

OVERVIEW

This Audit Report includes two performance reviews and ten audit paragraphs on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). It also contains observations on the accounts and finances of Local Bodies 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. Overview of Accounts and Finances of Local Bodies

The State Government is yet to devise a system for obtaining a consolidated picture about the finances of the PRIs, despite the Panchayat Raj system having been in place for over 17 years. Planning for developmental activities is abysmal and there is no correlation between the requirements of the local bodies and the funds devolved to them. Further, utilisation of funds is poor and in the absence of Utilisation Certificates (UC) in many cases from the PRIs, it is not possible to vouch for the expenditure reported to have been incurred by the Local Bodies in the State. There were significant delays in compilation of accounts by ULBs, with consequent delay in their audit by the Director, State Audit. Since the Andhra Pradesh Municipal Accounts Manual was yet to be adopted in many ULBs, the latter continue to maintain their accounts on cash basis.

Financial Reporting in Local Bodies was inadequate as evidenced by non-preparation of budget, non-maintenance of crucial registers, non-remittance of unspent balances of closed schemes, non-furnishing of UCs and advances pending adjustment, non-finalisation of accounts, parking of scheme funds in fixed deposits, non-conducting of physical verification of stores and stock and non-reconciliation of departmental figures with treasury.

[Paragraph 1]

2. Functioning of Anantapur Municipal Corporation in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools

Performance audit of the functioning of Anantapur Municipal Corporation (AMC) in Sanitation, Water supply, Property tax, Shopping complexes and Municipal schools was undertaken. Though the deficiencies in collection of Property Tax and maintenance of shopping complexes in ULBs were brought out in the previous Audit reports of the CAG, the State Government had not initiated necessary action for streamlining the system and procedures in this regard. Further, monitoring of compliance with the specified norms/rules was inadequate. AMC did not prepare any comprehensive action plan for implementation of Solid Waste Management and the Government also did not ensure strict compliance to the Rules framed by GoI. The

functioning of waste management was limited to only collection and dumping of waste in dump yards. There is no assurance that periodical inspection of water quality is being done and the deficiencies rectified, as there was no monitoring in this area. Though the MoUD framed the benchmarks for service delivery with regard to water supply, no performance indicators were framed by either the State Government or the AMC. The municipal schools run by the Corporation were poorly maintained, leading to decline in enrolments.

[Paragraph 2.1]

3. Functioning of Zilla Praja Parishads in Anantapur and Guntur districts

Performance audit of the functioning of two Zilla Praja Parishads (ZPPs) of Anantapur and Guntur revealed that their functioning was far from satisfactory. The State Government failed to take corrective action on the audit findings of the functioning of ZPPs covered in the Audit Reports from 2006-07 to 2008-09. Consequently, the same deficiencies persisted in the two ZPPs covered in the present review. The functioning of DPCs was tardy with regard to preparation and submission of District Development Plans. Although, ten core functions were transferred to PRIs in October 2007, the line departments continued to exercise their control with regard to utilisation of funds transferred to PRIs. There was no system for ensuring that the unspent balances of closed scheme funds together with interest thereon were surrendered. Shortfall in sectoral allocations as well as utilisation of ZPP general funds coupled with irregular utilisation of scheme funds, non-completion of works etc., undermined the effective implementation of developmental programmes in the two districts. This was compounded by the delay in preparation of accounts and their submission for audit. Monitoring was not adequate, as the inspections of ZPPs and MPPs were not conducted to the desired extent.

[Paragraph 2.2]

4. Audit of Transactions

A test check of transactions in various PRIs and ULBs revealed instances of losses, diversions, avoidable expenditure etc., as summarized below:

Panchayat Raj Institutions

(i) Chief Executive Officer (CEO), ZPP, Ongole and Divisional Forest Officer (DFO), Ongole parked SGRY funds in bank accounts in violation of GoI instructions. DFO, Ongole also submitted false UCs for the funds allocated for implementation of SGRY.

[Paragraph 3.1.1]

(ii) CEO, ZPP, Nizamabad retained the recoveries on account of repayment of house building advances from the staff of PRIs and diverted it towards payment of fresh loans, instead of remitting the amount to the Government.

[Paragraph 3.1.2]

(iii) CEOs of ZPP Khammam and Nalgonda and 13 Mandal Parishad Development Officers (MPDOs) failed to transfer/utilise funds amounting to ₹ 2.90 crore earmarked for the welfare of SC/ST and Women and Children, to the concerned Finance Corporations.

[Paragraph 3.1.3]

(iv) MPDO, Zaheerabad showed undue favour to a firm in payment of Property tax.

[Paragraph 3.1.4]

(v) Due to improper decision of the State Government, auction to one of the sand bearing reaches in West Godavari district could not be conducted for three years. This had resulted in loss of revenue of ₹ 1.21 crore to the ZPP, West Godavari and other PRIs concerned.

[Paragraph 3.1.5]

Urban Local Bodies

(vi) The Commissioner, Nizamabad Municipal Corporation raised a loan of ₹ 61.81 lakh by pledging the funds of the Andhra Pradesh Urban Services for Poor (APUSP) scheme without obtaining the approval of the State Government.

[Paragraph 3.2.1]

(vii) Government orders relating to rain water harvesting pits for augmentation of ground water table were not followed by any of the 124 ULBs in the State.

[Paragraph 3.2.2]

(viii) In Guntur, Eluru and Korutla ULBs, works were awarded with an excess tender premium of ₹ 1.41 crore, thereby extending undue benefit to contractors.

[Paragraph 3.2.3]

(ix) The Commissioner, Sadasivpet Municipality took up the construction of stalls and shopping complexes without entering into prior tie up with the parties for their lease. Coupled with this, the State Government's delay in issuing directions with regard to waiver of goodwill is contributing to delay in recouping the cost of construction (₹ 68.19 lakh) and earning revenue of ₹ 7.88 lakh per annum.

[Paragraph 3.2.4]

(x) The Commissioners of Kovvur Municipality and Anantapur Municipal Corporation made irregular excess family pension payments aggregating ₹ 10.49 lakh to the pensioners.

[Paragraph 3.2.5]