

## Overview

This Audit Report includes three performance audits and nine audit paragraphs on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). 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 ten functions had been devolved to PRIs, the transfer was only partial without corresponding transfer of funds and functionaries. Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs. The audit of local bodies by the Director, State Audit was in arrears in Gram Panchayats (GPs) and ULBs. Twelfth Finance Commission (TFC) grants were mis-utilised/diverted.

*[Paragraphs 1.1 and 1.2]*

### **2. Functioning of two Zilla Praja Parishads**

The Performance Audit on functioning of two Zilla Praja Parishads (ZPPs), Mahbubnagar and Krishna (out of 22 ZPPs in the State) for the five year period 2004-05 to 2008-09 revealed that though DPCs were constituted in both the districts, their functioning was deficient with regard to preparation and submission of District Development Plans. The unspent balances of closed schemes together with interest were not surrendered. Shortfalls in sectoral allocations as well as utilisation of ZPP General funds were noticed. 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 Mandal Praja Parishads and Panchayat Raj Engineering Divisions at the desired level were not conducted.

*[Paragraph 2.1]*

### **3. Functioning of Greater Visakhapatnam Municipal Corporation**

Greater Visakhapatnam Municipal Corporation (GVMC) is entrusted with the task of providing civic services and infrastructure facilities to the citizens of Visakhapatnam and its surrounding areas as per the provisions of the Visakhapatnam Municipal Corporation Act, 1979. For undertaking the above tasks, the GVMC is statutorily empowered to levy and collect tax and non-tax revenues. Performance Audit on the functioning of the GVMC in five selected areas viz., Property Tax, Advertisement fee, Building permissions, Shopping complexes and Safeguarding municipal lands revealed that the collection of PT suffered for want of a comprehensive database and not undertaking

periodic revisions. Non-collection of penalty from defaulting parties resulted in defaulters being encouraged for 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 tax also suffered from lack of comprehensive database. The prevailing system of according building permissions is a big hassle for law abiding citizens and not a deterrent for parties undertaking unauthorized constructions. The construction of shopping complexes and realization of rents suffered from serious deficiencies. Municipal lands are valuable assets in view of the high prevailing prices but GVMC failed to have a mechanism commensurate with the onerous task of safeguarding these lands.

[Paragraph 2.2]

#### **4. Management of shopping complexes / markets by Greater Hyderabad Municipal Corporation.**

The review on management of shopping complexes/markets by Greater Hyderabad Municipal Corporation revealed that there was no comprehensive database of all properties in the GHMC. The rates fixed way back (1972/1984) were still continuing without periodic revision resulting in undue benefits to the lessees and loss of revenue to the Corporation. They were even far less than the nominal rate of rent adopted for fixation of Property Tax. The collection of rents was also poor and many of the leaseholders were allowed to occupy the shops even after they defaulted in payment of rents for years together. Despite incorporating legal provisions in lease agreements, GHMC failed to initiate effective penal action against defaulters and unauthorized occupiers. Improper planning in assessment of demand for shops led to many of the shopping complexes constructed way back remaining idle. The major objective of revenue augmentation remained unachieved. There was lack of effective internal controls.

[Paragraph 2.3]

#### **5. Transaction Audit**

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

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

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

[Paragraph 3.1.1]

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

[Paragraph 3.1.2]

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

[Paragraph 3.1.3]

(iv) 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.

*[Paragraph 3.1.4]*

### **Urban Local Bodies**

(v) 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.

*[Paragraph 3.2.1]*

(vi) 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.

*[Paragraph 3.2.2]*

(vii) 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.

*[Paragraph 3.2.3]*

(viii) 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.

*[Paragraph 3.2.4]*

(ix) 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 Elevated Service Reservoir by the Warangal Municipal Corporation remained blocked in an incomplete asset.

*[Paragraph 3.2.5]*