CHAPTER III

AUDIT OF TRANSACTIONS

PANCHAYAT RAJ & RURAL EMPLOYMENT DEPARTMENT AND PANCHAYAT RAJ & RURAL DEVELOPMENT DEPARTMENT

3.1 PANCHAYAT RAJ INSTITUTIONS

3.1.1 Lapses in operation of House Building Advance account

Operation of House Building Advance account by Zilla Praja Parishad, Warangal suffered from various lapses.

With a view to give the benefit of payment of House Building Advances to the staff of PRIs from the State Funds, the Government of Andhra Pradesh issued (December 1989) orders according to which funds would be released to the ZPPs as loan repayable in 10 equal annual installments with a moratorium of two years. The loan amount would carry interest at 8 ½ *per cent* or at a 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 records of Zilla Praja Parishad (ZPP), Warangal revealed that the Government of Andhra Pradesh released (1990-2004) an amount of Rs 1.17 crore towards HBA. The following lapses were noticed in operation of HBA account.

Remittances to Government

- Instead of remitting the installments of loan amounts annually (from 1992), ZPP remitted the installments only four times in 1998, 2005, 2008 and 2009.
- Despite making recoveries from the employees, ZPP remitted only an amount of Rs 67.84 lakh to the end of October 2009 as against the principal of Rs 1.02 crore (March 2009) and interest of Rs 54.06 lakh (March 2004)[1] due for remittance to the Government.

Maintenance of separate account

The recoveries effected from the staff were adjusted (upto 2001) to the general fund instead of a separate revolving fund account to be maintained for the purpose.

Diversion of HBA recovered amount / HBA grant

- ZPP released (1990-2004) an amount of Rs 1.82 crore towards HBA to the staff against the Government grant of Rs 1.17 crore. Excess amount of Rs 65.15 lakh was diverted from HBA recovered amount without fulfilling remittance obligation.

[1] Details of interest due as on March 2009 were not furnished.

- An amount of Rs 19.00 lakh was diverted (2004-05) towards construction of ZPP quarters from the HBA grant.

On the lapses being pointed out, the Chief Executive Officer, ZPP replied (November 2009) that separate account was not maintained due to lack of proper guidance and action was being taken to remit the outstanding dues to the Government. There was no periodical watch both at the Commissioner as well as the Government level over the amounts due to be remitted to the Government. The State Audit also did not highlight the lapses despite conducting regular audit of the accounts of PRI.

Thus the lapses in operation of HBA account by ZPP, Warangal resulted in accumulation of dues to the extent of Rs 88.22 lakh[2] besides diversion of recoveries to other purposes.

The matter was reported to the Government (December 2009); reply had not been received (October 2010).

3.1.2 Short receipt of grants by PRIs

Adoption of outdated census (1991) for release of per capita grant to PRIs resulted in deprival of their legitimate source of revenue to the extent of Rs 21.02 crore.

In conformity with the provisions[3] of Andhra Pradesh Panchayat Raj Act, 1994, the State Government issued orders (June 1998) to pay every year per capita grant to Zilla Praja Parisads (ZPP), Mandal Praja Parishds (MPP) and Gram Panchayats (GP), a sum calculated at the rate of rupees four, eight and four respectively per person residing in the ZPP, MPP and GP concerned in the State according to the latest census figures. This grant is released to augment their revenue resources.

The per capita grant forms part of the General Fund of the respective PRIs from which various developmental activities viz., up gradation, maintenance and restoration of existing assets; undertaking of SC, ST, Women and Child Welfare programmes; improvements for drinking water etc., would be taken up by them besides meeting their office management, establishment expenditure and unforeseen contingencies.

Scrutiny of records[4] pertaining to release of per capita grants to PRIs during the years 2007-08 and 2008-09 revealed that instead of adopting 2001 population census, the State Government released per capita grant to PRIs based on 1991 census, which resulted in short receipt of funds by PRIs to the tune of Rs 21.02 crore as detailed in Table 3.1 below:

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[2] Principal of Rs 1.02 crore (March 2009) + interest of Rs 54.06 lakh (interest as on March 2004, as interest due as on March 2009 were not furnished) – Rs 67.84 lakh remitted to the Government.

[3] Sub-section (1) of Section 268 read with Section 74 (GPs), 172 (MPPs) and 198 (ZPPs).

[4] Short release of Per capita grant was noticed in all test checked PRIs.

Table 3.1

(Rupees in crore)

S.No.	PRIs	Rural Population as per 2001 census	Per capita grant for the years 2007-08 and 2008-09		Shortfall
			To be released	Released	
1	ZPP	55223944	44.18	41.52	2.66
2	MPP		88.36	72.66*	15.70
3	GP		44.18	41.52	2.66
Total			**176.72**	**155.70**[5]	**21.02**

*In case of MPPs, even with reference to 1991 census there was short fall in release of funds to the extent of Rs 10.38 crore during 2007-08.

On this being pointed out, the Commissioner/PR stated (January 2010) that the Government was addressed to make sufficient provision in the budget to release per capita grant as per the latest census but the same was not considered by the Government.

Thus the adoption of outdated census (1991) by the State Government for release of per capita grant to PRIs resulted in deprival of their legitimate source of revenue of Rs 21.02 crore and also reduced the availability of funds to that extent for various socio-economic development activities to be implemented in rural areas.

The matter was reported to the Government (April 2010); reply had not been received (October 2010).

3.1.3 Loss of revenue

Lapses in management of ferry operations by the MPDO Kotipally Gangavaram led to loss of revenue of Rs 25.26 lakh.

According to the provisions of Andhra Pradesh Panchayat Raj Act, the management of a ferry vests in Mandal Praja Parishad if the road connecting the ferry is maintained by the Mandal Praja Parishad concerned. The fees through ferry can be collected either by the MPP concerned or by disposing the collection rights to the private person through auction and tender system. The Commissioner Panchayat Raj and Rural Employment (CPR&RE) issued (March 1999) specific guidelines for conducting auctions for ferries. The amount realized from the ferry operation would be apportioned among the ZPP, MPP and GPs in the ratio of 25:37.5:37.5.

Audit scrutinised records pertaining to the management of Kotipally ferry by the MPP Kotipally Gangavaram, East Godavari district for the years 2007-08 and 2008-09. The following were the two major lapses.

a) Deficiencies in auctioning the toll collection rights of ferry leading to litigation and not being able to award the work to private parties.

b) Shortfall in collection of revenue by the department. Consequently there was a loss of revenue to the extent of Rs 25.26 lakh.

[5] Details as furnished by the Commissioner PR&RE.

The details are as follows:

2007-08

Mandal Parishad Development Officer (MPDO) decided to introduce private operator instead of operating the ferry departmentally and auctions for the period July 2007 to June 2008 were conducted on 30 June 2007. Against the upset price of Rs 16.12 lakh (12 months), the highest three offers received were for Rs 20 lakh, Rs 18 lakh and Rs 17.55 lakh.

One of the Mandal Parishad Territorial Constituencies (MPTC) challenged the tender proceeds and filed (2007) a writ petition on the ground that auction notice was not in accordance with the guidelines[6] issued by CPR&RE. As a result ferry collection rights were not leased out to any private party and ferry was operated departmentally. In this connection the following are the audit observations.

- The ferry was to be operated by a private party with effect from 1 July 2007. The auctions should have been conducted well in advance in order to sort out any teething problems. But this was done at a belated stage on 30 June 2007.
- Given the substantial revenue implications, the MPDO should have carried out the auction proceedings in a fair and transparent manner to avoid litigation. There was failure to follow the procedure stipulated.
- The department earned a meagre net revenue of Rs 5.20 lakh against the amounts (Rs 17.55 lakh to Rs 20 lakh[•]) offered by bidders.

2008-09

Auctions for the period from July 2008 to March 2009 were conducted at a belated stage on 21 June 2008. Against the upset price of Rs 11.24 lakh (9 months), the highest three offers received were for Rs 15 lakh, Rs 14 lakh and Rs 12.52 lakh.

The MPDO failed to get the court case cleared before conducting the auction for 2008-09 by promising to abide by the stipulated procedure. The highest bidder was unable to conclude the agreement as the court case in respect of auction conducted for 2007-08 was still pending. Consequently, the ferry was operated departmentally during the year and as against the amounts (Rs 12.52 lakh to Rs 15 lakh) offered by bidders, a net amount of Rs 4.54 lakh was only earned by the department.

[6] Certain conditions viz., getting the approval of Collector, publishing the tender notices in News papers having large circulation in the State, the minimum gap of 15 days between the date of publication of tender notice and date of auction etc, were not fulfilled.

[•] The operational cost has been excluded as the amount offered by the bidders would be after deduction of operational expenses and profit element.

Thus failure to conduct auctions in a fair and transparent manner to avoid litigation led to loss of revenue to the extent of Rs 25.26 lakh[7] on collection of fees for the period July 2007 to March 2009.

The matter was reported to the Government (May 2010); reply had not been received (October 2010).

3.1.4 Raising of bio-diesel plantation

Deficiencies in raising of bio-diesel plants on which an expenditure of Rs 13.32 crore was incurred resulted in failure of the bio-diesel plantation.

The State Government decided (January 2006) to raise "bio-diesel plantations" under NREGS to convert barren lands into productive lands. Test check of six[8] Mandals and 24[9] Gram Panchayats in three districts (Chittoor, Adilabad and Nalgonda) revealed the following:

Preparatory stage:

A key feature of the NREGS is prioritization of items to be taken up for execution. Creation of durable community assets is one of the objectives of the scheme. If raising of bio-diesel plantations has been preferred, it was essential that this activity be feasible by way of providing sustainable income to the beneficiaries. The scheme was started without a tie up with the end user of the plantations that would be raised. The feasibility report indicating the financial cash flows was also not prepared. Without undertaking such an elementary but vital exercise the scheme was implemented.

Execution stage:

The following agencies were involved in implementation of the bio-diesel plantations.

Sl.No.	Details of processes	Agency involved
1.	Raising of saplings	Divisional Forest officers (DFO)
2.	Supply of saplings at the district level	District Water Management Agency (DWMA)
3.	Plantation	Mandal Parishad Development officers

[7] 2007-08 (Rs 20 lakh minus Rs 5.20 lakh) Rs 14.80 lakh
2008-09 (Rs 15 lakh minus Rs 4.54 lakh) Rs 10.46 lakh
Total **Rs 25.26 lakh**

[8] **Adilabad district** - Kuntala and Tiryani, **Chittoor district** - Gangadhar Nellore and Gangavaram, **Nalgonda district** - Narkatpalle and Nuthankal.

[9] **Adilabad district** - Kalluru, Chkepalle, Downelli, Turati, Mangi, Pangidi Madaram, Gaddalpalli and Laddiguda; **Chittoor district** - Kalivedu, Pathapalem, Thugundram, Vizzupalle, Gangavaram, Keelapatla, Mamadugu and Pattikonda; **Nalgonda district** - A.P.Lingota, Pallepahad, Cheruvugattu, Nandra, Chandupatla, Manindla Madava, Yedavelli and Pedanemila

Mismatch between digging of pits and saplings to be planted

There was no coordination between the agencies (DFOs and MPDOs) involved in raising of saplings and plantation. Without obtaining the data relating to the number of saplings to be lifted from nurseries, pits were dug in advance (more than 90 *per cent* during 2006-07) in the lands of NREGS beneficiaries. As against 147.81 lakh pits dug in three test checked districts during 2006-09, 64.59 lakh pits were only utilised for plantation leaving 83.22 lakh pits (56 *per cent*) unplanted to the end of 2009 although sufficient plants were available with MPDOs. The expenditure incurred on excess digging of pits as arrived by audit was Rs 4.99 crore, as detailed in Table 3.2 below.

Table 3.2

(Rupees in lakh)

S.No	District	Total number of pits dug and the expenditure incurred		Number of pits in which saplings were planted	Pits left unplanted	Expenditure on unplanted pits
		Pits	Amount			
1	Adilabad	7152667	429.16	2955556	4197111	251.83
2	Nalgonda	3494667	209.68	1701587	1793080	107.58
3	Chittoor	4133833	248.03	1801587	2332246	139.93
Total		**14781167**[10]	**886.87**	**6458730**	**8322437**	**499.34**

During the period 2006-09, saplings were raised in nurseries and supplied to MPDOs for distribution and plantation in the lands belonging to NREGS beneficiaries. Details of saplings raised in the nurseries and lifted by MPDOs for plantation in the test checked districts were given in Table 3.3 below:

Table 3.3

(Rupees in crore)

S No	District	Total number of saplings raised and the expenditure incurred		Number of saplings supplied to MPDO	Number of saplings planted	Saplings left unplanted with MPDO
1	Adilabad	5698000	1.20	5433000	2955556	2477444
2.	Nalgonda	8544500	2.45	2346624	1701587	645037
3.	Chittoor	10790000	3.19	8492400	1801587	6690813
Total		**25032500**	**6.84**	**16272024**	**6458730**[11]	**9813294**

Shortfall in planting of saplings

- It would be seen from above that the saplings lifted by MPDOs were not planted in full and 98.13 lakh saplings were left unplanted, the value of which was Rs 2.68 crore[12].

[10] This was arrived at by dividing the total expenditure of pitting by the cost stipulated for each pitting.
[11] This was arrived at by dividing the total expenditure of plantation by the cost stipulated for planting of each plant.
[12] Computed on pro-rata basis (98.13 lakh plants / 250.32 lakh plants x Rs 6.84 crore).

- The existing survival rate was examined by audit in test checked districts. In Adilabad district, the survival rate of bio-diesel plants as per the consolidated report was only 14 *per cent* to the end of March 2009, whereas no evaluation reports were furnished to audit in respect of Nalgonda and Chittoor districts. The percentage of survival rate in respect of two test checked GPs (Chandupatla and Chervugattu) of Nalgonda districts ranged between 2 and 5. The PD, DWMA of Adilabad and MPDOs in Chittoor and Nalgonda districts attributed the failure to unsuitable soils, unseasonal rains and improper maintenance of plants by NREGS beneficiaries. This indicates inefficiency of implementing agencies. Uncertainty of rains is a known factor. The sites were however selected without being assured of water essential for survival. There was deficient training / co-ordination with beneficiaries with regard to maintenance.

The Government stated (June 2010) that some plants died during transportation for supply to MPDOs and claimed that the balance were planted. However, the Government's reply is not in conformity with the records maintained by District level authorities (PD, DWMA) with regard to supply of plants to MPDOs. The amount booked towards expenditure contradicts the Government reply with regard to number of saplings planted.

Thus, the raising of bio-diesel plantations on which an expenditure of Rs 13.32[13] crore was incurred in preference to building durable **community assets** was not handled in a professional manner. The farmers were deprived of utilizing the land for alternative purposes.

[13] Expenditure incurred on total pits dug Rs 8.87 crore and plants lifted by MPDOs Rs 4.45 crore was taken into account.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT DEPARTMENT

3.2 URBAN LOCAL BODIES

3.2.1 Non-augmentation of revenue

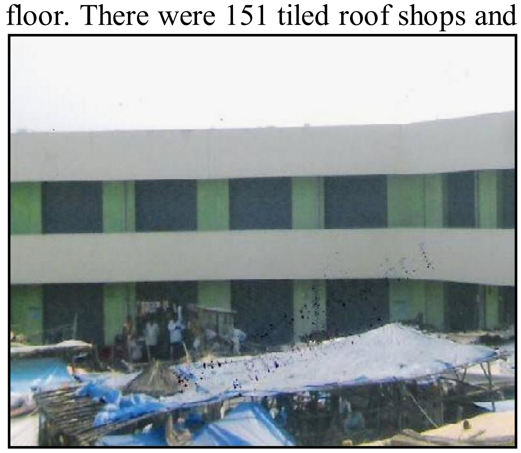
Inappropriate procedure adopted by the Commissioner, Srikakulam municipality for allotment of shops to old vendors in the new shopping complex resulted in non-augmentation of revenue to the extent of Rs 47.77 lakh and the expenditure of Rs 1.76 crore incurred on the shopping complex locked up in an idle asset.

Srikakulam municipality undertook (May 2006) construction of shopping complex (204 shops[14]) at municipal market under Integrated Development of Small and Medium Towns (IDSMT) scheme and completed (December 2008) at a cost of Rs 1.76 crore. The new construction was taken up by dismantling old shops (169 Nos) as the existing structures were in dilapidated condition and also to promote the revenue generation of the municipality.

Before taking up new construction of shopping complex in place of old shops occupied by 169 vendors, the municipality resolved (July 2006) to accommodate the existing lease holders in the new shopping complex and 25 *per cent* of the existing rent was collected[15].

Construction of the shopping complex involved substantial outlay. The municipality was already earning revenue from the old shops. Smooth transition to the new shopping complex was vital.

In the old complex the accommodation to the tenants was non-uniform and they were all located on the ground floor. There were 151 tiled roof shops and 18 sheds. The new complex had 91 shops, 30 sheds and 28 temporary shops in ground floor and 55 shops in first floor.



Before undertaking construction of the shopping complex the critical issue of how the old tenants would be accommodated in the new complex was not sorted out. Even though all the shops were not uniform, common lottery system was followed (July 2009) for allocation of shops to the old 169 vendors in the new shopping complex (ground & first floor). Some of the merchants were aggrieved[16] over

[14] 146 permanent shops, 30 permanent sheds and 28 temporary shops.

[15] Rs 3.94 lakh collected from May 2006 to October 2009. As per the council resolution 25 *per cent* of the existing rent would be collected till allotment of shops in new complex.

[16] A common lottery system was followed for all the 169 shops which included both shops and sheds paid at different rates of rents in old complex.

the allotment and approached the court of law. As a result all the 204 shops remained vacant till date (December 2009) due to stay order passed (August 2009) by the Court.

Thus the inappropriate procedure adopted by the Commissioner, Srikakulam municipality for allotment of shops to the old vendors in the new shopping complex resulted in non-augmentation of revenue to the extent of Rs 47.77 lakh[17] and the expenditure of Rs 1.76 crore incurred on the shopping complex locked up in an idle asset.

The matter was reported to the Government (January 2010); reply had not been received (October 2010).

3.2.2 Deficient planning in execution of Andhra Pradesh Urban Reforms and Municipal Services Project works

Entrustment of works to contractor under Andhra Pradesh Urban Reforms and Municipal Services Project by Vikarabad Municipality without ensuring adequate funds upfront resulted in non-completion of works even after lapse of over three years as against the stipulated completion period of eight months and an amount of Rs 28.40 lakh remained blocked in incomplete assets.

With the intention to develop the infrastructural facilities and bring about environmental improvements in slum areas of Urban Local Bodies, the Commissioner and Director of Municipal Administration, Urban Development Department sanctioned (August 2005) four packages (involving nine CC road works apart from an underground drainage and water supply work) under Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) to Vikarabad Municipality at an estimated cost of Rs 3.28 crore. The project was to be funded in the ratio 90:10 by APUFIDC[18] and municipality respectively. The Government deferred the fourth package estimated at Rs 1.61 crore and for which no specific reasons were on record.

All the projects were of short duration of about eight months. Given that the works were to be completed with a short span of eight months, it was essential to have full funds available upfront for making timely payments to contractors to facilitate completion of works as per time schedule.

Scrutiny of records of the work revealed the following:

- Without ensuring availability of full funds in advance to complete the works, municipality entrusted (March 2006) the works to contractor under three packages[19] at an agreement of value of Rs 1.73 crore.

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[17] Monthly rents for Rs 3,98,100 (1 shop each @ 2100, 2800, 3400, 4000, 5000 = 17300, 2 shops each @ 1150, 1200, 1800 = 8300, 36 shops @ 1250=45000, 40 shops @ 1500=60000, 50 shops @ 2000=100000, 67 shops @ Rs 2500 = 167500) for 12 months (January 2009 to December 2009) = 47,77,200.

[18] Andhra Pradesh Urban Finance and Infrastructure Development Corporation.

[19] Package I (3 works – CC roads Package II (6 works –CC roads and water supply works) Package III (1 work – CC roads) estimated at Rs 1.67 crore.

- Government released only an amount of Rs 85.28 lakh and that too in installments. An amount of Rs 17 lakh was released in March 2006 and the balance amount of Rs 68.28 lakh was released in three spells viz., Rs 22 lakh in April 2006, Rs 26.28 lakh in February 2007 and Rs 20 lakh in May 2008.
- Except the works under third package[20], all the remaining works stood incomplete to end of agreement period of November 2006. Even in May 2007, the progress of work was tardy ranging from 8 to 72 *per cent* under first and second packages. At this stage the contractor expressed (May 2007) his inability to proceed further on account of increase in material cost. The expenditure incurred up to the end of May 2007 on first and second packages was Rs 28.40 lakh and the cost of remaining works worked out to Rs 83.20 lakh approximately.

The Commissioner stated (October 2009) that the contractor's plea for revision of rates was turned down and proposals were submitted to the Government for re-inviting tenders for left over works. So far the agreement was not cancelled and the information with regard to further progress is awaited from the Commissioner.

The above observation was communicated to the Government and CDMA (HOD of MA&UD Department) duly pointing out the failure of the Committees at the State level responsible to approve the projects submitted by the ULB and monitor and review the implementation of the project for timely completion. But the reply is awaited.

Thus, entrustment of works to contractor under APURMSP without ensuring adequate funds upfront to complete the works resulted in non-completion of works even after lapse of over three years as against the stipulated completion of eight months. An amount of Rs 28.40 lakh remained blocked in incomplete assets. Thus the key objective of improving infrastructure in urban slums by providing adequate water supply facilities and roads remained unachieved.

The matter was reported to the Government (January 2010); reply had not been received (October 2010).

3.2.3 Deficient planning in commissioning of e-Seva centres

Lack of integrated approach in execution of various components of works relating to commissioning of e-Seva centres resulted in non-fulfillment of the objective of improving service delivery mechanism of the municipalities for the citizens besides blocking of Rs 25.69 lakh in incomplete assets.

State Government (MA&UD) decided to establish e-Seva centres by Urban Local Bodies at important locations convenient to citizens, with computerized on-line facility to provide services like payment of electricity and telephone

[20] completed at a cost of Rs 46.09 lakh

bills, sale and acceptance of Passport applications, reservation of APSRTC bus tickets, sale of non-judicial stamps, issue of birth/death certificates, payment of property tax, issue/renewal of trade licenses and acceptance of trade license fee etc.

The components and the authorities involved in commissioning of e-Seva centres are as follows.

S.No	Details of component	Authority
1.	Construction of structure for operating e-Seva centre	Commissioner and Director of Municipal Administration and the Urban Local Body concerned
2.	Installation of computers with required software	The Commissioner, Electronically Deliverable Service (EDS) under Information Technology

For speedy achievement of the objective of commissioning of e-Seva centres, the following were required to be undertaken.

- Drawing up a time frame for execution of each of the components mentioned above duly ensuring the availability of site for construction of structure.
- Preparation of estimates for the two components.
- Advance allotment of funds for all the components and execution of the works in a synchronised manner for speedy completion of the project.

Scrutiny of records of Vikarabad and Nagari Municipalities revealed the following:

No	Name of the Municipality	Details of sanction[21]	Audit Remarks
1	Vikarabad	10 lakh August 2002	Though the construction of e-Seva centre was completed (October 2003) at a cost of Rs 10.92 lakh the same was not commissioned (December 2009) even after completion of more than six years due to 

[21] The sanctions were for construction of e-Seva centre only and cost of installation of computers and software was not included in the estimates.

			non-installation of computers and required software. The Commissioner stated (October 2009) that the municipality was not responsible for installation of computers and the department concerned[22] would take the installation work. The stipulated period of construction of e-Seva structure was three months. The construction should not have been initiated without ensuring simultaneous action taken for procurement / installation of computers.
2	Nagari	10 lakh November 2005	Though funds (Rs 10 lakh) were released in November 2005, the Municipality sent the proposals for allotment of land for construction of e-Seva structure only in February 2006. The land was, however, not allotted till April 2008.  Yet tenders were called in May 2008 and the work was entrusted to contractor in August 2008. It was initially estimated (2005) that an amount of Rs 10 lakh would suffice. Since the work could not be taken up immediately due to non-alienation of land and delay in according technical sanction[23], the revised requirement was not assessed and full funds[24] not obtained to ensure smooth progress of work. As a result, the structure of the building was only completed to end of January 2010 by incurring an expenditure of Rs 14.77 lakh, leaving the other items viz., electrification, water supply, furniture etc., yet to be taken up. An amount of Rs 8.50 lakh was further required for completion of these items. However, this amount has so far not been released to the municipality. Thus, the above series of deficiencies resulted in the benefits of e-Seva centre not being accrued to the public besides blocking up of an amount of Rs 14.77 lakh[25] in an incomplete asset. The Commissioner replied (August 2010) that balance items would be completed on receipt of funds from Commissioner and Director of Municipal Administration.

[22] Director, e-Seva of Information technology and communications department.
[23] Technical sanction was accorded (May 2008) for Rs 15 lakh.
[24] Rs 10 lakh was released in November 2005 and Rs 5 lakh was released in October 2009. In addition Rs 8.50 lakh was further required.
[25] Rs 14.77 lakh was incurred to the end of January 2010 towards construction of e-Seva structure.

Thus lack of integrated approach in execution of various components of works relating to commissioning of e-Seva centres resulted in non-fulfillment of the objective of improving service delivery mechanism of the municipalities for the citizens besides blocking of Rs 25.69 lakh in incomplete assets.

The matter was reported to the Government (April 2010); reply had not been received (October 2010).

3.2.4 Non-augmentation of revenue resources

Inappropriate methodology adopted for construction of beef and mutton shops at vegetable market, Vikarabad led to not only non-realisation of revenue of Rs 53.59 lakh but the existing revenue resources of Rs 32.13 lakh being the expenditure incurred on construction locked up in idle assets.

With one of the objectives of promoting resource generating schemes for the urban local bodies to improve their overall financial position, GOI introduced a scheme namely IDSMT, where the ULBs were permitted to undertake the development of market complexes/shopping centers. Accordingly, the State Government accorded (September 2003) sanction for construction of beef and mutton shops at vegetable market, Vikarabad under the scheme for Rs 31.46 lakh. Technical sanction was accorded by Superintendent Engineer, Public Health for Rs 34.44 lakh in October 2003. The Vikarabad Municipality entrusted the work to a contactor in May 2006 and the construction of shops (44 Nos.) was completed (June 2007) at a cost of Rs 32.13 lakh.

Absence of prior tie up was fraught with risk of either lack of demand for the constructed shops or parties exploiting the situation of vacant shops to drive down the lease rentals making the construction unviable.

Without entering into prior tie up with parties for leasing out the shops, Municipality undertook construction of shops. It was only in October 2009 i.e. after two years of completion of the construction, Municipal council finalized the goodwill amount and monthly rent. Auctions were not conducted so far. As such the shops remained vacant even after completion of 29 months of construction of shops.

On this being pointed out, the Commissioner admitted (October 2009) that valuable time was lost in allotting the stalls and action would be initiated to auction the shops to avoid financial loss to municipality.

Thus, failure of the State Government to ensure the viability of the project before according sanction and delay in auction of shops by the ULB led to non-augmentation of revenue of Rs 53.59 lakh[26] besides locking up the existing revenue resources of Rs 32.13 lakh being the expenditure incurred on construction in idle assets.

[26] Goodwill amount 44 x 92000 = 4048000 plus monthly rents for Rs 45200 (6 shops @ Rs 1200 = 7200 and 38 shops @ Rs 1000 = 38000) for 29 months (July 2007 to November 2009) = 1310800.

The matter was reported to the Government (December 2009); reply had not been received (October 2010).

3.2.5 Lack of integrated approach in water supply works

Lack of integrated approach in execution of the various components of works relating to supply of water resulted in non-fulfillment of the objective of improving the drinking water supply facilities to inhabitants of Warangal town and an amount of Rs 87.05 lakh incurred on construction of ESR by the Warangal Municipal Corporation remained blocked in an incomplete asset.

The State Government launched (2004-05) Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP) for bringing about Urban Sector reforms, improvement in civic infrastructure and Poverty reduction. As per the guidelines, the Committees at the State Level viz., Project Appraisal Committee (PAC), Steering Committee and Empowered Committee shall examine the proposals and approve the project reports submitted by the implementing agencies and timely review and monitor for successful implementation of the projects.

Scrutiny of records of Warangal Municipal Corporation pertaining to one of the APURMSP projects revealed the following:

With a view to improving the drinking water supply facilities for the inhabitants of Warangal town, Warangal Municipal Corporation (WMC) proposed (April 2005) construction of 1000 KL capacity Elevated Service Reservoir (ESR) at Shambunipet and the State Government sanctioned (July 2005) the same under Andhra Pradesh Urban Reforms and Municipal Services Project (APURMSP).

The project of water augmentation involved the following components.

i. Construction of storage reservoir.

ii. Laying of pipelines from water source to reservoir.

iii. The distribution network from reservoir.

For speedy achievement of the objective of providing water supply the Corporation should have done the following:

- Draw up a time frame for each of the components mentioned above.
- Prepare estimates for the three components.
- Ensure the provision of funds for all the three components and execution of the works in a synchronised manner for speedy completion of the project.

However, scrutiny of records revealed the following:

- The Special Officer and District Collector, Warangal accorded (July 2005) the administrative sanction for the construction of ESR alone without provision for laying of pipeline, outlet connections etc.

- Accordingly, WMC undertook (December 2005) the construction of ESR alone and the same was completed (March 2007) at a cost of Rs 87.05 lakh.
- It was only after a lapse of four years from the date of sanction (July 2005) of the ESR, the other items of works viz. laying of pipe lines, outlet connections etc. were sanctioned (August 2009).

The above observation was communicated to the Government and CDMA (HOD of MA&UD Department) duly pointing out the failure of the Committees responsible to monitor and review the implementation of the project. But the reply is awaited.

Thus lack of integrated approach in execution of various components of works relating to supply of water resulted in non-fulfillment of the objective of improving drinking water supply to the inhabitants and an amount of Rs 87.05 lakh remains blocked in an incomplete asset.

The matter was reported to the Government (December 2009); reply had not been received (October 2010).

Hyderabad
The

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

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India