPP, SPSR Nellore that during 2003-04 to 2007-08 a sum of Rs 10.89 crore was received towards sand auction proceeds. Out of which, Rs 5.45 crore and Rs 2.72 crore was to be apportioned between MPPs and GPs respectively. However, the ZPP distributed only a sum of Rs 2.23 crore to MPPs and the balance amount of Rs 3.22 crore was diverted towards purchase of furniture and other maintenance works. Thereby the MPPs concerned were deprived of their legitimate share of revenue to that extent.

2.1.4.10 Non collection of Sand auction bid amount from thirteen defaulted contractors

In ZPP, SPSR Nellore auction of sand quarry was conducted by the Asst. Director (AD) of Mines and Geology for 23 sand reaches in 22 Mandals during 2006-07 and 2007-08 and the bid amount of Rs 6.33 crore was to be collected for the two years. Out of this, Rs 5.39 crore was only paid by the bidders and the balance amount of Rs 94 lakh remained uncollected.

2.1.4.11 Non-Adjustment of Advances

Works advances amounting to Rs 32.56 lakh remained unadjusted

In ZPP, Khammam, a sum of Rs 19.07 lakh paid as advance during the period from 1969-70 to 2007-08 to the individuals (68 Nos.), five departments and sectoral officers towards purchase of stationery, sanitary arrangements, repairs to vehicles etc., was not adjusted as of February 2009. Some of the employees had already retired. When the reasons were called for, it was replied that the memos were served to the concerned to adjust the advance or to pay the amount.

In E.E, RWS Division, Khammam, an amount of Rs 0.50 lakh was paid as advance to Dy.EE, RWS, Kalluru towards making arrangements for inauguration of CPWS scheme at Khan khan pet in February 2004. This advance remained unadjusted as of April 2009.

Similarly, in ZPP, SPSR Nellore a sum of Rs 5.74 lakh and Rs 7.25 lakh in E.E. PR, SPSR Nellore paid as advance during the period 2001-02 to 2007-08 towards salary advance to staff, tour advance, purchase of furniture etc., also remained unadjusted.

There was no proper mechanism to monitor the subsequent adjustment of advances in Engineering Divisions.

2.1.4.12 Retention of unspent balances of schemes not in operation

Unspent balances amounting to Rs 40.09 lakh pertaining to closed schemes were retained

Item / Subject	Audit findings
Sampoorna Grameena Rozgar Yojana (SGRY)	The SGRY scheme was closed in March 2006. In ZPP Khammam, the unspent balance of the scheme including interest or two <i>per cent</i> provided for administrative charges was to be transferred to the Project Director, DWMA for implementation of NREGS scheme as per the direction of Government. However, the unutilized amount of Rs 4.04 lakh received from various sectoral officers was not transferred as of February 2009.
Non-transfer of unspent balances of EAS/SGRY/Tenth Finance Commission grant	It was observed from the records of E.E, RWS Division, Gudur that a sum of Rs 2.97 lakh being unutilized balances of EAS & SGRY scheme funds remained with division without being transferred to NREGS being implemented by Project Director, District Water Management Agency. Similarly, a sum of Rs 3.18 lakh related to Tenth Finance Commission grant was also lying unutilized in the Saving Bank account of the division without being surrendered to the Grantor.
Non-realisation of reimbursable advances paid from MPLAD Funds	In EE,PR Division, Bhadrachalam, it was noticed that based on the orders of District Collector, an amount of Rs 29.90 lakh was paid (2003) as advance to EE/PR, Bhadrachalam from the unutilized funds of MPLADs on reimbursement basis towards Pushkaram work. Even after a lapse of six years the amount was not recouped to MPLADs account as of May 2009.

PRIs funds met towards payment of GPF interest (Rs 11.62 crore), Honorarium (Rs 47.55 lakh) and Social Security Booster scheme (Rs 3.28 lakh) was not reimbursed by the Government

2.1.4.13 Non-reimbursement of funds

GPF Interest	In accordance with the Government orders (July 1984), claims for reimbursement of interest credited to individual PF accounts of employees of Panchayat Raj department were required to be preferred by ZPPs to the Government every year through State Audit Department after the interest is credited in the month of May every year. Although the claims were preferred by the ZPPs in time, interest dues of Rs 4.21 crore for 2005-06 in respect of Khammam and Rs 7.41 crore for 2007-08 in respect of SPSR, Nellore were not reimbursed by the Government till date.
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Honorarium paid to the elected members of ZPP	As per Government orders (May 1999), a sum of Rs 2750 per month is to be reimbursed by the Government, out of Rs 5000 per month payable to ZPP chairperson towards honorarium. The remaining amount of Rs 2250 per month is to be met from the General Fund of ZPP concerned. However, the test checked ZPPs did not claim any reimbursement from the Government for the amount of Rs 47.55 lakh (Rs 28.21 lakh Khammam and Rs 19.34 lakh SPSR Nellore) paid towards Honorarium/TA/DA of elected members out of their ZPP General Fund concerned.
Social Security cum Booster Scheme	The Government extended (January 2003) the benefit of Social Security cum Booster Scheme to the employees of Panchayat Raj institutions on reimbursement basis according to which an incentive at the rate of Rs 20000 is paid to the nominees of the deceased employees. In SPSR Nellore, an amount of Rs 3.28 lakh was paid (2003-04) by the ZPP from the deposit of the working employees under the above scheme but the same was not reimbursed so far even though the claim was preferred in July 2004.

2.1.4.14 Non-repayment of HBA loan amount and interest to Government

Non-repayment of HBA loan amounting to Rs 69.41 lakh to the Government by ZPPs

- ZPPs sanction House Building Advances (HBA) to the eligible provincialised non-teaching employees of ZPPs and MPPs in the district from the amounts released from time to time by the Government. For repayment of principal/interest of the loan to the Government by the ZPP every year as per the Government Order (December 1989), recoveries towards principal/interest of HBA paid to the employees have to be effected from them by the ZPP regularly. The following deficiencies were observed by audit.

Both the ZPPs did not repay HBA dues regularly to Government. HBA dues were pending from 4 to 17 years as detailed below.

(Rupees in lakh)

District	Period	HBA to be remitted			HBA actually remitted			HBA to be remitted		
		Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Khammam	1991-92 to 2007-08	87.81	48.52	136.33	80.03	28.97	109.00	7.78	19.55	27.33
SPSR Nellore	2004-05 to 2007-08	33.68	20.52	54.20	5.70	6.43	12.13	27.98	14.10	42.08

It was observed that inspite of specific instructions from Government, HBA recoveries were kept in PD account of treasury by both ZPPs. As a result, there was loss of interest on the recovered amount which could have been earned by depositing the same in scheduled banks.

- As per HBA rules, the employees who constructed their houses with the assistance of HBA have to insure the property till the loan amount is fully repaid together with interest. However, in both the ZPPs, insurance policies were not obtained from the HBA beneficiaries.

2.1.4.15 Unauthorised retention of Sale proceeds of scrap in fixed deposit

Sale proceeds of scrap amounting to Rs 60 lakh were parked in fixed deposits

As per Rule 7 (1) of APTC Vol.I, all monies received by or tendered to Government servant in his official capacity is paid in full into the treasury, without any undue delay. Money as aforesaid shall not be appropriated to meet departmental expenditure nor otherwise kept apart from Government Account. However, it was seen from the records of E.E., RWS&S Division, Khammam that the sale proceeds of old GI pipes and scrap were credited to a separate bank account opened in SBH, Khammam, ZPP branch instead of remitting to the Government Account. As of March 2005, an amount of Rs 60 lakh lying in the account was parked in fixed deposits at various banks⁶. This amount was spent during 2003-04 to 2007-08 towards purchase of GI pipes, payment of salaries, electricity charges, godown rents, court deposits and construction (2008-09) of first floor of the office building.

2.1.4.16 ZPP revenues not remitted by the PREDS

ZPP revenues were retained by the PREDS without remitting to the ZPPGF

A sum of Rs 1.71 lakh being ZPP revenues of SPSR Nellore recovered during 2001-02 to 2007-08 towards P S charges, T&P, fines etc. by EE., RWS&S Division, Gudur was not remitted to ZPP General Fund. Similarly an amount of Rs 5.56 lakh recovered towards above heads during 2003-04 to 2007-08 was not transferred by E.E., PR Division, SPSR Nellore to ZPP General Fund, Nellore.

2.1.4.17 Non-remittance of statutory recoveries

Statutory deductions were not remitted to the Government account

Scrutiny of records pertaining to test checked PREDS revealed that statutory recoveries (Seignorage charges, Income Tax, VAT etc.) amounting to Rs 27.87 lakh effected from the work bills were not remitted to Government Account and retained in respective PD accounts. As the same were not remitted to Government in time, the treasury lapsed the amounts after introduction (April 2001) of PAO system when the operation of PD account was dispensed with.

2.1.5 Works Management

Scrutiny of works sanctioned out of ZPP funds and executed by PREDS during the period covered by audit i.e., 2003-04 to 2007-08 revealed the following deficiencies.

2.1.5.1 Incomplete works

Audit noticed that many of the works taken up by the PREDS either remained incomplete or not commenced as detailed below:

⁶ ING Vysya Bank:Rs 25 lakh with a matured value of Rs 28.80 lakh; SBH: Rs 25 lakh with a matured value of Rs 26.72 lakh and Rs 10 lakh in Indian Overseas Bank which was encashed (September 2008) with a matured value of Rs 11.52 lakh and credited to Saving Bank account.

Works valued Rs 4.34 crore remained incomplete/ non-grounded due to various reasons

Item/Subject	Audit findings
<p>Unfruitful expenditure incurred on drinking water projects due to non-energisation</p>	<p>It was seen from the records of RWS&S Division of Kothagudem that 14 drinking water projects completed with an estimated cost of Rs 1.28 crore under RIDF grant were not commissioned due to lack of required funds for energisation. The APEPDCL, Bhadrachalam and Kothagudem raised a demand for an amount of Rs 20.56 lakh towards development charges, service charges and security deposit for energisation.</p> <p>Incidentally, it was also noticed that the APEPDCL, Bhadrachalam and Kothagudem raised a demand for Rs 1.04 crore towards energisation for other 86 projects executed under RIDF, MPWSS, RSVY, NTPS, TSP, GF and Shape grant for which details were not available.</p> <p>Similarly in RWS&S Division, Nellore, 33 schemes completed at a cost of Rs 2.90 crore were not commissioned due to lack of power supply.</p> <p>Thus, due to non-energisation of the drinking water project, the entire expenditure of Rs 4.18 crore incurred on the project became unfruitful and the rural population was denied potable drinking water.</p>
<p>Unfruitful expenditure incurred on incomplete ST Community Hall at Karakugudem</p>	<p>It was observed from the records of E.E.P R Division, Bhadrachalam that a sum of Rupees four lakh was sanctioned from six <i>per cent</i> ST earmarked fund towards construction of S.T. Community hall at Karakugudem in February 2006. The work was entrusted to the contractor in May 2007 with a stipulation to complete the work by November 2007. As of February 2009 total value of work done was only Rs 1.88 lakh i.e., 46.99 <i>per cent</i> of the work only was completed.</p>
<p>Non-grounding of works</p>	<p>Three works relating to construction of Mahila Mandal buildings were sanctioned in January 2006 under 15 <i>per cent</i> Women and Child Welfare earmarked funds at an estimated cost of Rs 9.00 lakh (Rs 3.00 lakh each) with break up of cash and rice components of Rs 6.30 lakh and Rs 2.70 lakh respectively. These works were not grounded due to site problem. Thus, due to lack of proper planning, the proposed works were not executed despite availability of funds.</p> <p>Similarly, it was observed from the records of E.E., PR Division, SPSR Nellore that four works were sanctioned under SFC grant in 2005-06 consisting of three maintenance works of school buildings at a cost of Rupees one lakh each and construction of compound wall to school building at a cost of Rs 1.50 lakh (total Rs 4.50 lakh). However, these works were not grounded as of May 2009.</p>

2.1.5.2 Inadmissible expenditure

The following inadmissible expenditure was noticed while scrutinising the records pertaining to utilization of ZPP General Funds.

An expenditure of Rs 76.62 lakh was incurred on inadmissible items

35 per cent General funds	35 per cent of ZPP General Funds should be utilized for upgradation, maintenance and restoration of existing assets including MI sources only. Contrary to the guidelines an amount of Rupees five lakh was incurred by the CEO, ZPP, Khammam for construction of additional accommodation to the P R division, Bhadrachalam. Further, an amount of Rs 5822 was short recovered towards VAT from the bills paid to the contractor. The department promised to recover the amount.
15 per cent W&CW earmarked funds	In spite of specific direction from the Director of Women and Child Welfare not to incur any expenditure from W&CW funds towards installation of Biogas plants and Smokeless Chullahs and list of activities specified by the Government towards utilization of 15 per cent earmarked funds of Women and Child Welfare, the ZPP, Khammam, during the years 2003-04 to 2007-08 spent an amount of Rs 51.62 lakh towards individual financial assistance (subsidy) extended to women beneficiaries.
15 per cent SC earmarked funds	Based on the orders (December 2003) of the Commissioner, Social Welfare and also on the decision of Standing Committee, ZPP Khammam released (January - March 2004) an amount of Rs 20 lakh to the Deputy Director, Social Welfare, Khammam towards construction of Government Social Welfare Hostels and Community Hall which should have been funded by State Government.

2.1.6 Asset Management

2.1.6.1 Non-maintenance of Asset Registers

A Register of Assets in the prescribed 15 columns as directed by the Government was not maintained in both the ZPPs in respect of the properties which included several residential quarters, shopping complexes besides the land donated by the donors at the time of up-gradation of upper primary schools.

The Commissioner/PR&RE issued directions to standardize the survey number adopted by local body offices across the State to avoid problem of the valuation of the property particulars of lands as well as issuing encumbrance certificates. Despite this, the ZPPs failed to survey the vacant land or lands under part utilization by the local bodies in rural areas, sub-divided and supported with sub-division record to be entered in revenue records as part of their Asset Management and to establish their right over the properties held by them and also to avoid possible litigations/ encroachments of land.

2.1.6.2 Extension of land lease period in violation of provisions

Government laid down certain Rules (Acquisition and transfer of Property by GP, MP and ZP Rules 2001) with regard to acquisition and transfer of property by GPs, MPPs and ZPPs according to which (a) lease of road side and street margins can be given for taking up free patta scheme in favour of those individuals or families below poverty line and 60 per cent of the area

should be earmarked for “SC”, “ST” [Rule 6.1(i)] (b) the lease can be granted if the structure constructed with temporary structure like palmirah or coconut leaves, bamboo, gunny bags which are of such nature as to be movable daily [Rule 6.1(iii)]. The period of lease shall not exceed 12 months (one year) and fee shall be calculated in advance for every lease [Rule 6.1(v)].

With regard to land of ZPP measuring 4000 Sq.Ft. in Survey No.1080/IB in Kavali town Bit-II leased out to M/s Prasanthi Fuels for a period of ten years from April 2006 to March 2016, there was a contravention of rules as follows:

Loss of revenue due to extension of lease period in violation of provisions

- The party was favoured by the Government by fixing a rate of Rs 3250 per Sq.yard as against Rs 9900 per Sq.yard computed by the Sub-Registrar, Kavali.
- The dealer constructed two under ground tanks, sale room cum office and also a godown.
- Despite the request of extension of lease period by the party being not acceded to (April 2005 and February 2006) by the ZPP general body due to low rent, the same was not considered (September 2006) by the Government and the lease period was allowed to extend unduly for further period of 10 years from April 2006 to March 2016.

Thus, the decision was taken by the Government overriding the right of ZPP general body to fix the rates. As a result, ZPP sustained loss of Rs 4.73 lakh during 2006-08 and for remaining period loss works out to Rs 18.91 lakh⁷.

2.1.7 Internal Control

2.1.7.1 Non-rectification of misclassified receipts and payments

Drawing and Disbursing Officers are responsible for reconciliation of departmental figures with treasury figures in order to detect any misappropriation/excess drawl of funds and to ensure proper classification of the expenditure.

It was observed that a misclassification of the amount to the extent of Rs 93.50 lakh under receipts and Rs 1.13 crore under payments occurred in ZPP SPSR, Nellore General Fund since March 2004 was not rectified even as of March 2009. Similarly, a withdrawal wrongly classified in GPF account for an amount of Rs 1.05 lakh in December 1994 was also not rectified to the end of March 2009. The CEO, ZPP, SPSR Nellore assured to pursue the matter with treasury for rectification of the above misclassified amounts.

2.1.7.2 Non-reconciliation of SGRY Scheme Cash book figures with Bank Pass book balance

Departmental figures were not reconciled

Audit noticed from the records of E.E., PR Division, SPSR Nellore that the cash books of SGRY scheme were not reconciled with the related pass books.

⁷ For the years 2006-07 and 2007-08: Rs 236444 x 2 = Rs 472888 and for the prospective period from 2008 to 2016 (i.e till the expiry of lease) is Rs 236444 X 8= Rs 1891552.

As a result the interest accrued Rs 5.21 lakh was not shown in the cash book as the amount was transferred to another account in June 2007.

2.1.7.3 Delay in submission of Annual Accounts

As per the provisions of section 266 of the A.P Panchayat Raj Act 1994, Annual Accounts are to be prepared by the ZPP and submitted to the State Audit Department before 15 May every year. The dates of submission of Annual Accounts by the two ZPPs were as under for the past five years.

Delay in preparation of Annual Accounts ranged from fifteen days to six months

S.No	Year of Annual Accounts	Dates of submission of annual accounts to Director of State Audit by the ZPP	
		ZPP, Khammam	ZPP, SPSR Nellore
1	2003-04	31.05.2004	15.12.2004
2	2004-05	08.07.2005	14.12.2005
3	2005-06	12.06.2006	01.11.2006
4	2006-07	05.07.2007	16.11.2007
5	2007-08	06.06.2008	14.10.2008

The delay in submission of Annual Accounts ranged from fifteen days to six months in respect of both the ZPPs.

2.1.7.4 Non-preparation/ non-submission of Administrative Reports

The Administrative Reports for the years 2003-04 to 2007-08 on the activities of ZPP, Khammam were not prepared and placed before Standing Committee / General body for submission to Government. Similarly, the consolidated Administrative Reports of the MPPs for the above period were also not prepared by the ZPP and submitted before Standing Committee/General Body for submission to the Commissioner. As a result, activities such as co-ordination of plan schemes, approvals of MPP budgets, resource profile, condition of buildings, new constructions taken up, resources from remunerative enterprises and report on secondary education results could not be assessed.

In respect of SPSR Nellore, the ZPP submitted consolidated Administrative Report of MPPs to the Commissioner up to 2006-07 only.

The Administrative Reports were not prepared

2.1.8 Monitoring Mechanism

2.1.8.1 Conducting of inspection by the Commissioner of PR& RE

Andhra Pradesh Panchayat Raj Officers Delegation of Powers Rules, 2000 stipulates that the Commissioner, PR&RE (CPR&RE) Andhra Pradesh, Hyderabad shall inspect all ZPPs once in a calendar year and submit copies of inspection notes for review by Government. However, inspection of the ZPP, Khammam was not conducted by the CPR&RE for the calendar years from 2003 to 2008.

Annual inspection of ZPPs was not conducted by the higher authorities

In both the ZPPs, inspection by the Secretary to Government, Panchayat Raj and Rural Development Department, Government of Andhra Pradesh required

under Chapter 68 of Panchayat Raj Zilla Parishads Functionary Manual was not conducted during the period covered by review.

2.1.8.2 Shortfall in inspection of MPPs by CEO/Dy CEO

As per chapter 68 of Panchayat Raj Functionary Manual, CEO, ZPP should draw a programme to visit all the MPPs in the District once in a year. In Khammam ZPP, there was shortfall in inspection of offices of MPPs by the CEO/Dy.CEO as detailed below.

Shortfall in inspection of MPPs by CEOs/ZPP

Year	Number of MPPs to be inspected	Number of MPPs inspected by		Shortfall	No of I.Rs issued	No of Rectification Reports received
		CEO	Dy CEO			
2003-04	46	26	20	--	46	0
2004-05	46	20	26	--	46	0
2005-06	46	29	17	--	46	0
2006-07	46	--	10	36	0	0
2007-08	46	0	0	46	0	0
Total	230	75	73	82	138	0

It is evident that the coverage of inspection was only 64 per cent during 2003-04 to 2007-08. Out of 138 Inspection Reports issued from 2003-04 to 2007-08, no rectification reports were insisted from MPPs. As a result, the very objective of bringing about improvement in the performance of MPPs was defeated.

In ZPP, SPSR Nellore, as against 46 Mandals to be visited annually by the CEO/Dy.CEO, 29 Mandals (12.6 per cent) were only covered during the entire five year period. And out of 29 Mandals covered, Inspection Reports of 10 Mandals were only issued.

2.1.8.3 Non-obtaining of Utilisation Certificates

The ZPPs did not obtain Utilisation Certificates along with expenditure statements from the executive agencies for the funds released under SFC/TFC/MPLADS as detailed below:

(Rupees in lakh)

Grants were released though UCs for earlier years were not obtained

Name of the ZPP	Name of the Grant	Period	Total amount released	Total value of UCs obtained	UCs yet to be received
Khammam	SFC	2003-04 to 2007-08	472.19	264.56	207.63
	TFC	2005-06 to 2007-08	2916.07	1356.84	1559.23
	MPLADS	2007-08	19.45	0	19.45
SPSR Nellore	SFC	2003-04 to 2007-08	245.17	242.00	3.17
	TFC(CPWS)	2005-06 to 2007-08	221.82	221.64	0.18
	TFC (Sanitation)	2006-07 to 2007-08	600.00	20.00	580.00
Grand Total			4474.70	2105.04	2369.66

The old vehicles were not condemned even though they were not road worthy

2.1.8.4 Non-condemnation of old vehicles

As per the orders of Government, vehicles aged above 15 years and 250000 KM run can be straight away put to auction by fixing 10 *per cent* of vehicle cost as upset price without seeking any valuation certificate from any department or authority. Nine vehicles which were more than 15 years old lying in three divisions⁸ were not disposed off even though they were not road worthy.

2.1.9 Other points of interest

2.1.9.1 Non-disposal of unserviceable articles

As per Article 142 of APFC Vol.I, condemned stores should as far as possible be sold under the orders of competent authority through public auction. It was observed that based on the directions of CE (RWS), S.E (RWS), Khammam prepared (March 2004) the list of surplus articles valuing Rs 15.32 lakh to utilise the same in any other needy offices. But none of the items were either transferred to any needy unit or disposed off as scrap.

2.1.9.2 Non-Allocation of 3 *per cent* Sand Auction amount to Sports Activity

Sand Auction allocation amount of Rs 6.58 lakh was not transferred to sports authority

As per Government orders, the District Panchayat Officer/ZPP shall allocate 3 *per cent* of revenue from quarrying of Sand for Sports activities and distribute the same among the village, Mandal and District level Sports authorities in the ratio of 37.5: 37.5: 25. During the year 2005-06 and 2006-07, an amount of Rs 2.19 crore was realized through sand auction. Of this, Rs 6.58 lakh (3 *per cent*) to be transferred to sports authority was not transferred even as of February 2009.

2.1.9.3 Non-installation of Wireless Sets

Despite availability of funds, wireless sets were not installed

With a view to monitor developmental schemes implemented by all 46 MPDOs, ZPP, Khammam proposed to install wireless sets in all MPDOs with 2 *per cent* SGRY Administrative grant available with all MPDOs. An amount of Rs 27.65 lakh was collected from all MPDOs up to February 2009. Despite availability of funds, the process of entrusting the work was not finalized and the amount was kept in fixed deposits by ZPP, Khammam. Meanwhile Government directed (March 2006) the CEO/ZPP to transfer the unutilized balance to the Project Director, DWMA for implementation of NREGS scheme but the same was not done.

As a result, the objective of monitoring of the developmental activities through wireless system was defeated.

2.1.9.4 Idle Vehicles

Unnecessary expenditure on special pay during the idle period of vehicles

On scrutiny of the records of P R Divisions of Khammam and SPSR Nellore districts, it was noticed that DRR vehicles were not put to use from 2004 onwards due to want of repairs or awaiting condemnation. An expenditure of

⁸ EE, PR Khammam; EE, RWS Divisions Kothagudem and Khammam.

Rs 53.73 lakh was incurred on pay and allowances of the staff (drivers and cleaners) during the above period. Special Pay should be paid to drivers only when the vehicle is under running condition and put to use. However, it was observed that Special Pay of Rs 0.81 lakh was paid even when the DRR vehicle was off the road or proposed for condemnation as detailed below.

(Rupees in lakh)

S.No	Name of the Division and D R R Registration Nos	Period of non-operation of DRRs	Unproductive expenditure on pay and allowances including Special Pay	Special Pay paid
1	E E (PR), Bhadrachalam D R R No.10808, D R R No.1800	2005-06 to 2007-08	14.96	0.18
2	EE (PR) Khammam 753(SES), 1796 AJ, 23124 (BR)	2004-05 to 2007-08	22.36	0.34
3	EE PR Kothagudem	2004-05 to 2007-08	5.02	0.12
4	E.E., P.R., Kavali, SPSR Nellore BRM 23145, BRM2114	2004-05 to 2007-08	4.51	0.06
5	E.E.(P.R), SPSR Nellore BRRM 21609, ATN 3746	2003-04 to 2007-08	6.88	0.11
Total			53.73	0.81

**Irregular utilisation of contractors' deposits on salaries
Rs 5.75 crore**

2.1.9.5 Irregular utilization of contractors deposits (EMD & FSD) towards payment of salaries and other expenditure

As per Government orders, the EEs of PREDs are directed to reconcile the balances outstanding in PD account of treasury books and transfer the amounts relating to works programmes/schemes/security deposits of contractors to PAO/APAO concerned.

However, in contravention of the above orders, it was noticed in the test checked divisions that out of the total amount of contractors deposits of Rs 6.93 crore, an amount of Rs 5.75 crore was utilized towards salaries and other contingent expenditure (1994-2002) and an amount of Rs 1.18 crore was lapsed by the treasury due to introduction of PAO system in April 2001.

Salaries amounting to Rs 1.84 crore were paid to the work charged employees without grant

2.1.9.6 Payment of work-charged employees salaries by the PAO without grant Rs 1.84 crore

The salaries of work charged employees including the NMR appointed prior to November 1993 were paid through PAO based on the LOC released by the Government. Scrutiny of records of RWS division, Khammam revealed that based on Government instructions, an amount of Rs 1.84 crore was paid by PAO for the period 2003-04 to 2007-08 in excess of LOC released for which details were not available in the division.

2.1.9.7 Irregular purchase of tender schedules and agreement booklets from the sale proceeds of tender schedules.

Tender schedules and agreement booklets worth Rs 3.83 lakh were purchased irregularly from the sale proceeds of tender schedules

As seen from the Stock Register of tender schedules, agreement booklets of Kothagudem PR Division, it was noticed that stock worth Rs 3.83 lakh purchased from sale proceeds of tender schedules during the period from January 2004 to July 2005 was lying in the Stock Register (March 2009). Without obtaining sanction of competent authority, purchase of tender schedules with the sale proceeds of tender schedules is irregular. The sale proceeds of the amount should have been either remitted to Government account or transferred to PAO.

2.1.9.8 Non achievement of Targets for examination of quality of drinking water

Non-achievement of targets for examination of quality of drinking water

The main objective of the quality control lab of the RWS division is to test the presence of H₂S and MPNS and fluoride position in the water sample. If the presence of the chemical is more than the permissible level, purification measures like chlorination are to be adopted.

During 2003-04 to 2007-08, targets with regard to checking of samples were not achieved and the shortfall ranged between 73 to 84 *per cent* as shown below.

Year	E.E. RWS&S, Kothagudem			
	Target	Achievement	Shortfall	Percentage of short fall
2003-04	3000	800	2200	73
2004-05	3000	726	2274	76
2005-06	3600	820	2780	77
2006-07	3600	890	2710	75
2007-08	4800	772	4028	84
Total	18000	4008	13992	

The general public was allowed to consume impure drinking water as in most of the tested samples in Kothagudem, the presence of H₂S and MPNS was more than 50 *per cent*.

2.1.10 Conclusions

Although DPCs were constituted in Khammam and SPSR Nellore, their functioning was deficient with regard to preparation of Action Plans. Properties were leased out without incorporating suitable clauses with regard to periodical revision of rent. Shortfalls in sectoral allocations as well as utilisation of ZPP General Funds were noticed. Proper monitoring and effective pursuance was not made in respect of collection of own revenues and also reimbursement of dues from the Government. Instances of diversion of scheme funds, unfruitful expenditure, and abandonment of works were noticed. There was delay in preparation of Annual Accounts. The monitoring

was not adequate as the inspections of MPPs and PREDs at the desired level were not conducted.

2.1.11 Recommendations

- Functioning of DPCs is to be streamlined on the lines of guidelines issued by the Government.
- Register of Assets has to be maintained by the ZPP in respect of the properties of ZPP.
- TFC grants should be utilized for construction of school toilets and not diverted elsewhere.
- ZPPs should ensure the utilization of funds released to executing agencies in the interest of accountability for funds.
- Steps should be taken to raise demands for own revenue in time and collection thereof, obtaining the ZPP revenues retained by PREDs and timely preparation and submission of claims for reimbursement of dues from the Government.
- Regular inspections and monitoring of ZPPs/MPPs should be conducted.

The above observations were reported to the State Government in July 2009; reply had not been received (September 2009).

URBAN LOCAL BODIES

2.2 Functioning of Greater Hyderabad Municipal Corporation in four selected areas

Highlights

Greater Hyderabad Municipal Corporation (GHMC) provides civic services and infrastructure facilities to the citizens of Hyderabad and Secunderabad while discharging its functions as per the provisions of the Hyderabad Municipal Corporation (HMC) Act, 1955. For undertaking the above arduous tasks, the GHMC is statutorily empowered to levy and collect tax and non-tax revenues. But the implementation mechanism suffered from several deficiencies. Provisions of the Act and the Rules were not adhered to and statutory provisions were not enforced. Penalties were inadequate to have deterrent effect. Prescribed procedures with regard to building permits were deviated causing hardship to the applicants. No effective mechanism was in place to safeguard the municipal lands. Overall, the legislative intent has not been translated into effective compliance.

Property tax

- Property Tax on residential buildings has not been revised since 1999 and collection of the tax on vacant lands was altogether neglected.

[Paragraphs 2.2.6.2 & 2.2.6.3]

- Property tax was also not being levied on certain non-exempted categories of Educational Institutions etc. As against the total target of Rs 1,254.95 crore for the five-year period 2003-08, an amount of Rs 963.23 crore was collected. The achievement of collection of the tax on buildings was as low as 56 per cent in the year 2007-08.

[Paragraphs 2.2.6.3 & 2.2.6.5]

- Lack of fair and transparent procedure led to large number of court litigations (involving Rs 5.70 crore) etc. There were cheque bounce cases involving Rs 28.59 crore. Chronic defaulters of Property tax (Rs 79.31 crore) accounted for nearly one-fourth of total demand. This indicated lack of effective monitoring of tax collections at appropriate levels of authorities of GHMC.

[Paragraph 2.2.6.3]

- GHMC failed to enforce most of the important statutory provisions with adverse implications of continued evasion of Property Tax by the defaulters. GHMC has been severely handicapped by the absence of a control mechanism in critical areas vital for its effective functioning.

[Paragraphs 2.2.6.2 & 2.2.6.4]

Advertisement fee

- For Advertisement Fee, Integrated Database to facilitate collection has not been created and proper mechanism was not in place to collect revenue as per the standard parameters. In the absence of information on the number of assessable units, proper and timely demand was not raised. As against Rs 91.14 crore targeted during the five-year period 2003-08, the collection was only Rs 55.97 crore (61 per cent); the shortfall was as high as 66 per cent in the year 2007-08.

[Paragraphs 2.2.7.1, 2.2.7.2 & 2.2.7.3]

- The whole issue of outsourcing of collection of Advertisement Fee for the years 2005-06 to 2007-08 to the private agency was handled in an unprofessional manner right from the beginning by the officials of GHMC causing huge loss of revenue. The GHMC could realise a meagre Rs 4.39 crore as against the bid amount of Rs 17.50 crore. Despite this, the revenue collection was again outsourced to another private agency for the next three year period 2008-11 also.

[Paragraph 2.2.7.3]

- Little attention was paid to the scope of offences. Quantum of penalties was also inadequate. Follow-up on bounced cheques was also deficient. These have adverse implications on collection of revenue on account of Advertisement Fee.

[Paragraphs 2.2.7.3 & 2.2.7.4]

Building permissions

- Deviations to procedural requirements were noticed in grant of Building permits causing inconvenience and hardship to the public. No mechanism was in place to detect cases *suo moto* of constructions being made even without applying for Building permits and the deviations to the sanctioned plans. Statutory provisions in respect of illegal/unauthorized constructions were not enforced.

[Paragraphs 2.2.8.3 & 2.2.8.4]

Safeguarding municipal lands

- Adequate attention was not paid to safeguarding Municipal lands with adverse implications of loss of revenue of lease rentals besides misutilisation of these lands by the lessees.

[Paragraph 2.2.9.1]

- The requirement of periodical inspection and supervision by appropriate levels of authorities was not complied with. This is fraught with the risk of possible encroachments of the Municipal lands.

[Paragraph 2.2.9.2]

2.2.1 Introduction

The Municipal Corporation of Hyderabad (MCH) discharges obligatory and discretionary functions as per the provisions of the Hyderabad Municipal Corporation (HMC) Act, 1955 (which came into force in February 1956) and provides civic services and infrastructure facilities to the citizens of the twin cities of Hyderabad and Secunderabad. The jurisdiction of MCH has been extended to the 12 surrounding municipalities and as a result of which five territorial zones and 18 new Circles were created (April 2007) which formed part of GHMC. GHMC is governed by the HMC Act, 1955. The population of GHMC including the 12 surrounding municipalities, as per 2001 Census was 54.04 lakh while the current population stands at 65 lakh. The budget of the GHMC for the year 2007-08 was around Rs 1083.42 crore⁹

2.2.2 Organizational set up

The office of GHMC is headed by the Commissioner and Special Officer (C&SO). Besides, a Special Commissioner is also functioning in the Corporation. The administrative and executive powers and functions of GHMC are vested in the Commissioner under Section 119 of the HMC Act, 1955. Each functional wing of GHMC is headed by an Additional Commissioner (AC). The Zonal offices are headed by the Zonal Commissioners, assisted by Joint Commissioners while the Circles are headed by Deputy Commissioners (DCs). The Principal Secretary, Municipal Administration and Urban Development (MA&UD) Department is responsible at Government level, for overall supervision of the activities of GHMC including enforcement of the rules framed for administering the Act.

2.2.3 Audit objectives

The objectives of the Performance Audit Review were to assess and evaluate

- the arrangements for levy, collection and accountal of Property Tax;
- the arrangements for levy, collection and accountal of Advertisement Fee;
- the arrangements for according Building Permits;
- the arrangements for safeguarding the municipal lands and open spaces of GHMC and the arrangements for collection of lease rentals; and
- Manpower.

⁹ Revenue income including Property tax, Advertisement fee, Building permission fee etc., Rs 626.46 crore and Government grant Rs 334.68 crore; Revenue Expenditure Rs 431.62 crore, Capital Expenditure Rs 631.80 crore and transfer to Reserve Fund Rs 20 crore.

2.2.4 Audit criteria

The following criteria were adopted for the Performance Audit:

- Whether the arrangements for levy, collection and accountal of property tax has been effective and in accordance with the relevant provisions of the HMC Act, 1955, the rules made thereunder, instructions of Government and the targets set internally;
- Whether the arrangements for levy, collection and accountal of Advertisement fee were effective and as envisaged in the Act, the Rules, Resolutions of the Council, instructions of Government etc.;
- Whether the arrangements for according building permits were effective and in accordance with the rules and procedures laid down in the Act and the instructions of Government;
- Whether the arrangements for safeguarding the municipal lands and open spaces of GHMC and the arrangements for collection of lease rentals in place were effective and in accordance with the statutory provisions, relevant rules, instructions of Government, resolutions of the Council etc.;
- Whether the existing manpower was effectively utilized keeping in view the mandate of GHMC.

2.2.5 Scope and Methodology of Audit

The Performance Audit covered the period from 2003-04 to 2007-08. However, matters relating to the period subsequent to 2007-08 have also been included wherever necessary.

The records of the head office as well as two sample circles (Alwal and Charminar) relating to four selected areas, viz., Property Tax, Advertisement Fee, Building Permissions (Town Planning) and safeguarding of municipal lands and open spaces were test checked in audit.

An entry conference was conducted in February 2009 with the officers of all the concerned wings of GHMC including those of the sampled Circles along with the officers of the Government and the methodology being adopted for the Performance Audit was explained to them. An exit conference was also held (August 2009) with the C&SO, GHMC (who is also ex-officio Principal Secretary to Government) and all the officers of the GHMC concerned. The replies furnished by GHMC have been taken into account while arriving at the audit conclusions. The results of the Performance Audit are presented in the succeeding paragraphs.

Audit Findings

2.2.6 Property Tax

Property Tax is the main source of income¹⁰ of GHMC and is levied and collected on all the lands and buildings within the limits of GHMC as laid down under Sections 197 and 199 of the HMC Act, 1955. As per Section 264 of the Act, Property Tax shall be payable on half-yearly basis.

2.2.6.1 Comprehensive Database of all assessable units

Complete and accurate data on all assessable public and private properties such as residential and non-residential properties; Central and State Government properties; properties of autonomous and corporate bodies like APTRANSCO and APSRTC is a pre-requisite for raising a proper demand. This has the added benefit of detecting unauthorized structures. As ascertained from GHMC, data pertaining to surrounding municipalities merged with GHMC has been integrated by 14 July 2009.

Audit however, observed that GHMC had no comprehensive database of all assessable properties. A system of according prior permissions for construction of buildings is already in place in the Town Planning Wing. Such information could have served as an effective aid for creating centralized database for property tax. Only illegal constructions, i.e., constructions made without approved building permits, would not have found place in the database. Audit observed that the information available in Town Planning wing was not utilized by Property Tax wing and there was no coordination between the wings of 'Town Planning' and the 'Property Tax' in this regard.

Commissioner, GHMC stated (August 2009) that the information available in the Town Planning wing would be utilized by Property Tax wing.

Deficient GIS¹¹ Survey

Instead, GHMC entrusted (August 2006) the GIS survey relating to seven circles of MCH to six different agencies¹² for a total agreement value of Rs 1.84 crore. The remaining eleven circles of GHMC have not been covered under the present survey. The entire project was to be completed in all respects in four months, i.e., by 31 December 2006 but, it was extended from time to time upto 31 March 2008.

The scope of survey work included preparation of customized GIS for property tax in addition to preparation of GIS for several functional activities viz., trade licences, storm water drainage system, street lighting network, road network, solid waste disposal, slums, horticulture and urban forestry. The entire survey work was to be carried out through four stages, the details of which are given at *Appendix -3*. After Stage I, the Consultants were to submit System Design Document and MCH would supply the information/data

No comprehensive database of all assessable properties

GIS survey work, scheduled to be completed by March 2008, remains incomplete and this has adverse implications on timely creation of comprehensive database

¹⁰ 47 per cent of the revenues levied and collected by GHMC during the year 2007-08.

¹¹ Geographical Information System.

¹² PCS Technologies, Suchan Infotech, Speck Systems Ltd., Map World Technologies, Global Information Technologies and ORG-GIS.

available with them. Wherever it was required, the Consultants were to ascertain and collect the data by way of field visits. The survey on Property Tax was to cover the following:

- Plot and property identification; basic plot information; basic property tax information; property details; land use, tax zone; plinth area; status of assessments (reassessed or newly assessed or both); status of tax collection; status of arrears demand etc.
- The Consultants were to work in close coordination from the inception stage till completion to ensure integration of the maps, data and the final output, application testing, system installation and system acceptance test.
- The GIS Project Committee constituted for this purpose was to review the performance of the Consultants and also the quality of the work done.

Survey reports were submitted by the respective agencies with incomplete information. The system design document required to be submitted after stage-I, was not submitted by them.

Audit also observed the following deficiencies with regard to compliance with the agreement clauses:

- As per the survey reports received from the Consultants, information on various items was either absent or was inadequate and mismatching as observed by the Project Committee. Data was not submitted according to specifications (i.e., information regarding occupant details, ground floor partitions, photographs, utilities, roads poly, feature classification etc).
- As per Clause 12 of the agreement, the information collected from the field should be certified by the GHMC officer concerned. All the survey formats used in the field for filling the details of properties should be certified by both the surveyor and the staff of GHMC. However, the verification and certification of work has not been completed as of May 2009. The non-completion was attributed to inadequate manpower and field problems.
- There was no mechanism to ensure that the contractor does not default by omitting certain properties from the survey leading to property tax not being levied on some properties.
- As of May 2009 an expenditure of Rs 0.59 crore (as against the agreement value of Rs 1.84 crore) was incurred and the project remained incomplete. Non-creation of comprehensive database has adverse implications of ***not bringing all the properties assessable to tax under the tax net.***

The Commissioner, while attributing the non-completion of the survey work to non-cooperation from the residents, stated (August 2009) that necessary action would be taken for getting the GIS survey completed in all respects at the earliest. The Commissioner did not however, offer specific remarks on the above deficiencies pointed out by Audit.

2.2.6.2 Raising of Demand

Property tax on residential buildings was not revised since 1999. Vigilance Cell intended for detection of under-assessment of property tax, etc., though contemplated by the Government has not been created (May 2009)

(a) As per Rule 7 (5) of the Rules framed under the HMC Act, revision of property tax on residential buildings once in five years is mandatory. This was also reiterated by the State Cabinet in November 2001. Scrutiny, however, revealed that Property Tax on residential buildings was not revised since 1999. In respect of non-residential properties, tax structure was revised in the year 2007 adopting the 'area based unit rate system'. The Commissioner replied (August 2009) that Government issued (September 2006) orders to revise the Property Tax on residential buildings but, the same were kept in abeyance (January 2007). Further, the Commissioner promised to revise property tax on residential buildings after receipt of orders from the Government.

(b) Though the Cabinet decided (November 2001) to create a Vigilance Cell at the State level to cover all Municipal Corporations and municipalities for detection of unauthorized constructions and under-assessment of property tax, the Vigilance Cell has not been created as of May 2009. Thus, GHMC has been severely handicapped by the absence of a control mechanism in critical areas vital for its effective functioning.

The Commissioner replied (August 2009) that Government would be addressed for creation of Vigilance Cell at State level for effective functioning of the GHMC.

2.2.6.3 Collection and Accountal

The targets vis-à-vis the achievements in collection of property tax for the period, 2003-08 in respect of buildings as well as vacant lands were as follows:

Buildings

(Rupees in crore)

Year	Budget Estimate for collection (Target)	Actual collection (Achievement)	Percentage of Collection
2003-04	174.35	164.53	94
2004-05	204.97	158.00	77
2005-06	207.97	174.43	84
2006-07	218.72	217.06	99
2007-08	448.94	249.21*	56*
Total	1254.95	963.23	

*As stated (August 2009) by the Commissioner, though an amount of Rs 313.09 crore was collected during 2007-08 against the budget estimate of Rs 448.94 crore, amount collected during the year was incorrectly recorded as Rs 249.21 crore in the budget. However, amendment in the budget document is awaited from the GHMC.

Separate figures for residential and non-residential buildings were not maintained by GHMC.

The Commissioner attributed the shortfall in collection of property tax during the year 2007-08 to waiver of penal interest by Government, continued evasion of property tax by chronic defaulters, locking up of revenue due to non-finalisation of large number of court cases and non-receipt of final orders from the Government on collection of property tax on educational institutions.

Audit observed the following shortcomings with regard to collection and accountal of property tax:

Absence of a fair and transparent mechanism for collection of property tax led to large number of court cases involving Rs 5.70 crore. GHMC was also saddled with the problem of cheque bouncing cases (Rs 28.59 crore). Also, there were chronic defaulters involving Rs 79.31 crore

- Fair and transparent methodology for assessment and levy of property tax is a vital pre-requisite. A methodology for computation of tax can be considered as effective if three persons x, y or z apply the methodology and arrive at the same value of tax. If more than one value can be computed such a system is conducive to litigation. In respect of GHMC it was observed that there were 135 cases pending in various courts as of March 2008 involving Rs 5.70 crore towards payment of property tax relating to the period, 1994-2008. The cases related to alleged excessive demand being made by GHMC and claims for exemption from payment of property tax (i.e., service charges etc.,).
- GHMC has been plagued with the problem of cheque bouncing. About 30,000 cheques (4600 to 7800 in each year) were dishonoured during the five-year period, 2003-08 involving Rs 28.59 crore. The collection of money from parties which present cheques and which bounce later is beset with the problem of protracted, vexatious legal proceedings. A simple and effective way to overcome this problem was to introduce the system of payment by Demand Drafts right at the initial stage of cheque bouncing. But no such changes were made.
- Besides the above, there were as many as 117 chronic defaulters of property tax amounting to Rs 79.31 crore.

The Commissioner assured (August 2009) to take remedial measures in respect of court cases, cheque bouncing cases and chronic defaulters.

Vacant Lands

Collection of property tax on vacant lands was altogether neglected

Audit also observed that in respect of vacant lands, as against the estimated revenue of Rs 7.47 crore for the period 2003-04 to 2006-07 the collection of property tax was '*nil*'. For the year 2007-08, only Rs 1.93 crore was collected as against the estimated collection of Rs 3.20 crore indicating ineffective action by GHMC to collect the tax on vacant lands. If there was no inclination to collect tax on vacant lands the best course of action would have been to remove it from the statute. The Commissioner assured (August 2009) that necessary action would be taken for improving the collection of vacant land tax.

2.2.6.4 Enforcement of statutory provisions

The best remedy against defaulters is to take deterrent penal action. Following are the penal provisions laid down by the legislature:

GHMC also failed to enforce most of the important statutory provisions with adverse implications of continued evasion of property tax by the defaulters

Relevant Section of the Act	Relevant provision/Penalty laid down in the Section	Audit observation
269 (2)	For non-payment of property tax on or before due date: (i) penalty of 2 per cent interest per month to be imposed; or (ii) disconnect the essential services; or (iii) confiscate the movable articles of the defaulter	During the year 2008-09, Government, while issuing orders in February 2009, stated that the waiver would be one time measure. Defaults in payments can be categorized as: 1. Defaults arising due to adverse circumstances like crop fail in case of crop loans and adverse business climate in case of industrial loans and 2. Wilful defaults One time settlement is normally extended in case of category one defaults. Cases of defaults in respect of property tax do not fall under the first category. Hence, the application of principle 'one time settlement' by GHMC was an inappropriate measure. Such an action was basically a disincentive to other tax payers who were prompt. This measure should be basically considered as giving an incentive to defaulting parties. This measure was also conducive to defaults in future. Incidentally it was observed that there were several such 'one time measures' taken by the GHMC in the past (October 2004 and March 2008). Thus it is seen that the 'one time measure' in October 2004 led to further defaults necessitating further 'one time measures' in March 2008 and February 2009.
455	Every person should deliver a notice to the Commissioner, in writing, within one month after completion of the building and obtain permission to occupy the building	In the test checked cases, these requirements were not complied with by the building owners. Town Planning Wing also failed to obtain the completion reports. Automatic creation of the integrated database and raising of demand were not facilitated due to non-compliance.
238	Collection of arrears of Property tax under the provisions of the Revenue Recovery Act (RR Act)	These provisions are not being enforced at all. Non-application of deterrent penalties would result in continuous evasion of payment of property tax by the defaulters.
278	Suing the defaulters in court of law	

Though GHMC has been armed with provisions to levy penalties against defaulters, it failed to invoke the provisions. Non-invoking of deterrent penal provisions by GHMC has created a fertile environment for defaults in future. Thus, the legislative intent has not been translated into effective compliance.

The Commissioner while accepting the audit observations assured (August 2009) that distress warrants would be issued for confiscation of movable articles of defaulters of property tax enforcing the penal provisions laid down in the Act. The Commissioner also stated that Government would be addressed with regard to the audit observation on waiver of penal interest for non/delayed payment of property tax and for issuing instructions to the departments concerned for disconnection of essential services in the properties owned by defaulters of property tax as laid down in section 269(2) of the HMC Act.

Given the large number of defaulters it may be helpful to proceed against defaulters selected in the following manner periodically (may be every six months).

- a) Ten topmost defaulters and
- b) Ten defaulters selected on a scientifically generated random number basis;

Such a strategy has the merit that limited number of defaulters have to be proceeded against making it operationally feasible. Step (b) is recommended to give a signal that any defaulter can be proceeded against. Once vigorous action is taken against twenty defaulters, it would have a demonstrative effect against the remaining defaulters.

2.2.6.5 Exemption from payment of Property Tax

Section 202 (1) (bb) of the HMC Act specifically provides for *exemption* from payment of property tax on lands and buildings in respect of educational institutions having classes *upto 10th Class* and are depending upon grants-in-aid by the Government for their maintenance. In spite of having the specific statutory provision, a scientific system/criteria of collection of property tax on buildings occupied by educational institutions assessable to tax has not been evolved (May 2009). Scrutiny also revealed that, though stipulated in the Act, property tax on buildings occupied by higher educational institutions running classes beyond 10th class was not being levied and collected. A large number of educational institutions have sprung up in the twin cities of Hyderabad and Secunderabad, set up by private organizations. But GHMC did not get benefit from higher revenues from the buildings occupied by the above institutions.

The Commissioner while admitting the lapse stated (August 2009) that necessary action would be taken to collect the property tax from the non-exempted categories after conducting a survey to bring all such institutions also into tax net.

2.2.6.6 Short receipt of property tax from Government

The Government of Andhra Pradesh decided (November 1997) that it would pay property tax on State Government buildings situated in twin cities in lumpsum every year instead of paying through individual departments. For the period 2004-08 alone, Government was yet to release Property tax on State Government buildings amounting to Rs 50.73 crore to GHMC (May 2009).

Compensation is released by the Government to GHMC every year (since 1977-78) to offset the loss sustained by the GHMC on account of exemption from payment of property tax granted on properties whose Annual Rental

Property tax on organisations of non-exempted category was not being collected

Government was yet to release Rs 51.73 crore to GHMC being the Property tax on Government owned buildings etc.

Value (ARV) was Rs 600 and less. The compensation amounting to Rupees One crore pertaining to the five year period 2003-08 alone was yet to be released by the Government to GHMC.

The Commissioner assured (August 2009) that the matter would be taken up with the Government for obtaining the revenue due.

2.2.7 Advertisement Fee

2.2.7.1 Database of all Assessable Advertisement Units

Absence of Integrated Database

All functions relating to advertisements within the jurisdiction of GHMC were centralized in the Advertisement Section of the head office of GHMC. Various items listed in *Appendix-4* attract payment of advertisement fee which included ground rent. Realization of revenue depends upon the size and the duration of the contract/permission. Prior permission is accorded by Advertisement Section for erection of hoardings, uni-poles and other advertisement units for the purpose of displaying advertisements. Comprehensive database is required for certain distinct purposes, viz., for raising proper demand, and to detect unauthorized hoardings. This would also help in detecting under-declaration of the sizes of the advertisement boards/hoardings etc. Database is useful, also for monitoring renewals, cancellations, collection of penal charges etc., beyond the expiry period.

Audit scrutiny revealed that integrated database has not been created (May 2009) by GHMC. Proper mechanism to collect revenue as per the above parameters was absent in the Advertisement Section. In this connection, Audit also observed the following:

- Verifiable records for inspecting the sizes (i.e., measurement of the advertisement units) were not in place. Such records are vital for monitoring field visits of higher authorities in cross checking the actual sizes of the advertisement units.
- A certain percentage check of the initial measurements by way of surprise checks by appropriate authorities was essential but this was not ensured.
- Neither the Act nor the Rules provide for stiff penalties against incorrect declaration of sizes of the advertisement units.

The Commissioner replied (August 2009) that steps would be taken for integrating the database available in respect of the erstwhile MCH and 12 surrounding municipalities.

Physical survey of hoardings/unipoles

The records available in the Advertisement section would serve useful purpose of preparation of database of structures assessable for advertisement revenue and also detection of unauthorized hoardings. Despite this, GHMC engaged (October 2006) a private agency for conducting a survey of hoardings in the limits of MCH with a stipulation to complete the survey work within 60 days.

Integrated Database to facilitate collection of Advertisement Fee has not been created. Proper mechanism was not in place to collect revenue as per the standard parameters

Neither the Act nor the Rules provided for stiff penalties for incorrect declaration of sizes

The agency was paid Rs 1.40 lakh (as against the estimated cost of Rs 7.18 lakh) to the end of May 2009. The survey work has not yet been completed as of May 2009.

If the agency omitted mentioning any unauthorized hoardings, the parties putting up the hoardings will have the benefit of non-payment of advertisement fee. There was no clause in the agreement as to what action would be taken against the agency in case of failure to include in the database, unauthorized hoardings. Moreover, when private parties are engaged for performing regulatory functions, deterrent effect of the function was lost.

The Commissioner replied (August 2009) that necessary action would be taken for getting the survey completed at the earliest as well as to detect unauthorized hoardings.

2.2.7.2 Raising of Demand

GHMC collects advertisement fee from the traders/agencies, which consists of fee for erection of hoardings, ground rent on space for hoardings, lease of advertisement rights and fee for display of advertisements of all categories.

Raising of demand depends upon correct database; correct size of the advertisement boards at initial as well as at renewal phases. But, as pointed out in para 2.2.7.1, these requirements were not complied with. The basis adopted by GHMC for raising a Demand was as follows:

Type of Advertisement Unit	Basis for raising Demand as per tariff
Hoardings, Uni-Poles, Neon/Glow Sign Boards	Self-declaration-cum-return
New Hoardings and Uni-Poles	Open bid cum auction (for initial period of not more than three years)
Other units at Sl. No.3 to 5 of Appendix-4	Public Private Partnership (PPP) mode on Build, Operate and Transfer (BOT) basis through open Bid-cum-Auction for a period of three years
Other items listed at Sl. No.6 to 20 of Appendix-4	No definite system of regulation was in place.

Audit observed the following deficiencies with regard to raising of demand in respect of 'Advertisement Fee'.

- The system of generating statements, showing expiry dates of the advertisement units was not being followed. Such statements would be useful in conducting surprise checks by higher authorities to detect continued existence of advertisements beyond the expiry period.
- The allotment order contains details of advertisement fee to be paid. There was no systematic monitoring of realization of advertisement fee.
- Since comprehensive database of the number of assessable units, their sizes etc., was not maintained by GHMC, proper and timely demand was not being raised and thereby the correct position of year-wise collection and the pending dues was also not known.

In the absence of information on the number of assessable units, proper and timely demand was not raised. Surprise checks were absent and penalties were inadequate

- Surprise checks to verify the sizes of hoardings and unauthorized hoardings were absent. Penalties were also not prescribed for under-declaration of sizes and unauthorized hoardings.

Thus, the system of raising demand in respect of 'Advertisement Fee' suffered from many deficiencies with adverse implications on revenue generation.

The Commissioner while accepting the audit observations assured (August 2009) to rectify the deficiencies pointed out by audit. The Commissioner also assured that Government would be addressed for amendment of the Act for providing stiff penalties against under-declaration of sizes of advertisement units and unauthorized hoardings.

2.2.7.3 Collection and Accountal

During the five year period 2003-08, GHMC collected Rs 55.97 crore (61 *per cent*) towards Advertisement fee as against the target of Rs 91.14 crore as given in the table below:

As against Rs 91.14 crore targeted during 2003-08, the collection of revenue on account of Advertisement Fee was only Rs 55.97 crore (61 *per cent*)

(Rupees in lakh)

Year	Budget Estimates (Target)	Collection (Achievement)	Shortfall in collection (Percentage)
2003-04	1365.00	803.59	561.41 (41)
2004-05	1389.00	996.34	392.66 (28)
2005-06	1470.00	1286.23	183.77 (13)
2006-07	1890.00	1480.25	409.75 (22)
2007-08	3000.00	1030.29	1969.71 (66)
Total	9114.00	5596.70	--

In the year 2007-08, the shortfall in collection of 'Advertisement Fee' was as high as 66 *per cent*

The shortfall in collection of advertisement fee was as high as 66 *per cent* in the year 2007-08. This indicated that GHMC had not geared up its machinery to maximize advertisement revenue.

The Commissioner did not state any reasons for the shortfall in achievement of targets. The Commissioner however, promised (August 2009) to take suitable steps for achievement of targets in collection of advertisement fee in future.

Outsourcing of collection of Advertisement Fee

Despite default in payment, instead of streamlining the procedure, GHMC again outsourced collection of advertisement fee to a private agency for the next three year period 2008-11.

Commercial establishments intending to put up neon/glow-sign boards are required to take prior approval of GHMC. These establishments are required to pay advertisement fee to GHMC. Audit noticed that GHMC failed to maintain a centralized database of such establishments to ensure payment of advertisement fee. The procedure, also did not stipulate automatic remittance of advertisement fee by the establishments without the need for a demand being raised. The Act also has not prescribed penalties in case of default in payment of advertisement fee. The automatic remittance of advertisement fee by the commercial establishments would have obviated the need for huge staff for raising the demand. A limited staff just adequate to detect defaulting establishments would have served the purpose.

Instead of setting up such a modified system in place, GHMC entrusted the collection of advertisement fee to a private agency (M/s. Nest Enterprises Private Limited, Hyderabad) for a three year period 2005-06 to 2007-08 for a total bid amount of Rs 17.50 crore. Out of this amount the agency paid (May 2009) only Rs 4.39 crore and GHMC is saddled with the task of realizing the defaulting amount through legal proceedings. GHMC filed (December 2008) a suit in the court and the orders of the court were awaited (May 2009).

Audit scrutiny also revealed the following:

- As part of safeguards against default in payment by the private agencies, the agency was required to arrange a Bank Guarantee of Rs 3.00 crore. The agency was however, authorized to collect advertisement fee even without collection of the Bank Guarantee amount in advance. This provided a fertile ground for the agency to default in payment of the obligatory amounts.
- Thirteen cheques¹³ aggregating Rs 7.01 crore, issued by the agency, were dishonoured. Though cheques repeatedly bounced, no effective action was taken by GHMC for recovery of the amounts of dishonoured cheques under Revenue Recovery Act (RR Act) and for invoking the relevant provisions laid down in the Negotiable Instruments Act. The contract should have stipulated payment through demand drafts.

Thus, the whole issue of outsourcing of collection of 'Advertisement Fee' was handled in an unprofessional manner by the officials of GHMC right from the beginning thereby causing substantial loss of revenue to GHMC. Non-compliance with safeguard clauses by GHMC and default in payments by the private agency indicates collusion which needs to be probed.

Instead of streamlining the procedure as discussed above and despite the bad experience with the private agency, GHMC continued outsourcing of collection of advertisement fee for a further period of three years i.e. 2008-09 to 2010-11, to another private agency¹⁴ in December 2008.

The Commissioner while accepting the audit observation assured (August 2009) that an enquiry would be conducted and action initiated against the officers responsible for non-compliance to the safeguard clauses which have led to default in payment by the agency concerned. The Commissioner also promised to take steps to ensure automatic remittance of advertisement fee by the agencies in future. As regards the outsourcing of collection of advertisement fee to a private agency for the next three-year period 2008-11, the Commissioner while attributing this to inadequate staff sought to justify the action of GHMC by stating that the entrustment of collection of advertisement fee to private agencies was felt more effective than departmental collections. The contention of the Commissioner is not acceptable. The need for outsourcing has arisen due to present procedure

¹³ Cheques dated 30 April 2006, 30 July 2006, 23 March 2007, 23 March 2007, 31 March 2007, 31 March 2007, 31 March 2007, 31 March 2007, 30 April 2007, 30 April 2007, 30 April 2007, 30 April 2007, 30 April 2007.

¹⁴ USM Business Systems Pvt. Ltd.

which stipulates raising of demand necessitating substantial staff. The procedure as suggested in the beginning of paragraph would not require much staff. Hence, by following the suggested procedure GHMC can dispense with outsourcing.

Non-insistence of payments through Demand Drafts/cash resulted in GHMC being saddled with the problem of bouncing of cheques. Follow-up on bounced cheques was deficient with adverse implications on collection of revenue.

Adverse effects of non-insistence of payments through Demand Drafts/cash

Collection of amounts through cheques is beset with the problem of their bouncing and protracted litigation for realization of amounts. Ignoring this reality GHMC failed to prescribe that the remittance should be made by Bank drafts/cash.

Audit scrutiny revealed that considerable time had elapsed between receipt of cheques in the Advertisement Section and return of dishonoured cheques from the municipal treasury back to the Advertisement Section as illustrated in the following table. Though Section 138 of Negotiable Instruments Act empowers GHMC to take action for attachment of the property, scope for such action was eliminated on account of issuing invalid notices¹⁵.

(Rupees in lakh)

No. of cheques received	Total value of the cheques	Date of receipt	Date of return of dishonoured cheques to Advertisement Section (Time gap in months)
1	100.00	July 2006	Jan 2007 (6)
6	250.00	March 2007	Aug 2007 (5)
5	251.30	April 2007	Aug 2007 (4)
4	73.20	May 2008	Sept 2008 (4)

Non-insistence of payments through Demand Drafts/cash resulted in GHMC being saddled with the problem of bouncing of cheques and consequent delays in realization of moneys. The Commissioner assured (August 2009) to initiate necessary remedial measures.

2.2.7.4 Penal Provisions

The following table shows the details of offences determined and the penalties prescribed.

Little attention was paid to scope of offences which should be more comprehensive. Quantum of penalties was also inadequate to have deterrent effect

Relevant Section of the Act	Nature of offence	Penalty prescribed	Audit observations
596	Erection of Sky-Signs without permission	Ranging between Rs 50 to Rs 1000	<ul style="list-style-type: none"> The scope of offences is restrictive. Provision against incorrect declaration with regard to size of advertisements is missing. The area of offences committed by

¹⁵ Instead of stipulating fifteen days time limit in the notices, GHMC stipulated only three days time whereby, the notices became invalid.

596	Exhibition of advertisements on certain sites without permission	Ranging between Rs 50 to Rs 1000	the assessee is far and wide. No penalty has also been prescribed for default in payment of advertisement fee.
596	Failure on the part of the licensee to produce the licence on demand	Ranging between Rs 50 to Rs 1000	<ul style="list-style-type: none"> A pre-requisite for a penalty as a deterrent against defaulters is that the quantum of penalty should be much more than the benefit that the defaulter would derive. The amounts were fixed long back and are not consistent with the principle enunciated above.
597	Continued offences	Rs 10	<ul style="list-style-type: none"> Mere prescription of a penalty does not have a deterrent effect unless the defaulting parties are penalized. No penalties were being levied.

Thus, adequate attention was not paid to the scope of offences which should be made more comprehensive. The quantum of penalties was also not adequate and hence should be revised so as to have deterrent effect.

The Commissioner while stating (August 2009) that the penal provisions of the HMC Act 1955 would be amended suitably and assured to bestow attention on enforcement of penalties.

2.2.7.5 Lapses/deficiencies in procedures and collection of Advertisement Fee

Nature of Event/ Requirement	Audit observations
Pending clearance of arrears of advertisement fee for the previous years, renewal of permission for display of advertisements should not be made.	Renewal was being accorded despite non-payment of arrears. For instance, in the case of Aditya Arts, though Rs 11.02 lakh was outstanding to end of 2007-08 permission was given for renewal for the year 2008-09.
<p>Municipal sites were allotted through auction for a period of three years from 1 April 2005 to 31 March 2008 in favour of Selvell Agency; Signa Outdoor Advertising; and Izra Advertising and Marketing.</p> <p>The following Tender conditions are to be complied with by the successful bidders in respect of allotment of municipal sites for erecting advertisement hoardings:</p> <p>(i) One year amount offered/quoted in tenders for the right to use the space allotted on municipal buildings and sites for erection of hoardings and the security deposit, advertisement fee and EMD are to be paid as per the schedule of fee within 7 days from the date of allotment order (Tender condition No. 14).</p>	<ul style="list-style-type: none"> Tender conditions were not complied with. Allotment conditions were not complied with as required under tender condition no. 14 and 33. GHMC issued invalid notices to the respective agencies, thus, pre-empting the move for taking action under Revenue Recovery Act for recovery of the dues. The contracts were neither renewed beyond 31 March 2008 nor fresh tenders called for. Arrears of Rs 61.40 lakh were outstanding as of April 2009.

<p>(ii) Structural Stability Certificates are to be furnished.</p> <p>(iii) Agreements are to be signed by the awardees.</p> <p>(iv) If any doubt arises as to the interpretation of any of the general or special conditions mentioned in the tender notification, schedules of agreement, the decision of the Commissioner, MCH shall be final and binding on the allottee (Tender condition No.33).</p>	
<p>Contracts for construction of certain arches listed in <i>Appendix-5</i> were awarded (April 2006) to Prakash Arts on Build, Operate and Transfer (BOT) basis for a period of three years.</p>	<p>Ownership of the structures has not been transferred (May 2009) to GHMC and the agency continued to derive the benefits even after the lapse of the agreement period on the pretext that specific and comprehensive terms and conditions for such transfer were not stipulated in the conditions of allotment. This plea is not tenable as BOT itself implies transfer of ownership at the end of the contract period. Hence no separate clause is required.</p>
<p>Fourth Fund Your City Programme (FYC):</p> <p>Contract was awarded (December 2006) in favour of 14 agencies for construction of Foot Over Bridges (FOBs) for a period ranging between eight to fifteen years at a total estimated cost of Rs 5.53 crore. But the work has not been commenced even as of August 2009.</p>	<p>Only 2 per cent bid amount of Rs 11.06 lakh was realized and the entire balance of 98 per cent of the bid amount of Rs 5.42 crore remained unrealized and the work has not been commenced even as of April 2009. Non-commencement of construction of FOBs was attributed to non-receipt of traffic clearance from the police authorities.</p> <p>This indicates poor planning on the part of the officials of GHMC in conceiving the project without getting clearance from the traffic police in advance.</p>
<p>One of the conditions attached to permissions for erection of hoardings is to furnish Structural Stability Certificate (SSC) to be issued by authorized Structural Engineers, empanelled by GHMC after inspection of the site and structure.</p> <p>Besides, third party insurance, payment of security deposit, bank guarantee, payment of full amount of first year advertisement fee in advance etc., were also to be complied with.</p>	<ul style="list-style-type: none"> • In all the test checked cases, the conditions were not fulfilled by the leaseholders. In spite of this, permissions were accorded. • There was no evidence on record to suggest that the Committee constituted by the C&SO had inspected the hoardings every month. • As a result of technically unsound and weak structures, the hoardings at Banjara Hills (11 April 2007), Chaderghat bridge (15 April 2007), Buddha Bhawan (7 August 2007) etc., collapsed/verge of collapse exposing the public to dangers.

The lapses/deficiencies with regard to Advertisement fee discussed above clearly suggest that rules, systems and procedures were not properly formulated while their enforcement failed to serve the intended purpose.

The Commissioner while accepting the audit observations assured to take suitable steps for realization of the arrears of the advertisement fee from the

agencies concerned and for getting the ownership of the structures transferred to GHMC by the agency concerned.

2.2.8 Building Regulations (Town Planning)

2.2.8.1 Building permissions

GHMC is empowered to grant building permissions under Sections 428 & 433 of HMC Act, 1955 after duly collecting building permit fee and other charges as per the schedule of rates notified. Viewed from the citizens' point of view, getting approvals for building plans in a hassle free manner is an important requirement. The focus of audit was therefore to assess whether the existing procedures met this requirement or could be modified. The status of Building permit applications received, permissions accorded, and the fee received during the review period from 2003-08 is as follows:

(Rupees in lakh)

Year	No. of Building applications received	No. of Permissions accorded [§]	Fee received
2003-04	3861	2972	4056.44
2004-05	3841	3137	5035.86
2005-06	3564	2538	4471.81
2006-07	2722	2247	4308.25
2007-08	3285 [@]	2836	16015.03*

[§]The remaining applications were rejected for various reasons.

[@]The information pertained to the Town Planning wing of main office of GHMC only. Information in respect of 18 circles of GHMC was not furnished by the Chief City Planner though asked for.

*The jurisdiction of MCH has been extended to the 12 surrounding municipalities during April 2007 and hence there was increase in fee received.

2.2.8.2 Disposal of applications for building permissions

A useful method of assessing a system in vogue is to compare it with best practices followed by another organization. As is well-known the Passport Office has a fairly effective system of dealing with applications for issue of Passports, where the applications are dealt with strictly in a serial fashion (except those under *Tatkal* Scheme). The applicant is relieved of the hassle of making repeated visits to the office to ascertain the status of his application as this information is available on the website. It also has the merit of not having to go to the Passport Office to collect the Passport as the same is sent by post. Such a system is conspicuous by its absence in GHMC in so far as according of building permissions is concerned.

- During the test check of the records pertaining to building permissions accorded by GHMC during the months of July 2006 and September 2007 it was observed that permissions were not accorded on priority basis as

per receipt of applications as illustrated in *Appendix-6*. Reasons for such omissions were not on record.

- The register of building permissions was not being maintained properly and several columns of the register were left blank. Periodic closings in the register for watching the pendency of the applications were not made whereby the position with regard to pendency of the applications and the reasons therefor are not known.

Thus, there is no assurance that the applications are disposed off strictly on first come first served basis.

The Commissioner while stating (August 2009) that measures would be taken to create awareness among the applicants seeking building permissions promised to adopt the system of issue of Passports for the process of according of building permissions as suggested by audit.

2.2.8.3 Deviations from procedural requirements in granting of building permits

The procedural requirements in granting of building permits and the compliance were as follows:

Deviations from procedural requirements were noticed in grant of building permits inconveniencing the public

Statutory requirement	Compliance/Audit findings
As per Section 428 of the HMC Act, the applicant seeking building permission should give a notice to the Commissioner in a prescribed form.	Complied with.
Section 435(2) stipulates that, on the reverse of the prescribed form for the above notice, a copy of Sections 428 to 434, 436 to 438, Section 440 and Section 444 to 449 and of all bye-laws made under sub-sections (9), (12) and (13) of Section 586 should be printed and supplied for the benefit of the applicants.	Not being complied with by GHMC. Thus, the relevant sections and the requirements thereunder were not made known to the applicants.
As prescribed in Section 429, the following documents are required to be furnished by the applicants seeking Building permits: (a) Correct plans and sections of every floor of the proposed building; (b) A copy of the title deed of the land duly attested by a Gazetted Officer of Government; (c) Urban Land Ceiling Clearance Certificate (ULCCC) OR an affidavit referred to under Section 388; (d) A specification of each description of work proposed to be executed; (e) A block plan of the proposed building; and (f) A plan showing the intended line	The applicants were asked to submit the following documents along with the applications in addition to the documents listed under Section 429 of the Act. (i) Structural Stability Certificates from licensed structural engineers in respect of buildings with height of above 15 mts; (ii) Soil Investigation Report; (iii) Agreement between the owner and the builder; (iv) Undertaking from the owner and the builder to employ technical personnel; (v) Insurance Policy from the contractor; (vi) Land use certificate; (vii) Feasibility certificate from Chief General Manager, Hyderabad Metro Water Supply&Sewerage Board (HMWS&SB);

of drainage of the proposed building along with the associated details thereof.	<p>(viii) Certificate of clearance from the Fire Services Department in respect of high-rise buildings; and</p> <p>(ix) National Savings Certificate of the value of Rs 2000.</p> <p>Even though, specific documents to be produced for according building permission are precisely stated under Section 429, insistence on production of the above list of documents can be considered as a burden on the applicants greatly contributing to the hassle factor. It also increases the burden on GHMC staff for scrutiny of all these documents. Given the large number of applications, the task of thorough scrutiny of the documents becomes practically impossible. It would have sufficed, if the applicants were asked to take care of the various requirements without insisting on the submission of the related documents.</p>
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The Commissioner while admitting (August 2009) the shortcomings pointed out by audit stated that steps would be taken for compliance of the provisions of Section 435(2) of the HMC Act. Further, the Commissioner while stating that the documents though not listed under Section 429 of HMC Act were being insisted from the applicants as per the orders of Government and further assured that the matter would be addressed by approaching the Government.

2.2.8.4 Cumbersome procedure for building permits

The following stages were involved in according building permits:

- Site inspection by Town Planning Inspectors
- Technical scrutiny and Report
- Building Committee's (BC) approval
- Approval of the Commissioner
- Raising of Demand by GHMC in respect of the prescribed fee and payment by the applicant
- Final scrutiny and grant of permit

Scrutiny revealed that except according permissions in respect of the applications received, no mechanism was in place with the GHMC to inspect and detect the cases where the constructions are undertaken even without applying for building permits. There was also no mechanism to inspect the buildings during the stages of construction to facilitate detection of deviations to the sanctioned plans.

Given the large number of constructions taking place in the GHMC limits, the question arises as to the relevance and the utility of the existing mechanism of according Building permits. If the above steps are to be carried out diligently, it would require a large complement of staff as the present staff would not be able to carry out the work effectively. The alternative mechanism would have been to lay down the detailed requirements to be met for undertaking

No mechanism was in place to detect constructions being made even without applying for building permits and deviations to the sanctioned plans

constructions, publishing them in priced book-lets for the benefit of parties intending to undertake constructions and thus obviating the need for prior detailed scrutiny by GHMC. Short term training courses could have been arranged for professionals to guide the parties. Relieved of this huge burden, the existing staff could have been better utilized for carrying out surprise inspections for detection of deviations from conditions laid down. The existing system has turned out to be a big hassle for law-abiding citizens and on the other hand facilitating law breakers in undertaking unauthorized constructions without any hesitation. Absence of an effective regulatory mechanism and the present cumbersome system of having to seek permits prior to construction has resulted in large number of unauthorized constructions taking place in GHMC limits.

Building Penalisation Scheme (BPS) was introduced in December 2007 for regulation and penalisation of unauthorisedly constructed buildings and buildings constructed in deviation to the sanctioned plans. For regularizing such illegal constructions, a penalty equivalent to 33 *per cent* of the various categories of fee and charges payable by the applicants for obtaining building permission in addition to the regular fee and other charges as prescribed under sub-clause C of section 455-A of the Act. About 2.01 lakh applications were received (October 2008) for regularization of illegal and unauthorized constructions under the scheme. Implementation of the scheme has commenced in June 2009.

Audit observed that BPS basically suffers from the following two lacunae:

- (i) It does not make distinction between those structures which have been built in accordance with the norms laid down but without obtaining prior permission from GHMC and those structures which have been built in violation of norms laid down and without obtaining prior permission. There is no condonation for applicants who obtained prior permission and deviated from the sanctioned plans but within permissible norms, as deviations in such case cannot be considered as objectionable.
- (ii) In cases where the constructions were beyond the permissible norms, those structures are regularized by imposing penalty instead of demolishing as they endanger public safety. Mere imposition of penalty does not serve the purpose, as the sanctity of norms is violated. It was further noticed that the penalties stipulated by Government in those cases under BPS were not in accordance with the general principle that a penalty should not be less than the benefit derived from such deviation. In the absence of such an arrangement, the amounts prescribed cannot be considered as a penalty but a concession to the defaulting party. Further, the amount fixed cannot be considered as a penalty as it has not been fixed in accordance with the principle that it should be more than the benefit derived by the defaulting party.

The Commissioner while attributing the inaction on the unauthorized constructions to the shortage of staff assured (August 2009) that a system would be evolved for better utilization of the existing staff for carrying out surprise inspections for detection of deviations. As regards the levy of penalty more than the benefit derived in respect of defaulters and with regard to

lacunae in BPS, the Commissioner assured that the matter would be taken up with the Government.

2.2.8.5 Non-utilization of the amounts collected towards Rain Water Harvesting Pits (RWHP)

Amounts collected towards Rain Water Harvesting Pits from the applicants seeking building permissions were not utilised. There was also no pursuance by GHMC for construction of the said pits

A sum of Rs 36.70 lakh was collected from the applicants seeking building permissions by the Commissioner of the test checked municipality (Alwal municipality since merged in GHMC¹⁶) during the period from 2003-08. The amount was to be refunded to the applicant concerned provided the pits were constructed in the respective premises within three months from the date of according building permissions. There were no applications seeking refund of these amounts indicating that the pits may not have been constructed. This indicated a failure on the part of GHMC to carry out an inspection and force the owners to undertake construction where no pits had come up. Instead, GHMC received all the deposit amounts which were transferred by the municipalities for credit to GHMC General Fund account on their merger. The Commissioner replied (August 2009) that necessary action would be taken for utilization of the amount for the intended purpose.

2.2.8.6 Absence of follow-up on utilization of publication charges collected from the applicants

There was no follow-up action on utilization of publication charges being collected from the applicants seeking building permits

Government ordered (November 1997) collection of a fee of Rs 100 and Rs 1,000 from individuals and builders of apartments respectively seeking permission for construction of buildings. The fee was intended for meeting the expenditure towards publication in the newspapers of information regarding the building permissions being accorded from time to time. This would enable the public to make complaints, if any, to the GHMC on unauthorized/illegal constructions so that follow-up action could be initiated by GHMC. While the GHMC collected (and remitted to General Fund Account), a sum of Rs 1.09 crore¹⁷ from the applicants during the period 1998-99 to 2007-08, GHMC failed to publish the particulars of building permissions being accorded in the newspapers. Thus, the citizens were deprived of playing a useful role in reporting unauthorized constructions.

The Commissioner while accepting the audit observation assured (August 2009) to take remedial action.

2.2.9 Safeguarding Municipal lands

2.2.9.1 Leases of lands and their rationalization

GHMC leased out 272 lands¹⁸ to various institutions (lands ranged upto 3.5 acres) situated in eight circles. These included (a) Organisations set up as Charitable Institutions (26), (b) Health & Educational institutions (16),

¹⁶ The details of such amounts collected and transferred to GHMC by the remaining 11 municipalities which have been merged (April 2007) in GHMC were not made available to audit by GHMC.

¹⁷ Rs 38.23 lakh during 1998-99 to 2002-03 and Rs 71.16 lakh during 2003-04 to 2007-08.

¹⁸ Four lands for 99 years, seven lands for 25 to 30 years, four lands for 20 to 24 years and the rest (257 lands) for a period upto 15 years.

(c) Residential purposes (100) and (d) Commercial purposes (130). The lease period ranged between 11 months to 99 years. The lease amount fixed per annum ranged between Rs 1 to Rs 5,700 per square yard.

The following deficiencies were noticed with regard to leasing out of the lands:

Little attention was paid towards safeguarding municipal lands, resulting in adverse implications on loss of revenue of lease rentals besides misutilisation of these lands by the lessees

- In 209 out of 272 cases of leased lands, Estates Wing of GHMC failed to maintain a proper record. In the absence of the relevant data, information on utilization of the leased lands for purposes other than the authorised purposes is not ascertainable. The possibility of encroachments in these lands cannot also be ruled out.
- In 52 out of 63 (272 – 209) cases, lease period expired between 1955 and 2005. The leases which expired have neither been revised / extended nor the lands resumed by the GHMC.
- Although, every year, the revision of lease rentals by increasing 10 *per cent* of existing rates was contemplated by GHMC, leases awarded several decades ago remain unrevised resulting in undue benefits to the parties and adverse implications on much needed finances for GHMC.

Open Spaces

A total of 2,666 open spaces were reported to be owned by GHMC aggregating 7,101 acres. Audit scrutiny revealed that, in several cases, full details such as Survey Numbers, Land Plan particulars and the extent of land were not available. GHMC failed to have a proactive role in making frequent inspections of the lands to safeguard against encroachments.

2.2.9.2 Collection and Accountal

On account of failure to address the problems discussed in para 2.2.9.1, the details of arrears, current demand as well as the collection and balance of the lease amounts in respect of the leased lands were not available with the Estates Wing/ Finance Wing of the GHMC. No evidence was available on record indicating that the requirement of periodic inspection and supervision by appropriate levels of authorities is complied with. With the steep hike in land prices in the twin cities and the surrounding areas in the recent past, the possibility of encroachments of some of the lands and open spaces is not ruled out.

In order to safeguard the municipal lands / open spaces, GHMC needs to conduct a fresh survey of all the municipal lands and open spaces including those of the 12 surrounding municipalities which were merged in the limits of GHMC and to integrate the full data with the master database of GHMC.

The Commissioner promised (August 2009) to take all necessary steps to maintain a proper record in respect of the leased lands and to renew the leases so as to enhance the lease rentals and to safeguard the municipal lands and open spaces.

**Centralised Asset
Account was not
maintained by
GHMC**

2.2.10 Maintenance of Centralised Accounts

The Andhra Pradesh State Municipal Accounting Manual (vide G.O. Ms. No. 619 MA and MA&UD (UBS) Department dated 21 August 2007) stipulates that Double Entry System of Book Keeping has to be adopted and as per Andhra Pradesh Municipal Asset Management Manual, GHMC is required to maintain Centralised Asset Account of the Local Body including those of the surrounding 12 municipalities which were merged within the limits of the GHMC. All assets, including the vehicles must pass through the centralized asset account register which is to contain all particulars¹⁹. The asset classification and compilation has to be undertaken as per the charts given under Para 2.11 and 2.12 of Andhra Pradesh Municipal Asset Management Manual.

Audit however, observed that no such account was being maintained in the Estates Wing of GHMC. Instead, the asset account is decentralized among Estate wing, Horticulture wing, Health & Sanitation wing, Transport wing etc.

The current practice suffers from lack of coordination and effective control in so far as assets are concerned and absence of the total net value of the assets after depreciation. Further, consequent upon formation (April 2007) of GHMC, all the assets relating to water supply systems including the storage tanks, pumping systems, filtration plants, pipelines etc., were to be transferred to the Hyderabad Metro Water & Sewerage Board (HMW&SB) on the basis of specific arrangement to be made between the two organizations, but this was not done as of May 2009.

The Commissioner replied (August 2009) that necessary action would be taken for maintaining centralized asset account.

2.2.11 Manpower

The repeated plea taken by GHMC with regard to deficiencies in functioning of various wings was shortage of manpower. Simplified procedures have been suggested by audit paras 2.2.7.2 (Raising of demand), 2.2.7.3 (Outsourcing of collection of advertisement fee) and 2.2.8.4 (Cumbersome procedure for building permits). Replacement of existing cumbersome procedures of according building permissions (para 2.2.8.4) by wide dissemination of information relating to regulatory requirements for undertaking construction would not only have freed the law abiding citizens of the hassles of getting building permissions but also freed GHMC of staff presently engaged in this task which could have been better utilized for inspection and detection of illegal structures. Comprehensive database of all units assessable to various taxes/fees (para 2.2.6.1 and 2.2.7.1) is essential with prescription of remittance of taxes by the assessee units without the requirement of serving of formal demand. This observation assumes importance as staff constraints have been used as plea of outsourcing critical functions with adverse implications as already mentioned in the preceding paragraphs.

¹⁹ nature of the asset, area and the survey number in which it is located, type of construction/ date of purchase, extent of construction, year of construction/acquisition/purchase, book value, face value, depreciation, current value of the asset, user agency/ authority etc.

The Commissioner while accepting the audit observation assured (August 2009) that systems would be evolved for implementation thereof.

2.2.12 Conclusions

The collection of property tax suffered for want of a comprehensive database and not undertaking periodic revisions. Non-collection of penalty from defaulting parties resulted in defaulters being granted a favour with grave consequences of further defaults in future. Failure to invoke penal provisions against defaulting parties has resulted in the legislative intent not being translated into compliance by executive. The collection of advertisement fee also suffered from lack of comprehensive database. The entrustment of collection of advertisement fee to a private agency bypassing vital safeguards facilitated the party to default in payment. The prevailing system of according building permissions is a big hassle for law abiding citizens and not a deterrent for parties undertaking unauthorized constructions. Municipal lands are a valuable asset in view of the high prevailing prices but GHMC failed to effectively safeguard these assets. The leasing of lands suffered from a number of deficiencies which could have otherwise augmented the finances of GHMC.

2.2.13 Recommendations

- Comprehensive database of all assesses/lessees should be created to facilitate proper collection and detection of unauthorized constructions/misutilization of premises/lands.
- GHMC should dispense with the practice of outsourcing of revenue collections and this should be performed by GHMC itself through its officials.
- The cumbersome procedure followed for according Building permits need to be thoroughly streamlined by suitably amending the Act, if necessary. Government should consider constituting a 'Building Ombudsman' for dealing with all complaints relating to building regulations so as to ensure fairness and transparency.
- Adequate safeguards should be provided for protecting the municipal lands from possible encroachments and for preventing loss of lease rentals.
- In all the four revenue generating areas reviewed by Audit, proper mechanism should be put in place for conducting surprise checks so as to facilitate detection of defaulters. Care should be taken to ensure that adequate penalties are implemented against defaulters so as to have deterrent effect.

The above audit observations were discussed in the exit conference held (August 2009) in GHMC with the C&SO, GHMC (who is also ex-officio Principal Secretary to Government) and other officers concerned. While accepting the above recommendations made by Audit, the Commissioner assured that all the recommendations would be implemented in a phased manner. Reply is awaited (September 2009) from Government.

CHAPTER III

AUDIT OF TRANSACTIONS

3.1 PANCHAYAT RAJ INSTITUTIONS

3.1.1 Non-repayment of HBA loan to the Government

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

With a view to give the benefit of payment of House Building Advances to the provincialised non-teaching staff of PRIs from the State Funds, Government issued (December 1989) orders according to which the amount will be released to the ZPPs as loan repayable in 10 equal annual installments with a moratorium of two years. The loan amount shall carry interest at 8 ½ *per cent* or at the rate fixed by the Government from time to time on the diminishing balances to be remitted to the Government along with principal every year.

Scrutiny of three Zilla Praja Parishads¹ records revealed default in repayment of loan amounts to the Government as tabulated below.

S.No	Name of the ZPP	Period of default in payment of principal	Default amount as of March 2007 Rs.	Period of default in interest payment	Default amount as of March 2007 Rs.
1.	Adilabad	1994-95 to 2003-04	32,40,000	1994-95 to 2003-04	22,75,331
2.	Nalgonda	1998-99 to 2001-02	6,30,000	1990-91 to 2003-04	48,07,734
3.	Ranga Reddy	-	-	1990-91 to 2003-04	49,19,802
Total			38,70,000		1,20,02,867

The above orders also permitted the ZPPs to invest the loan installments recovered from the employees in short-term fixed deposits in Nationalised Banks, in such a manner that the ZPP gets the maximum interest on the amount invested and the amounts are available to repay the loan installments to Government. But none of the above ZPPs invested the amounts in interest bearing accounts but kept in respective PD accounts.

On this being pointed out, the Chief Executive Officer of the Adilabad ZPP stated that due to non-recovery/adjustment of recovery particulars, the loan amount had not been repaid. However, the details of HBA recoveries due from the staff were not furnished to audit. The other CEOs did not give specific reasons for delay in repayment of loan but assured to take necessary action for early settlement of the loan amounts.

Thus, there was a failure to repay the loans taken from Government towards house building advances to the provincialised employees resulting in

¹ Adilabad, Ranga Reddy and Nalgonda.

accumulation of outstanding dues to the extent of Rs 38.70 lakh towards principal and Rs 1.20 crore towards interest.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

3.1.2 Unauthorised construction of District Panchayat Office building

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

Test check (June/July 2008) of records of two GPs² revealed that they contributed an amount of Rs 2.10 lakh out of their general funds, towards construction of District Panchayat Office (DPO) Building. In this connection further scrutiny (March 2009) of records of District Panchayat Officer, Kadapa was undertaken which revealed the following lapses in construction of the office building.

- According to the procedure³ laid down in the Budget manual, construction of any Government office building has to be taken up only after making a provision in the budget under capital outlay of the concerned departmental head of account. The work has to be started only after release of the funds through LOC. But in the instant case, the construction of DPO building was taken up (February 2007) without any provision of funds and approval by the Government.
- The District Collector, Kadapa approved the proposal and accorded (March 2006) sanction for construction of DPO building at an estimated cost of Rs 34 lakh by raising funds from various sources⁴. Without the approval of Government, District Panchayat Officer mobilized the funds (February 2006 to October 2008) of Rs 32.85⁵ lakh irregularly from 96 GPs in the district and constructed (April 2008) the building at a cost of Rs 32.49 lakh leaving a balance of Rs 0.36 lakh.

On this being pointed, District Panchayat Officer replied (March 2009) that the Government had not released any grant for construction of DPO building and as such the funds were raised from the above sources.

Thus the above unauthorized construction of DPO building resulted in depletion of general funds of GPs as well as their legitimate source of revenue to the extent of Rs 32.85 lakh.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

² Chennur- Rs 0.30 lakh and Nagireddipalli - Rs 1.80 lakh.

³ Paras 5.13.3(Chapter-V); 9.4(Chapter-IX);20.3.1(Chapter-XX) of the Budget manual.

⁴ Contributions from GPs (Rs 27 lakh) and tapping funds of undisbursed Seignorage grant (Rs 7 lakh) with the permission of PR&RE/Government.

⁵ Contributions from GPs Rs 21.73 lakh, undisbursed seignorage grant Rs 7 lakh, Sand penalty Rs 4 lakh and interest Rs 12,108.

3.1.3 Loss of interest due to funds kept in current account instead of SB Account

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

In order to enable the rapid transfer of Twelfth Finance Commission grants (GOI Funds) to PRIs, the Commissioner, Panchayat Raj Department issued (December 2006) instructions for opening new bank account and intimate details in connection with establishment of an online account grid system and maintenance of up-to date database.

Instead of opening a Savings Bank (SB) Account which would have resulted in getting interest, the Chief Executive Officer (CEO), Khammam opened a current account with the State Bank of Hyderabad, Khammam in March 2006. An amount of Rs 7.91 crore was deposited in March 2006 and as of February 2009 there was a balance of Rs 1.18 crore in the account. Due to failure to open a Savings account, the ZPP, Khammam lost an interest of Rs 43.02 lakh on monthly available balances for the period from March 2006 to February 2009 as detailed in the *Appendix -7*.

On this being pointed out, CEO/ZPP, Khammam stated (August 2008) that the matter would be brought to the notice of the Government for opening SB account and compliance intimated to audit.

Thus due to failure of CEO to open an SB account for depositing of GOI funds, the ZPP lost revenue in the form of interest to the extent of Rs 43.02 lakh.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

3.1.4 Diversion of TFC Grants

Chief Executive Officers of six Zilla Praja Parishads diverted TFC grants of Rs 22.78 crore to a State sponsored programme in violation of scheme guidelines.

Test check of records of six⁶ ZPPs revealed that the funds amounting to Rs 22.78 crore pertaining to Twelfth Finance Commission (GOI) grants were irregularly diverted to a State sponsored programme of 'INDIRAMMA'. The details are as follows

- As per TFC guidelines, the Local Bodies grants released by the GOI are to be mandatorily transferred by the States to PRIs for improving their service delivery in respect of water supply and sanitation. The PRIs were also to be encouraged to take over the assets of water supply and sanitation and utilize the grants for repairs/rejuvenation as Operation and Maintenance (O&M) costs. But in contravention of the above guidelines,

⁶ ZPP Kakinada, Eluru, Prakasam, Nalgonda, Khammam and Chittoor.

the CEOs of six ZPPs, based on State Government Orders (August 2006) released (2006-07) their share of TFC grant to the tune of Rs 22.78 crore to the District Managers (Housing)/Member Secretary, District Water Sanitation Committee (DWSC) for construction of 491648 Individual Sanitary Latrines (ISLs) to newly constructed houses in rural areas under State sponsored INDIRAMMA programme. The appropriate course of action would have been to utilise the TFC grants for infrastructure relating to sanitation and water supply and the construction of ISLs should have been financed by State funds.

- It was further observed that the PRIs were deprived of the utilisation of funds as the funds were placed at the disposal of DMs / MSs, who utilised (as of August 2008) funds to the extent of Rs 2.76 crore (12.11 per cent) by constructing only 55195 ISLs leaving a huge balance of Rs 20.02 crore as detailed in *Appendix-8*, resulting in blockage of funds for over two years.

On this being pointed out, the Commissioner has not replied so far. Hence, due to diversion of TFC grants to the tune of Rs 22.78 crore to the State sponsored scheme, the PRIs were deprived of utilising the grant according to the overall need felt by rural people in the villages approved by respective councils. This diversion of funds was against the spirit of strengthening the grassroots democratic institutions.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

3.1.5 Deficiencies in procurement of bleaching powder

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

Scrutiny (December 2008) of records of Madikonda Gram Panchayat, Warangal District revealed that based on the instructions of District Collector (Panchayat wing), Warangal an amount of Rs 42.48 lakh (Rs 26.68 lakh in 2006-07 and Rs 15.80 lakh in 2007-08) was paid to M/s Rajamani Agencies towards supply of bleaching powder. In this connection further scrutiny (March 2009) of records of District Panchayat Officer (DPO), Warangal was undertaken which revealed the following lapses in purchase of bleaching powder.

- The purchase was made by utilizing the Professional Tax Compensation Grant (PTCG) which was meant to be distributed among all the GPs in the district. According to the provisions of Andhra Pradesh Panchayat Raj Act, 1994 PTCG is released by the Government to PRIs in the form of assigned revenue and the DPO of the concerned district is required to distribute the grant among all the GPs on pro-rata basis as per the population census of 2001. But in the instant case, the DPO, Warangal placed (2006-07 & 2007-08) purchase orders towards centralized procurement of bleaching powder out of PTCG payable to all GPs.

- The DPO does not have the authority to utilize these funds to make payments to the supplier. To overcome this constraint, the payment was arranged (July 2006 & October 2007) to the Supplier through the Madikonda GP.
- The DPO directed (December 2006) all the MPPs in the district to acknowledge the receipt of material and distribute among the non-notified GPs in respective Mandals duly obtaining acknowledgements from them. The acknowledgements were sent (June 2006 & September 2007) by MPDOs and the material was stated to have been received by GPs. However the stock entries were not made either by MPPs or the GPs concerned in their respective Stock Registers which is indicative of possibility of non-receipt of material by GPs and ineffective exercise of checks by the DPO. In the absence of these stock entries audit was not able to satisfy itself with regard to the veracity of procurement, supply and utilization of the material.
- Supply of bleaching powder was made only to non-notified GPs at the cost of the notified GPs (46) in the district and they were deprived of their legitimate share of assigned revenue in the form of PTCG to the tune of Rs 6.98 lakh.

On this being pointed out, the DPO Warangal replied (March 2009) that as most of GPs were not in a position to maintain sanitation material with their funds and in order to prevent the spreading of harmful diseases like Malaria, Japanese Encephalitis and Gastroenteritis, the bleaching powder was procured from the PTCG released to GPs.

The reply overlooks the fact that procurement by the DPO is against the spirit of strengthening the grass root democratic institutions. The appropriate course of action would have been to fund the procurement from the State Government funds and not by utilizing the funds of Rs 42.48 lakh meant to be utilised by GPs.

The matter was reported to the Government (May 2009); reply had not been received (September 2009).

3.1.6 Non-distribution of Seignorage grant to MPPs and GPs

Lack of details in challans of Seignorage fee resulted in non-distribution of Seignorage grant among the MPPs and GPs of Mahabubnagar district to the extent of Rs 2.35 crore.

The Seignorage fee deducted by the Drawing and Disbursing Officers (DDOs) from the contractors bills, remitted directly by the quarry owners or contractors shall be credited to the concerned departmental revenue head of account of the Consolidated Fund of the State. The amount so credited to the Consolidated Fund is to be released by the Government to the ZPP in the form of assigned revenue for onward apportionment to the Panchayat Raj Institutions viz., GPs, MPPs and ZPPs in the ratio of 25:50:25 respectively.

To facilitate the apportionment, the Director of Mines and Geology is required to intimate quarterly the Commissioner, Panchayat Raj and the PR bodies

concerned viz., DPOs and CEOs of ZPPs about the details of areas from where the Seignorage fee was collected. Based on the particulars furnished by Mines and Geology department, the DPO shall prepare a statement of claim showing the proportionate amount to be credited to each GP and MPP and submit the same to ZPP for transfer of amounts.

Scrutiny (April 2007) of records of ZPP, Mahabubnagar revealed that during the years 2003-04 to 2005-06, Government released Seignorage Grant of Rs 3.72 crore to ZPP. Out of this, the ZPP released an amount of Rs 36.93 lakh and Rs 6.70 lakh only to MPPs and GPs against their legitimate share of Rs 1.86 crore (50 per cent) and Rs 93 lakh (25 per cent) leaving a huge balance of Rs 1.49 crore and Rs 86.30 lakh respectively undisbursed. These funds were lying idle in the ZPP General fund.

When this was brought to notice, the CEO, ZPP replied (April 2007) that the units using the minor minerals were not furnishing the details of quarry at the time of remitting the seignorage fee. Hence, the Mines and Geology Department was not in a position to furnish the details and thereby, distribution of Seignorage grant was limited to the extent of details made available to ZPP which resulted in accumulation of funds with ZPP. Further, the details of amounts received for the years 2006-07 and 2007-08 were not furnished when the same were sought for.

It was observed that the present system of remittance is deficient as the form of challan through which seignorage fee remitted does not contain any provision for recording details of the location of the quarry from which minor mineral was quarried. Due to this, the Mines and Geology Department could not maintain the area wise database of revenue realized which led to huge accumulation of the undisbursed grant of MPPs and GPs in the accounts of ZPP. There is a need to remedy this deficiency.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

3.2 URBAN LOCAL BODIES

3.2.1 Payment of penalty due to statutory violation

Due to violation of provisions with regard to remittance of TDS amount of Income Tax, the Nellore Municipal Corporation paid a penalty of Rs 14.06 lakh.

The provisions of Income Tax Act and other Government orders issued from time to time specify that the recovery affected towards Income Tax from the work bills of contractors should immediately be credited to the concerned head of account.

Scrutiny (October 2008) of the records of Nellore Municipal Corporation (NMC) revealed that as of April 2008 there was a balance of Rs 40.56 lakh pending against the TDS recovery made towards Income Tax from the work bills (2004-05 to 2006-07) of various schemes/programmes viz APUSP, NSDP, IDSMT, APURMS etc., for remittance to IT Department.

The Assistant Commissioner, IT Department by invoking the provisions of Section 201(1)⁷ and 226(3i)⁸ of the IT Act issued (April 2008) notices to the Commissioner, NMC as well as their banker (State Bank of India) to remit the tax proceeds duly charging the interest in lieu of penalty of Rs 14.06 lakh for delayed remittance. On receipt of notices, the Commissioner, NMC made (April 2008) payment for the arrear amount of Rs 54.62 lakh including the interest of Rs 14.06 lakh.

On this being pointed out, the Commissioner did not furnish specific reasons for delay in remittance but promised non-recurrence of such lapse. Thus, due to violation of statutory provisions with regard to remittance of TDS amount of IT, NMC had to pay a penalty of Rs 14.06 lakh.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

3.2.2 Loss of revenue due to lapses in operation of Advertisement Tax collections contract

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

A scrutiny of Advertisement Tax collection records of Nellore Municipal Corporation (NMC) for the period from 2003-04 to 2005-06 revealed the following deficiencies.

⁷ 201(1) - any person after deducting fails to pay the tax as required by or under the IT Act shall deemed to be an assessee in default.

⁸ 226(3 i) A notice may be issued to any person who holds or may subsequently hold any money for or on account of the Assessee to pay the money becoming due or being held within the time specified in the notice.

- With the intention to outsource the collection rights of Advertisement Tax for two years of 2003-04 and 2004-05, NMC called tenders in March 2004. As against the estimated annual revenue of Rs 40.77 lakh⁹, the contract was given for a value of Rs 21.33 lakh which was way below the upset price and the difference worked out to Rs 38.88 lakh for two years.
- Without submission of Bank Guarantee (BG), the contractor (M/s Uni-Ads Pvt. Limited) was permitted (March 2004) to proceed with collections. The absence of safeguards facilitated the contractor to default in payment. Payments were not made as per the conditions¹⁰ stipulated. Out of Rs 42.66 lakh of agreed value due for two years, Rs 15.75 lakh was in arrears to the end of March 2005.
- Despite the default in payment, the contractor was favoured by extension (April 2005) of contract for one year i.e. 2005-06 at the rate of Rs 23.46 lakh which was again below the upset value. Absence of BG provided a fertile ground for the contractor to default in payment. The Contractor made no payment for the revenue collected during 2005-06.

The default in payment for the three years worked out to Rs 39.15 lakh. The total revenue loss to the Corporation with reference to upset price was Rs 56.19 lakh¹¹.

On this being pointed out the Commissioner accepted (October 2008) the lapse and promised that due care would be taken in future. No action was taken against the officials responsible for the above grave lapse. Thus non-obtaining of BG facilitated the contractor to default in payment of advertisement tax collections to the tune of Rs 39.15 lakh and loss of revenue of Rs 56.19 lakh due to award of contract way below the upset price.

The matter was reported to the Government (April 2009); reply had not been received (September 2009).

3.2.3 Locking up of funds due to non-construction of office buildings

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

Scrutiny of records of six Municipalities revealed that funds amounting to Rs 2.60 crore were received from State Government under non-plan grants during 2003 to 2005 for construction of respective office buildings. However, the funds were locked up in bank accounts of the ULBs concerned due to

⁹ Consultancy engaged by NMC assessed a demand of Rs 43.77 lakh per annum. However, the amount was modified to Rs 40.77 lakh as some of the name boards and direction boards displayed at owner's premises were included in the list.

¹⁰ As per tender conditions, the contractor was to make payment in three installments. *One-third* being the first instalment was to be paid within 24 hours from the date of issue of work order along with a Bank Guarantee (BG) for *two-third* bid amount i.e. Rs 28.44 lakh for two years.

¹¹ Rs 40.77 lakh x 3 years minus Rs 21.33 lakh x 2 years + Rs 23.46 lakh for one year.

non-completion/non-taking up of the construction of office buildings. The details of each ULB are given below.

(Rupees in lakh)

Sl.No	Name of ULB	Release of funds		Audit Remarks
		Month/year	Amount	
1.	Venkatagiri Municipality	April 2005 July 2005	30.00 20.00	Tenders for award of work estimated at Rs 49.97 lakh were called for in January 2007 with a delay of 20 months after release of funds. Though the work order was issued, the contractor did not résumé work. Tenders were called again twice (February 2008 and September 2008). Finally the work was awarded to a contractor in October 2008 for Rs 47.37 lakh with a stipulation to complete within nine months. The Commissioner stated (April 2009) that the work was in progress but no payments were made so far.
2.	Anakapalli Municipality	June 2005	30.00	Instead of Anakapalli Municipality taking up the construction of Municipal Office building, the funds were transferred (November 2007) to Visakhapatnam Urban Development Authority (VUDA) for undertaking the construction work as per the directions issued by the Minister of State Government (Commercial Taxes). So far no tenders were called for by VUDA.
3.	Bheemunipatnam Municipality	April 2005 July 2005	30.00 20.00	The work estimated at Rs 40 lakh was entrusted to contractor in November 2007 for Rs 34.64 lakh with a delay of 2½ years after release of funds stipulating completion within four months. As of February 2009, an expenditure of Rs 24.50 lakh was incurred by completing ground floor. The first floor is under progress. The Commissioner stated (February 2009) that due to hike in materials cost estimates were revised twice resulting in delay.
4.	Markapur Municipality	July 2003 July 2005	30.00 20.00	An amount of Rs 30 lakh received in July 2003 was misappropriated by the then Commissioner and the case is under investigation. As against the available balance of Rs 20 lakh, no expenditure has so far been incurred as tenders are yet to be called for award of work. The

				Commissioner has not stated any reasons for non-commencement of work.
5	Rayadurg Municipality	July 2003 February 2005	30.00 20.00	Tenders were called in March 2008, after a delay of five years after release of funds due to not firming up site location. There was lack of response and the estimate was substantially increased from Rs 70.50 lakh to Rs 88.45 lakh in November 2008. After completion of tender process (October 2008), the work was awarded for Rs 69.33 lakh in November 2008 with a stipulation to complete by nine months. However as on February 2009, work valued Rs 2.31 lakh was only completed.
6.	Khammam Municipal Council	July 2005	30.00	The construction work has not been taken up so far. Commissioner stated (April 2009) that the works were proposed to be taken up but did not give any reasons for delay in commencement of the work.

These municipalities did not furnish the details of rents paid towards occupation of private accommodations as well as the interest accrued on deposits though sought for.

Thus, the failure of municipalities to effectively utilize the funds for execution of construction of office buildings resulted in non-establishment of necessary infrastructure for periods ranging from four to six years and locking up of funds amounting to Rs 2.03 crore, besides pending finalization of the case of misappropriation involving an amount of Rs 30.00 lakh.

The matter was reported to the Government (May 2009); reply had not been received (September 2009).

3.2.4 Lapses in procurement of bitumen

Lack of awareness of bitumen specifications resulted in bitumen valued Rs 7.65 lakh procured by Guntur Municipal Corporation remaining unutilized for more than two years.

Scrutiny (September 2008) of records of Guntur Municipal Corporation (GMC) revealed that an expenditure of Rs 7.65 lakh was incurred (August 2006) towards procurement of 33.852 MTs bitumen from Indian Oil Corporation Limited (IOCL). The following are the audit observations:

- The Commissioner, GMC placed purchase order (March 2006) for procurement of bitumen. GMC did not furnish specific details of works for which the material was to be utilised but for stating “General Purpose”.

- A contractor was authorized (August 2006) to purchase and lift the material directly from IOCL premises for which an advance payment of Rs 7.65 lakh was paid to the IOCL. There were no records as to what specific works were entrusted to the contractor for which this material was to be utilised.
- The contractor acknowledged the material duly certifying that the material was received in good condition. No representative of the GMC was present at the time of handing over (August 2006) the material by IOCL to contractor to ensure accountability of the contractor with regard to quality and quantity. Only after the material was received at the municipal site at Stambhalagaruvu in Guntur, testing was undertaken (September 2006).
- The testing was not entrusted to any Government department/institute but to a private engineering college.
- The Corporation sent (April 2007) a lawyer notice complaining to IOCL alleging inferior quality of material. The correspondence showed GMC was ignorant of bitumen specifications as 30/40 grade is superior to 80/100.
- Despite IOCL informing (May 2007) that bitumen of grade 30/40 is superior to 80/100, GMC did not carry out a second test.
- It was further noticed that an FIR was also lodged (October 2006) against IOCL for alleged supply of inferior quality of bitumen.

Due to above lapses bitumen worth Rs 7.65 lakh remained unutilized for more than two years.

The matter was reported to the Government (May 2009); reply had not been received (September 2009).

3.2.5 Irregularities in collection of Vacant Land Tax

The collection of Vacant Land Tax by Guntur Municipal Corporation suffered from various lapses.

The GOAP upgraded (August 1994) Guntur Municipality into large urban area (Corporation) by issuing a gazette notification (Act No 25 of 1994) under Andhra Pradesh Municipal Corporation Act, 1994. As per the provisions of the Act, Rules governed by Hyderabad Municipal Corporation Act, 1955 are to be followed for levy and collection of taxes.

According to the provisions of Andhra Pradesh Municipal Corporation Act, all taxes, fees, and duties which immediately before commencement of this Act, were being levied by the said council, shall be deemed to have been levied by the Corporation, and these provisions shall continue to be in force accordingly until such taxes, fees, and duties are revised, cancelled or superseded by anything done or any action under this Act. The rate of Vacant Land Tax (VLT) was revised from one *per cent* to 0.5 *per cent* of estimated capital value of the land as per Hyderabad Municipal Corporation amendment Act No 24 of

2002 and hence the same was to be adopted by the GMC from 2002-03 onwards.

Scrutiny (September 2008) of records of GMC revealed the following lacunae:

- (a) Contrary to Act provisions, the Municipal Council passed (October 2002) a resolution to collect the VLT at the rate of one *per cent* per annum from the land owners. Accordingly, a demand of Rs 6.69 crore was raised to the end of September 2008 against which the GMC collected a total amount of Rs 3.12 crore, of which, Rs 2.37 crore was collected at one *per cent*. This resulted in an excess collection of Rs 1.18 crore (being 50 *per cent* of Rs 2.37 crore) from the land owners.
- (b) The defaulting parties were favoured by giving (May 2008) 60 *per cent* exemption resulting in a loss to the tune of Rs 18.62 lakh¹².

On this being pointed out, the GMC replied that the VLT at one *per cent* was collected as per council's resolution and hence no excess collection. It further stated that the non-response from the vacant sites owners to pay VLT and delayed assessment of VLT due to non-availability of registered documents made the Corporation allow 60 *per cent* exemption. The reply overlooks the fact that any Municipal Council is not authorized to deviate from the Act provisions in collection of taxes and the action of GMC in allowing discounts in payments to defaulting parties is objectionable as penalties should have been levied to ensure compliance with rule of law.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

3.2.6 Avoidable expenditure on payment of compensation towards land acquisition.

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

According to the provisions of Land Acquisition (LA) Act, the process of land acquisition starts with the issue of Draft Notification (DN) and after which the Draft Declaration (DD) should be issued before one year from the date of issue of DN. The award is to be passed within a period of two years from the date of issue of DD. If these time limits are exceeded, the proceedings would lapse. Consequently the compensation to land owners would not be at original market rates but revised rates with adverse implications for Government by way of additional financial outgo.

Scrutiny of records of Khammam Municipality revealed that the municipality took advance possession (October 1986) of seven acres 22 guntas of land lying at Khanapuram Haveli of Khammam (Urban) Mandal towards formation of

¹² The amount collected after allowing 60 *per cent* discount is Rs 74.50 lakh. The corresponding 100 *per cent* amount works out to Rs 186.24 lakh. The amount, if 0.5 *per cent* rate is applied is Rs 93.12 lakh. The shortfall in collection is Rs 18.62 lakh (Rs 93.12 lakh - Rs 74.50 lakh).

100 feet road stretch starting from the office of Food Corporation of India (FCI) to Yellandu road. After taking over the possession of land, proposals for land acquisition were sent (August 1987) to the revenue authorities.

Audit noticed (July 2008) that even though the proposals were initiated in 1987-88, the revenue authorities passed the award only in 2007. In the mean time the proceedings were revised (December 1997 and October 2006) due to non-adherence to the time limits prescribed. Consequently, the municipality incurred an avoidable expenditure of Rs 1.87 crore¹³ on land acquisition.

On this being pointed out, the Commissioner, Khammam Municipality and revenue authorities replied (July 2008/April 2009) that due to hindrances in identification of genuine land owners, the delay occurred. The reply is not acceptable as the award in 2007 was passed pending enquiries to be taken up under Section 5¹⁴ of LA Act against the litigation cases. The Revenue authorities must have followed the same procedure in 1997.

Failure to formulate and codify a clear procedure for payment in the event of dispute with regard to ownership of land so that the time limits stipulated can be adhered to, led an avoidable expenditure to the Khammam Municipality to an extent of Rs 1.87 crore towards payment of compensation.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

3.2.7 Delay in execution of Andhra Pradesh Urban Reforms and Municipal Services project works

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

With the intention to develop the infrastructural facilities and environmental improvements in slum areas of Urban Local Bodies, the Commissioner and Director of Municipal Administration, Urban Development Department sanctioned (March 2005) 22 works in nine packages under Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) to Nellore Municipal Corporation (NMC) at an estimate cost of Rs 10 crore. As per the technical sanction (Rs 9.74 crore), the project was to be funded by loan (Rs 7.06 crore) from APUFIDC¹⁵, State Government Grant (Rs 1.71 crore) and Corporation share (Rs 0.97 crore).

¹³ The value of award passed in January 2007 for Rs 2.04 crore minus Rs 17.28 lakh assessed by the Revenue authorities at the time of submitting revised proposal in 1997. The preliminary valuation was not done in 1987-88.

¹⁴ The land acquisition officer has to give hearing to every objector who has given his objection in writing and submit his findings in the Report in a prescribed form to the Divisional Commissioner.

¹⁵ Andhra Pradesh Urban Finance and Infrastructure Development Corporation.

Given that the works were to be completed with a short span of eight to ten months, it was essential to have full funds available upfront for making timely payments to contractors to facilitate construction as per time schedule. However, it was observed that NMC entrusted (September 2005) the works under seven packages¹⁶ (estimated cost of Rs 7.82 crore) although it neither received funds from APUFIDC nor State Government Grants.

Despite the tight time schedule, it received funds belatedly in a piecemeal manner. First instalment (Rs 1.50 crore) was received in May 2006 by which time most of the contract periods were over. The second instalment (Rs 2.50 crore) was released in March 2007 long after the expiry of contract periods.

Due to award of works without ensuring availability of adequate funds to make timely payments to contractors, the contractors were reluctant to resume the works and requested to close the agreement due to high increase in price. There was no progress in work (December 2006) after completion to the extent of 32 to 72 *per cent* which in total worked out to Rs 3.41 crore, which was less than 50 *per cent* of the estimated value of these works, as detailed in *Appendix-9*. The cost of left over works in six packages¹⁷ escalated to an extent of Rs 1.22 crore¹⁸ (March 2009).

On this being pointed out, the Commissioner did not give specific reply for the above. Thus, entrustment of works to contractors under APURMS by NMC without ensuring adequate funds upfront resulted in non-completion of works even after lapse of four years as against the stipulated completion period of eight to ten months besides cost over run of the project to the extent of Rs 1.22 crore.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

3.2.8 Inappropriate mode of finance for construction of toilets

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

With a view to stop proliferation of dry toilets, open defecation and to remove the dehumanizing practice of manual scavenging, Government of India introduced an Integrated Low Cost Sanitation (ILCS) Scheme in 1980-81. The objective of the scheme is to convert / construct low cost sanitation units through sanitary two pits pour flush latrines with superstructures and construct new latrines where households have no latrines in urban areas.

¹⁶ Tenders for eighth and ninth packages (estimated cost Rs 1.92 crore) were not yet finalized.

¹⁷ Corporation felt revision for left over works in respect of seventh package (Rs 0.26 crore) was not necessary.

¹⁸ Revised estimated cost of balance works under six packages Rs 5.37 crore + the actual balance work of seventh package valued for Rs 0.26 crore minus the value of left over work as per original estimates Rs 4.41 crore.

Funding pattern adopted for construction of each individual ILCS unit¹⁹ was GOI subsidy (32 per cent), HUDCO loan (63 per cent) and beneficiary contribution (five per cent). Loan is to be repaid by the beneficiaries in 20 quarterly installments within a period of five years. The loan amount carries interest at 10.5 per cent or at the rate fixed by the Government from time to time.

Audit examined the methodology adopted for financing the construction. Audit has no comments with regard to Government subsidy and five per cent contribution by the beneficiaries. The following two conditions are essential for recovery of loan.

- Financial capability of the borrower to service the loan
- Effective recovery mechanism

The stipulation of loan component of 63 per cent would have been appropriate only if the above two conditions are fulfilled. These were not taken into account. Consequently, it was observed from the records of five municipalities that a meagre amount of Rs 0.72 lakh was recovered as against Rs 3.90 crore released (1994-2002) towards loan as detailed below:

(Rupees in lakh)

S. No.	Name of the Municipality	Year of release	Loan amount released to beneficiaries	Loan amount recovered	Outstanding loan amount	Percentage of recovery
1	Kovvur	1994-95	5.39	0.52	4.87	9.65
2.	Ongole	1999	171.83	--	171.83	Nil
3.	Bhimavaram	1998-02	58.40	--	58.40	Nil
4.	Tenali	1994-02	69.76	0.20	69.56	0.29
5.	Karimnagar	1999-02	84.41	--	84.41	Nil
Total			389.79	0.72	389.07	

The loan component should not have been built into the scheme but substituted by subsidy. This is based primarily on three grounds. Firstly, there was public interest in construction of toilets with immense benefits for improvement in health and sanitation. Secondly, stipulating a loan component when the beneficiaries are from the lower economic strata society and in the absence of effective recovery mechanism was conducive to loan default culture with ripple effect on any other loans given by Government agencies. Thirdly, having a loan component despite these limitations resulted in cumbersome task of maintaining accounts for so many beneficiaries in addition to unnecessary hassles for the poor borrowers. The deficiency in the design with regard to funding of the scheme needs to be modified.

¹⁹ Stage-II (1993-94) Rs 2752 to Rs 3752 (subsidy Rs 881/1201; loan Rs1734/2364; contribution Rs 137/188) State-II A (1998-99) Rs 4374 (subsidy Rs 1400; loan Rs 2756 and contribution Rs 218.

* The loan amount for each beneficiary was a petty amount of Rs 1734/2364/2756 to be recovered even in more insignificant installment of Rs 88/118/138 per quarter over a long period of five years each.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

3.2.9 Inordinate delay in construction of shopping complex

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



The project, 'Construction of shopping complex at Red Tank area' in Guntur was sanctioned (1995-96) at an approved cost of Rs 3.32 crore under Integrated Development of Small and Medium Town (IDSMT) Scheme to improve the financial position of the Guntur Municipal Corporation (GMC) apart from infrastructural development. Sufficient funds²⁰ were also released from time to time to the ULB. Scrutiny of records revealed (September 2008) that the construction of shopping complex was not completed (as of June 2009) and expenditure to the tune of Rs 2.26 crore was incurred. Following are the observations:

- The construction was initially entrusted (December 1996) to National Building Construction Corporation (NBCC) by the Government along with other projects under IDSMT sanctioned to different ULBs in the State. However, after execution of work valued Rs 1.25 crore, NBCC stopped (1998) the work for no specific reasons on record.
- The Government did not take effective action for completion of balance work. At a belated stage, in October 2002, the Government decided to complete the balance work. The original estimate was prepared on the basis of SSRs of 1995-96. In 2002 the estimates should have been recast based on latest SSRs to take into account the inflation factor. Such an exercise was not undertaken. Without recasting the estimates as per latest SSRs and to follow the open tender system, Government took a decision to entrust the left over works to sub-contractors of NBCC at original rates (1995-96). Further after a delay of more than two years GMC entrusted (May 2005) the leftover work valued Rs 2.49 crore²¹ to the sub-contractor (BDR Projects Pvt. Ltd). The contractor abandoned (January 2007) the work due to hike in material costs after execution of work valued Rs 1.01 crore.

²⁰ As of January 2006, funds to the tune of Rs 4.19 crore were released to the Corporation under IDSMT. Of this, Rs 81.19 lakh was utilised for completion of the other two components taken up under IDSMT and Rs 2.26 crore was incurred on the current project. Still Rs 1.12 crore was available in the accounts.

²¹ Based on SSRs 1995-96, the estimates were revised to Rs 3.74 crore in 2005 due to some additional items. Then the balance work to be entrusted was Rs 2.49 crore.

- Although the contractor expressed willingness with regard to execution of work at old rates (1995-96), no protective clause viz., rate of progress of the work, levy of liquidated damages, forfeiture of deposits and withheld amounts etc., was provided in the agreement concluded (May 2005) by GMC with the second contractor. This was not only against the codal provisions (APDSS) but also resulted in the GMC not being able to sue the contractor for incomplete works.

On this being pointed out, GMC, while giving no reasons for abandoning the work by the contractor, replied (June 2009) that it was proposed to complete the balance work on BOT basis in PPP mode. However, no concrete proposals / action plan was prepared by the GMC for completion of balance work.

Thus the inordinate delay in completion of shopping complex at Red Tank area by the GMC resulted in substantial amount of Rs 2.26 crore being locked up in an incomplete asset depriving the Corporation of augmentation of revenue.

The matter was reported to the Government (August 2009); reply had not been received (September 2009).

Hyderabad
The

(G.N SUNDER RAJA)
Principal Accountant General (Civil Audit)
Andhra Pradesh

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New Delhi
The

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Comptroller and Auditor General of India



Appendix- 1
(Reference to Paragraph 1.1.8 Page 12)

Statement showing the details of inadmissible expenditure under TFC grant during the year 2006-07

(in Rupees)

Sl.No.	Details of PRIs	Purpose	Amount diverted
Khammam district			
1.	Bhadrachalam (M): 2 GPs Aswapuram (M): 2 GPs	Purchase of electrical goods and code books	60,018
2.	Aswapuram (M): 1GP	Payment for construction of ISLs	12,375
3.	Chadrugunda (M) : 1 GP	Formation of roads/Gravelling	21,708
Chittoor district			
1.	GD Nellore (M): 1 GP Madanapalle (M) : 3 GPs	Formation/construction of roads	3,83,493
East Godavari district			
1.	Rajahmundry (M): 1 GP Pedapudi (M): 2 GPs Peddapuram (M): 1 GP Jaggampeta (M): 2 GPs Rajanagaram (M): 2 GPs	Construction/formation of roads and construction of shopping complex	8,16,735
2.	Katraulapalli of Jaggampeta Mandal	Amount transferred to State Finance Commission grant	10,000
West Godavari district			
1.	EE(RWS), Eluru EE(RWS) Kovvur Gummuluru of Poduru (M)	Amount diverted to other schemes/SFC/ General Fund	25,27,629
2.	Eluru (M): 2 GPs Poduru (M): 2 GPs Undrajavaram (M): 2 GPs	Amount diverted to ISLs (which was separately covered by ISL scheme of the State)	13,40,875
3.	Eluru (M): 3 GPs Poduru (M): 1 GP Penumantra (M): 2 GPs Undrajavaram (M): 1 GP	Payment of salaries	6,64,585
4.	Penumandam of Poduru (M) and Penumantra of Penumantra (M)	Construction of roads	2,55,312
5.	MPDO, Jangareddygudem	Sanitation (the grant was meant for maintenance of hand pumps)	6,000
Prakasam district			
1.	Podili (M): 2 GPs Ongole (M): 1 GP Chimakurthy (M): 1 GP	Construction of roads/Bus shelter	4,21,557
2.	Podili (M): 3 GPs Chimakurthy (M): 1 GP Ongole (M): 1 GP Ulavapadu (M): 3 GPs	Bore well spares (since the grant was released to GPs for maintenance of Protected Water Supply Schemes and Sanitation)	2,14,377
3.	Podili (M): 1 GP	Provident Fund subscription in respect of contract workers	1,10,000
Total			68,44,664

Appendix -2
(Reference to Paragraph 1.2.5 Page 21)

Statement showing the details of arrears in audit by the Director, State Audit despite finalisation of Annual Accounts

S.No.	Name of the Municipality	Annual Accounts received upto the year	Audit completed up to the year
1.	Hyderabad	2005-06	2003-04
2.	Visakhapatnam	2006-07	2002-03
3.	Vijayawada	2005-06	2004-05
4.	Warangal	2006-07	2005-06
5.	Rajahmundry	2006-07	2004-05
6.	Kurnool	2005-06	2004-05

Appendix -3
(Reference to Paragraph 2.2.6.1 Page 50)

Four stages for completion of GIS survey work

Stage I: Collection of data/drawings pertaining to properties (buildings, vacant lands) property tax, trade licenses, slums, infrastructure, utilities from MCH and other concerned departments and generation of required data.

StageII: Superimposition of House Numbering maps and NRSA maps provided by MCH. Ground verification of the maps has to be done and they shall be Geo-corrected and Geo-referenced with the help of NRSA maps supplied and ground truths to be verified approximately by field visits/survey etc.

Stage III: Digitization of infrastructure and utility networks. All data should be prepared in RDBMS suggested by MCH.

Stage IV: Customization of the GIS for easy usage to suit the needs of MCH. The Consultants should train the selected staff of the MCH.

Appendix-4**(Reference to Paragraph 2.2.7.1 and 2.2.7.2 Page 56 and 57)****Statement showing the list of Assessable Advertisement Units**

S.No.	Type of Assessable Advertisement Unit	Whether Permanent/Temporary
1.	Hoardings	Permanent
2.	Uni Poles	Permanent
3.	Central medians	Permanent
4.	Electronic boards	Permanent
5.	Arches/vertical signages/electric lamp poles etc., at Fly Overs	Permanent
6.	Foot Over Bridges	temporary
7.	Glow Sign/Neon Sign Boards	temporary
8.	Bus shelters	temporary
9.	Lit items at shops and establishments	temporary
10.	Cinema slides/short films	temporary
11.	Closed Circuit TV Ads.	temporary
12.	Balloons	temporary
13.	Banners on private buildings	temporary
14.	Umbrellas	temporary
15.	Pole panels	temporary
16.	Temporary shop attachment boards	temporary
17.	Advt. panels on modern toilets	temporary
18.	Tree guards	temporary
19.	Electrical Pole Kiosks	temporary
20.	Vehicles including APSRTC buses	temporary

Appendix-5**(Reference to Paragraph 2.2.7.5 Page 62)****Statement showing the details of erection of Arches awarded on BOT mode**

(Rupees in lakh)

No. of arches	Location	Contract amount	Remarks
2 Nos.	Both sides of HariHara Kalabhavan, Secunderabad	13.00	Ground Rent per annum
2 Nos.	Both sides of Begumpet Fly Over	33.00	-
2 Nos.	Khairatabad Fly Over	34.00	-
Lollipops/ Neon/Glow Sign Boards	Under Fly Over of Basheerbagh and Masab Tank.	20.00	-

Appendix-6
(Reference to Paragraph 2.2.8.2 Page 64)

A Statement showing the details of Building Permissions accorded by Town Planning wing of Main Office GHMC during July 2006

Sl No	Permit No.	Date	Name of the applicant	File No.	Date of receipt
Circle-1					
1	120/44	03-07-06	Abrar Ahmed Khan	1010/CSC/TP1/05	31-12-05
2	120/45	03-07-06	K Papayya Sastry	0979/05	19-12-05
3	120/46	15-07-06	B Gopalachary	0989/05	22-12-05
4	120/47	17-07-06	Ahmedulla Shameem	0963/05	13-12-05
5	120/48	17-07-06	Syed Ali Hashmath	0669/05	04-08-05
6	120/50	19-07-06	Shailaja Estates	0789/05	27-09-05
7	120/49	20-07-06	Dr.Fatima Sadia	072/06	02-02-06
8	120/51	24-07-06	K Soba Rani	061/06	30-01-06
Circle-4					
9	134/13	04-07-06	Abdul Hussain	0103/CSC/TP4/06	15-02-06
10	134/14	16-07-06	G Jayalaxmi	070/06	02-02-06
Circle-5					
11	116/89	17-07-06	R Revathi Rao	1001/05	27-12-05
12	116/90	18-07-06	G Srinivas Reddy	0987/05	21-12-05
13	116/91	18-07-06	Rajendra Prasad	065/06	01-02-06
14	116/92	18-07-06	K Laxmi Narayani	081/06	06-02-06
15	116/93	18-07-06	Ikram Ahmed Rasheed	705/JH/ACP5/06	--
16	116/94	20-07-06	Sri Sampada Constns	0439/CSC/TP5/05	09-05-05
17	116/95	31-07-06	Basanth Kaur	032/06	17-01-06
Circle-6					
18	85/36	15-07-06	Venugopal Singh	0564/CSC/TP6/05	27-09-05
19	85/37	21-07-06	K Chandraprakash	931/05	05-01-05
20	85/35	15-07-06	Gulam Mohd Khan	0482/05	02-05-06
21	85/38	31-07-06	Jitender Kumar	1034/04	24-05-05
Circle-7					
22	125/42	04-07-06	Mohd Ahmed	054/CSC/TP7/06	25-01-06
23	125/43	15-07-06	V Amarnath	0505/05	01-06-05
24	125/44	17-07-06	Ramesh Kalidas Sawhney	754/05	12-06-06
25	125/45	21-07-06	Zafferudin Khan	11/TP7/SD/2001	--

B Statement showing the details of Building Permissions accorded by Town Planning wing of Main Office of GHMC during September 2007

SI No	Permit No.	Date	Name of the applicant	File No.	Date of receipt
Circle-1					
1	120/75	20-9-07	T Prakash Rai	323/TP1/07	--
Circle-3					
2	138/93	1-9-07	B Ramalinga Reddy	0218/TP3/07	16-4-07
3	138/94	7-9-07	Pradeep Rao	096/07	23-2-07
4	138/100	19-9-07	Dr Gopal Naik	0195/07	9-4-07
5	138/99	19-9-07	Sutinder Singh	0197/07	9-4-07
6	138/97	17-9-07	K Mallikarjun	215/07	23-7-07
7	138/96	19-9-07	Md. Bayazeed Khan	273/07	7-5-07
8	138/98	19-9-07	Y Sayanarayana	321/07	23-5-07
9	138/95	14-9-07	B Venkata Subbaiah	378/07	19-6-07
10	154/1	21-9-07	R Droupadamma	330/07	26-5-07
11	154/2	21-9-07	V Pongaiah	020/07	12-1-07
12	154/3	24-9-07	Dr Moinuddin	0197/07	--
13	154/4	24-9-07	Jagannadh Shaha	0277/07	11-5-07
14	154/5	2-9-07	Bhanu Prakash	272/07	7-5-07
15	154/6	28-9-07	DSR Sarma	331/07	26-5-07
Circle-4					
16	134/53	17-9-07	S Kamala Bai	275/TP4/07	18-7-07
17	134/54	19-9-07	M Suresh Kumar	231/07	19-4-07
Circle-5					
18	139/32	22-9-07	Anganwadi Centre	A/5732/TP5/07	--
19	144/78	26-9-07	Aditya Homes pvt. Ltd.	338/CSC/TP5/07	25-6-07
Circle-6					
20	85/56	--	Maruthi Constns	0185/CSC/TP6/07	3-4-07
21	85/57	17-9-07	Md Kudnath Khan	304/07	27-7-07
Circle-7					
22	125/80	14-9-07	Ch Satish Kumar	282/CSC/TP7/07	--
23	125/81	14-9-07	Shailaja	280/07	--
24	125/82	19-9-07	D Srihari	276/07	--
25	125/83	19-9-07	N Premnaryaan	363/07	--
26	125/84	24-9-07	L Janardhan Reddy	459/07	--
27	125/85	24-9-07	G Annapurna	227/07	--
28	125/86	24-9-07	M Bhanu Prasad	226/07	--

Appendix 7

(Reference to Paragraph 3.1.3 Page 73)

Statement showing the details of loss of interest on Monthly Average Balances

(in Rupees)

Period	Monthly Average Balance	Interest @ 3.50 per cent
April'06 to June'06	2,12,01,417	1,85,512
July'06 to December'06	3,90,41,617	6,83,228
January'07 to June'07	3,98,37,987	6,97,165
July'07 to December'07	4,54,83,653	7,95,964
January'08 to June'08	4,42,13,503	7,73,736
July'08 to December'08	6,10,43,994	10,68,270
January'09 to February'09	1,68,98,220	98,573
Total		43,02,448

Appendix 8

(Reference to Paragraph 3.1.4 Page 74)

Statement showing the details of diversion of TFC grants to State Sponsored Scheme

(in Rupees)

Sl No	District	Amount released directly by ZPP to DM (Housing) and SE (RWS)	No. of ISLs targeted	No. of ISLs completed as of August 2008	The amount utilised as of August 2008	Balance amount with the executing authorities	
						DMs, Housing Corpn.	SE(RWS)
1	2	3	4	5	6	7	8
1	East Godavari	3,75,00,000	83,091	13,393	66,96,500	2,08,03,500	1,00,00,000
2	West Godavari	3,75,00,000	89,043	14,982	74,91,000	3,00,09,000	--
3	Prakasam	3,85,00,000	60,701	3622	18,11,000	2,47,14,000	1,19,75,000
4	Nalgonda	3,93,69,049	84,219	9,376	46,88,000	3,10,45,549	36,35,500
5	Khammam	3,64,22,000	81,370	2,900	14,50,000	99,58,100*	--
6	Chittoor	3,85,00,000	93,224	10,922	54,61,000	3,30,39,000	--
	Total	22,77,91,049	4,91,648	55,195	2,75,97,500	14,95,69,149	2,56,10,500

*DM Housing has refunded an amount of Rs 2,50,13,900 in July 2008 to CEO/ZPP, Khammam.

Appendix 9
(Reference to Paragraph 3.2.7 Page 84)

Statement showing the details of cost of left over works

(Rupees in lakh)

SNo	Name of the work	Estimated cost	Contract value	Expenditure incurred	Balance work left over (w.r.t estimates)	Value of work as per revised estimates	Cost over run
Package-1							
1.	Providing CC road from Janardhan Reddy Colony to Venkateswarapuram	160.27	131.22	94.04	66.23	85.50	19.27
Package-2							
2.	Providing CC Road from Podalakuru Road to Ramachandra Mission/Nellore Tank	150.21	130.82	71.64	78.57	65.43	-
3.	Providing BT road from Mahatma Gandhi Nagar ELSR to Ramachandra Reddy Nagar and VMR Nagar						
4.	Providing BT road to Mahatma Gandhi Nagar ELSR road from GNT Road to Podalakur Road						
Package-3							
5.	Providing CC road from Mypadu road to Zakir Hussain Nagar	149.27	123.78	81.09	68.18	112.71	44.53
6.	Providing CC road from Mypadu road to Rajiv Gandhi Colony main road						
7.	Providing BT road railway feeder road from railway station to Ranganayakula Pet main road						
Package-4							
8.	Providing BT road from Chitha Reddy palem Road to Balija Palem, Korivivari Kandriga, Krishnapatnam Road	90.21	70.32	22.35	67.86	105.50	37.64
9.	Providing BT road from MG road to Vedayapalem Railway station Road						
Package-5							
10.	Providing BT road from Krishna Patnam Road to NH-5 Bypass road connecting LIC Colony	86.68	66.61	21.49	65.19	95.80	30.61
11.	Providing BT road for Chinth Reddy palem Road						

SNo	Name of the work	Estimated cost	Contract value	Expenditure incurred	Balance work left over (w.r.t estimates)	Value of work as per revised estimates	Cost over run
Package-6							
12.	Providing CC road from Mini bye pass road to Muthyalapalem	66.59	49.55	17.26	49.33	72.46	23.13
13.	Providing CC Road and Foot path to Chintha Reddy palem road to Krishnapatnam Road at Apollo Hospital Junction.						
Package-7							
14.	Providing CC drain Mypadu Road to Rajiv Gandhi Colony main road	78.70	59.10	32.94	45.76	Not prepared	
15.	Providing CC drain MG Nagar to Ramachandra Reddy Nagar and VMR Nagar						
16.	Providing CC drain GNT Road, Vedayapalem Railway Station Road						
Package-8							
17.	Providing 315 mm OD HDPE pumping main head water works to Mulapet ELSR	Not started					
18.	Providing 315 mm OD HDPE pipeline in AC Nagar main road						
19.	Providing 280 mm OD HDPE pipe line from survey palli canal bridge existing main to Harinadhapuram ELSR						
20.	Providing 280 mm OD HDPE pipe line from Mahabub Khan park ELSR to Pedda bazaar						
21.	Providing 100 KL sump at Harinadhapuram ELSR						
Package-9							
22.	Providing 400 mm dia pipe line from Mulapet ELSR to Padmavathi center in Podalakur road via Batwadi palem center	Not started					

GLOSSARY

AC	: ADDITIONAL COMMISSIONER
AD	: ASSISTANT DIRECTOR
AMR	: ALIMINETI MADHAVA REDDY
AP	: ANDHRA PRADESH
APAO	: ASSISTANT PAY AND ACCOUNTS OFFICER
APARD	: ANDHRA PRADESH ACADEMY OF RURAL DEVELOPMENT
APDPC	: ANDHRA PRADESH DISTRICT PLANNING COMMITTEE
APDSS	: ANDHRA PRADESH DEPARTMENTAL STANDARDS AND SPECIFICATIONS
APEDCL	: ANDHRA PRADESH ELECTRICITY DISTRIBUTION COMPANY LIMITED
APLA	: ANDHRA PRADESH LEGISLATIVE ASSEMBLY
APLC	: ANDHRA PRADESH LEGISLATIVE COUNCIL
APMAM	: ANDHRA PRADESH MUNICIPAL ACCOUNTS MANUAL
APPR ACT	: ANDHRA PRADESH PANCHAYAT RAJ ACT
APSRTC	: ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION
APTC	: ANDHRA PRADESH TREASURY CODE
APTRANSCO	: ANDHRA PRADESH TRANSMISSION CORPORATION
APUFIDC	: ANDHRA PRADESH URBAN FINANCE AND INFRASTRUCTURE DEVELOPMENT CORPORATION
APURMSP	: ANDHRA PRADESH URBAN REFORMS AND MUNICIPAL SERVICES PROJECT
APUSP	: ANDHRA PRADESH URBAN SERVICES FOR THE POOR
ARV	: ANNUAL RENTAL VALUE
BC	: BUILDING COMMITTEE
BG	: BANK GUARANTEE
BOT	: BUILD, OPERATE AND TRANSFER
BPS	: BUILDING PENALISATION SCHEME
BRGF	: BACKWARD REGION GRANT FUND

C&AG	: COMPTROLLER AND AUDITOR GENERAL OF INDIA
C&SO	: COMMISSIONER AND SPECIAL OFFICER
CAP	: COMPREHENSIVE ACTION PLAN
CC	: CURRENT CONSUMPTION
CC	: CEMENT CONCRETE
CDMA	: COMMISSIONER AND DIRECTOR OF MUNICIPAL ADMINISTRATION
CDS	: CENTRE FOR DEVELOPMENT STUDY
CEO	: CHIEF EXECUTIVE OFFICER
CPR&RE	: COMMISSIONER PANCHAYAT RAJ & RURAL EMPLOYMENT
CPWS	: COMPREHENSIVE PROTECTIVE WATER SUPPLY
DC	: DEPUTY COMMISSIONER
DD	: DRAFT DECLARATION
DDO	: DRAWING AND DISBURSING OFFICERS
DM	: DISTRICT MANAGER
DN	: DRAFT NOTIFICATION
DPC	: DISTRICT PLANNING COMMITTEE
DPO	: DISTRICT PANCHAYAT OFFICER
DRR	: DEPARTMENTAL ROAD ROLLERS
DSCS	: DISTRICT SCHEDULED CASTE SOCIETY
DTCP	: DIRECTOR TOWN AND COUNTRY PLANNING
DWMA	: DISTRICT WATER MANAGEMENT AGENCIES
DWSC	: DISTRICT WATER SANITATION COMMITTEE
DY CEO	: DEPUTY CHIEF EXECUTIVE OFFICER
EAS	: EMPLOYMENT ASSURANCE SCHEME
EE	: EXECUTIVE ENGINEER
EFC	: ELEVENTH FINANCE COMMISSION
EMD	: EARNEST MONEY DEPOSIT
FCI	: FOOD CORPORATION OF INDIA
FOB	: FOOT OVER BRIDGE
FRAC	: FAIR RENT ASSESSMENT COMMITTEE
FSD	: FURTHER SECURITY DEPOSIT
FYC	: FUND YOUR CITY
GF	: GENERAL FUND

GHMC	: GREATER HYDERABAD MUNICIPAL CORPORATION
GIS	: GEOLOGICAL INFORMATION SYSTEMS
GMC	: GUNTUR MUNICIPAL CORPORATION
GOAP	: GOVERNMENT OF ANDHRA PRADESH
GOI	: GOVERNMENT OF INDIA
GP	: GRAM PANCHAYAT
GPF	: GENERAL PROVIDENT FUND
GS	: GRAM SABHA
H ₂ S & MPNS	: CHEMICAL PRESENT IN DRINKING WATER
HBA	: HOUSE BUILDING ADVANCE
HMC	: HYDERABAD MUNICIPAL ACT
HMWS&SB	: HYDERABAD METRO WATER SUPPLY & SEWERAGE BOARD
HUDCO	: HOUSING AND URBAN DEVELOPMENT CORPORATION
IDSMT	: INTEGRATED DEVELOPMENT OF SMALL AND MEDIUM TOWNS
ILCS	: INTEGRATED LOW COST SANITATION
INDIRAMMA	: INTEGRATED NAVAL DEVELOPMENT IN RURAL AND MODEL MUNICIPAL AREAS
IOCL	: INDIAN OIL CORPORATION LIMITED
ISL	: INDIVIDUAL SANITARY LATRINES
IT	: INCOME TAX
IT	: INFORMATION TECHNOLOGY
LA ACT	: LAND ACQUISITION ACT
LOC	: LETTER OF CREDIT
MA&UD	: MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT
MCH	: MUNICIPAL CORPORATION OF HYDERABAD
MLA	: MEMBER OF LEGISLATIVE ASSEMBLY
MLC	: MEMBER OF LEGISLATIVE COUNCIL
MNP	: MINIMUM NEEDS PROGRAMME
MOU	: MEMORANDAM OF UNDERSTANDING
MP	: MEMBER OF PARLIAMENT
MPDO	: MANDAL PARISHAD DEVELOPMENT OFFICER

MPLAD	: MEMBER OF PARLIAMENT LOCAL AREA DEVELOPMENT
MPP	: MANDAL PRAJA PARISHAD
MPWSS	: MINI PROTECTED WATER SUPPLY SCHEME
MS	: MEMBER SECRETARY
MSW	: MUNICIPAL SOLID WASTE
NBCC	: NATIONAL BUILDING CONSTRUCTION CORPORATION
NDWSC	: NELLORE DISTRICT WATER AND SANITATION COMMITTEE
NIC	: NATIONAL INFORMATIC CENTER
NMAM	: NATIONAL MUNICIPAL ACCOUNTS MANUAL
NMC	: NELLORE MUNICIPAL CORPORATION
NMR	: NOMINAL MUSTER ROLL
NREGS	: NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME
NRSA	: NATIONAL REMOTE SENSING AGENCY
NSDP	: NATIONAL SLUM DEVELOPMENT PROGRAMME
NTSP	: NON TRIBAL SUB PLAN
O&M	: OPERATION AND MAINTENANCE
PAO	: PAY AND ACCOUNTS OFFICER
PD	: PERSONAL DEPOSIT ACCOUNT
PHC	: PUBLIC HEALTH CENTRES
PPP	: PUBLIC PRIVATE PARTNERSHIP
PR & RD	: PANCHAYAT RAJ AND RURAL DEVELOPMENT
PR & RE	: PANCHAYAT RAJ AND RURAL EMPLOYMENT
PRED	: PANCHAYAT RAJ ENGINEERING DIVISIONS
PRI	: PANCHAYAT RAJ INSTITUTION
PRIA	: PANCHAYAT RAJ INSTITUTIONS ACCOUNTS
PT	: PROFESSIONAL TAX
PTCG	: PROFESSION TAX COMPENSATION GRANT
RDBMS	: RELATIONAL DATABASE MANAGEMENT SYSTEM
RIDF	: RURAL INFRASTRUCTURE DEVELOPMENT FUND
RR Act	: REVENUE RECOVERY ACT
RSVY	: RASHTRIYA SWAYAM VIKAS YOZANA
RWHP	: RAIN WATER HARVESTING PITS

RWS	: RURAL WATER SUPPLY
SB	: SAVINGS BANK
SC	: SCHEDULED CASTE
SFC	: STATE FINANCE COMMISSION
SGRY	: SAMPOORNA GRAMEENA ROZGAR YOJANA
SPSR	: SRI POTTI SREE RAMULU
SSC	: STRUCTURAL STABILITY CERTIFICATE
SSFC	: STATE SECOND FINANCE COMMISSION
SSR	: STANDARD SCHEDULED RATES
ST	: SCHEDULED TRIBE
SWM	: SOLID WASTE MANAGEMENT
T&P	: TOOLS AND PLANT
TA	: TRAVELLING ALLOWANCE
TDS	: TAX DEDUCTED AT SOURCE
TFC	: TWELTH FINANCE COMMISSION
TGS	: TECHNICAL GUIDANCE AND SUPPORT
TSP	: TRIBAL SUB PLAN
UBS	: URBAN BASIC SERVICES
UC	: UTILISATION CERTIFICATE
ULBs	: URBAN LOCAL BODIES
ULCCC	: URBAN LAND CEILING CLEARANCE CERTIFICATE
VAT	: VALUE ADDED TAX
VLT	: VACANT LAND TAX
VUDA	: VISAKHAPATNAM URBAN DEVELOPMENT AUTHORITY
W&CW	: WOMEN AND CHILD WELFARE
ZPP	: ZILLA PRAJA PARISHAD