

**Report of the
Comptroller and Auditor General of India
on
Local Bodies
for the year ended March 2014**

Government of Andhra Pradesh
Report No. 5 of 2015

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Preface

This Report pertaining to the erstwhile composite state of Andhra Pradesh for the year ended March 2014 has been prepared for submission to Governors of Andhra Pradesh and Telangana under Article 151 of the Constitution of India, and in accordance with Section 45(1) of the Andhra Pradesh Reorganisation Act, 2014.

This Report contains significant results of performance audit and compliance audit of the Departments of the Government of the erstwhile composite state of Andhra Pradesh under the General and Social Sector covering (i) Panchayat Raj & Rural Development Department and (ii) Municipal Administration & Urban Development Department. Departments other than these two are covered in the Report on the General and Social Sectors.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) relates to matters arising from performance audit of selected programmes of Panchayat Raj and Rural Development (PR&RD) and Municipal Administration and Urban Development (MA&UD) departments implemented with involvement of local bodies, and compliance audit of local bodies.

This Report also contains overview of finances and accounts of local bodies and observations on financial reporting.

2 Background

Government of India (GoI) enacted the 73rd and 74th Amendments to the Constitution to empower local self governing institutions like the Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs). GoI further entrusted implementation of key socio-economic developmental programmes to PRIs and ULBs.

States, in turn were required to entrust these local bodies with such powers, functions and responsibilities to enable them to function as institutions of self-governance and implement schemes for economic development and social justice including those enumerated in the Eleventh and Twelfth Schedules to the Constitution.

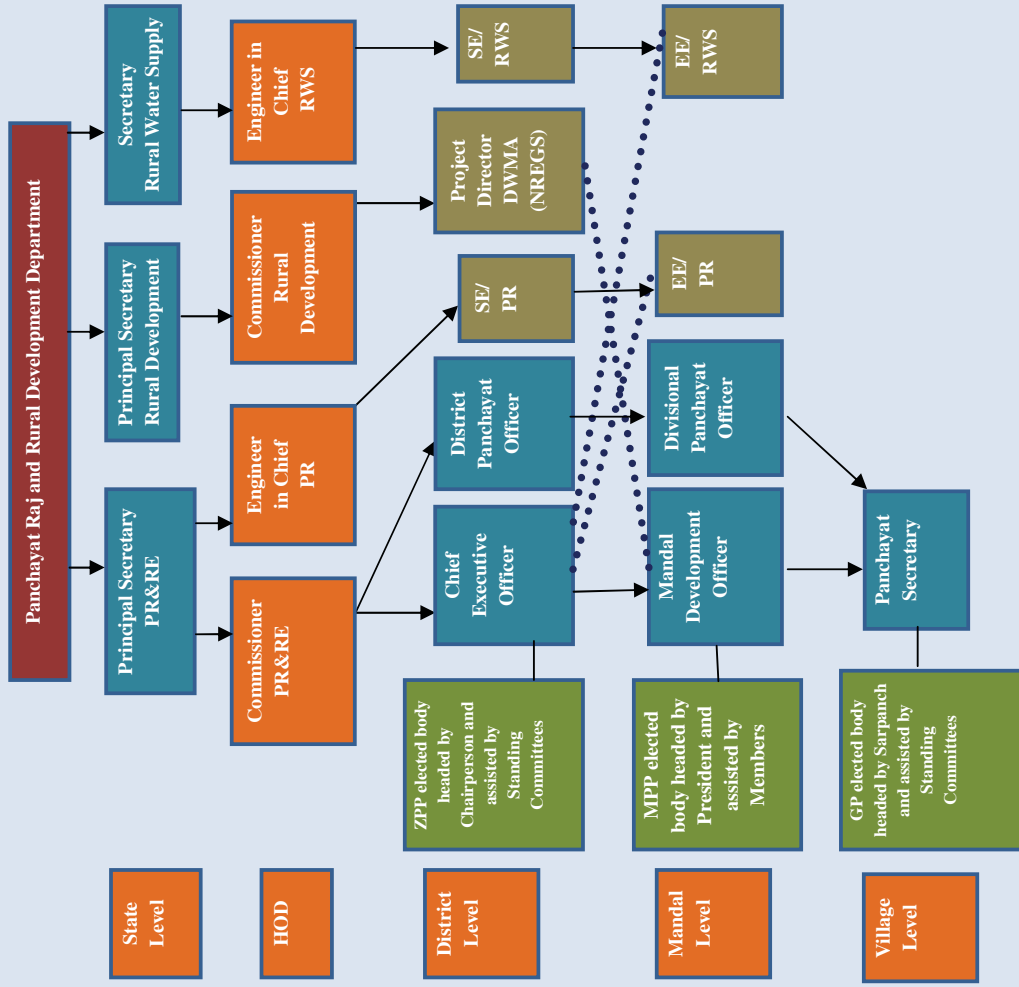
Accordingly, State Government enacted Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system at Village, Mandal and District levels. Further, Andhra Pradesh Municipal Corporations Act, 1994 was enacted to set up Municipal Corporations in the State and provisions of Hyderabad Municipal Corporation (HMC) Act, 1955 including the provisions relating to levy and collection of taxes or fees were extended to all other Municipal Corporations in the State. Municipalities are, however, governed by the Andhra Pradesh Municipalities Act, 1965.

As of 31 March 2014, there were 22,685 PRIs in Andhra Pradesh comprising 22 Zilla Praja Parishads (ZPPs), 1,096 Mandal Praja Parishads (MPPs) and 21,567 Gram Panchayats (GPs) and 179 ULBs comprising 19 Municipal Corporations, 108 Municipalities and 52 Nagar Panchayats.

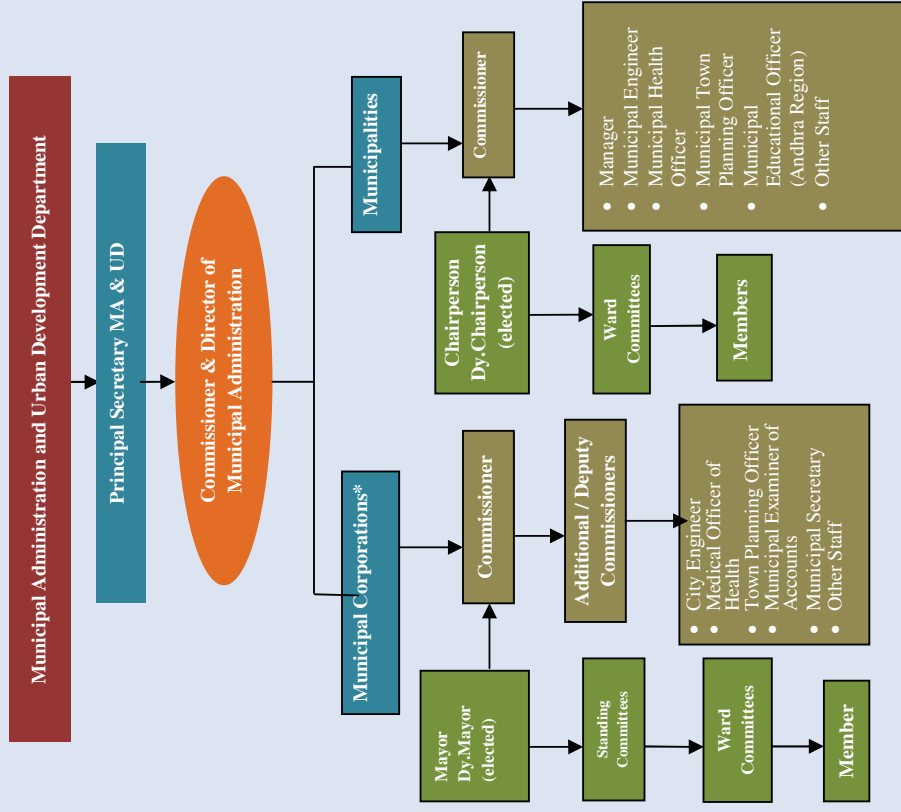
3 Organisational set-up

Organisational arrangements for the PRIs and ULBs, inclusive of Government machinery and elected representatives in the State, are as follows.

Organisational set-up of PRIs and ULBs



Dotted lines represent partial supervision



* Except Greater Hyderabad Municipal Corporation, where the Commissioner is directly under the control of Principal Secretary, MA&UD.

The roles and responsibilities of each level of organisational set-up of PRIs are detailed in *Appendix-1*.

The Municipal Councils and Corporations transact their business as per the provisions of the Acts concerned. In respect of the Corporations, the Standing Committees, comprising the Chairpersons of all the Ward Committees under them, meet at intervals prescribed by the Act. Similarly, in respect of the Councils, the Municipal Ward Committees meet at prescribed intervals to transact business, make regulations and scrutinise municipal accounts. The main functions of the Ward Committees (both Municipalities as well as Corporations) include provision and maintenance of sanitation, water supply and drainage, street lighting, roads, market places, play grounds, school buildings, review of revenue collections, preparation of annual budget and sanctioning of works. Day-to-day administration of all the ULBs rests with the Commissioner, who is assisted by Additional/Deputy/Assistant Commissioner, Municipal Engineer, Medical Health Officer, Examiner of Accounts, Town Planning Officer and other staff.

4 Significant Audit Observations

This Audit Report includes results of one Performance Audit and five compliance audit paragraphs on PRIs and ULBs. Draft Performance Audit and compliance audit paragraphs were forwarded to Government and replies wherever received have been duly incorporated in the Report. Significant audit findings relating to these audits are discussed below:

4.1 Performance audit on Watershed management

The guidelines of Integrated Watershed Management Programme introduced by Government of India (GoI) in 2008 focused on livelihood orientation and productivity enhancement in livelihoods in addition to land and water resource management for sustainable development of natural resources and community empowerment. The envisaged outcomes of the programme are prevention of soil run-off, regeneration of natural vegetation, rain water harvesting and recharging of ground water table to enable multi-cropping and introduction of diverse agro-based activities, besides providing sustainable livelihood to people living in concerned watershed areas. Performance audit of watershed management revealed the following:

Planning and preparatory work for identification of treatable areas under IWMP was deficient as seen from overlapping of IWMP projects with those taken up under other programmes/grants.

(Paragraph 2.7.2)

While DPRs were prepared in respect of all the watershed projects, there were several lacunae in their preparation, which resulted in projects deviating from specifications in DPRs during implementation.

(Paragraph 2.8.5)

Implementation of projects sanctioned in earlier phases was delayed due to delay in commencement of works. Also despite provision of working days in estimates, specific time limit for completion of works was not specified in work allotment letters.

(Paragraph 2.9)

Failure to collect Watershed Development Fund from beneficiaries left the scope for non-maintenance of structures. Similarly, failure in providing funds to the beneficiaries for taking up livelihood activities had resulted in non-utilisation of funds released under the scheme.

(Paragraphs 2.8.6 and 2.9.2)

Lack of financial control while releasing funds and watching their utilisation resulted in advances remaining unadjusted and non-furnishing of utilisation certificates for the funds released.

(Paragraph 2.10.1)

Comprehensive evaluation studies were not conducted at State level with regard to pre-IWMP schemes to assess the impact of programme implementation for taking mid-course corrective measures.

(Paragraph 2.10.2)

4.2 Compliance audit paragraphs

4.2.1 Receipts of Panchayats

Audit of 100 GPs¹ was carried out between April and September 2014 with the objective of reviewing if the GPs have assessed, levied, collected and accounted for tax and non-tax revenue during the period 2011-14 in compliance with the relevant provisions of Andhra Pradesh Panchayat Raj Act, 1994 and Rules/orders issued by State Government thereto, from time to time. It was observed that there is no systematic mechanism in the GPs for ensuring correct assessment, demand, collection and accountal of various taxes and non-tax revenues. Due to non-maintenance of demand, collection and balance registers by some GPs, correctness of the amounts collected towards tax revenue could not be vouchsafed in audit. Efforts to initiate action against defaulters were lacking in almost all the test-checked GPs leading to arrears.

¹ 20 GPs each in Chittoor, East Godavari, Guntur, Mahbubnagar and Rangareddy

As regards non-tax revenues, user charges for providing street lighting, pucca drainage and drinking water supply collected were not based on actual usage. Instances of unauthorised buildings were noticed in test-checked GPs resulting in loss of revenue in the form of non-collection of building permission fee. Collection of layout permission fees, license fee on business activities, regularisation fee from cellular companies etc., were neglected. There were cases of delayed remittance of tax/non-tax collections into treasury.

(Paragraph 3.1)

4.2.2 Greater Visakhapatnam Municipal Corporation: Receipts, accountal and management of core services

The Greater Visakhapatnam Municipal Corporation (GVMC) formed in November 2005 is responsible for providing civic amenities and infrastructure facilities to the Visakhapatnam city. Management of receipts by GVMC suffered from various deficiencies in assessment, collection and accountal of taxes/non-taxes like improper/non-assessment of property tax noticed in certain test checked properties, substantial arrears in collection of taxes due to non-initiation of action against defaulters, lack of pursuance with Government for receipt of their legitimate revenue through appropriation, delayed remittance of property tax collections by e-Seva into General fund etc.

As regards delivery of services in the areas of water supply and sewerage, GVMC could not meet the performance indicators stipulated by GoI due to non/delay in completion of water supply and sewerage projects by the Corporation and management of waste as per the procedure prescribed by GoI was also not adhered to by it. Audit noticed cases of unfruitful expenditure on construction of office buildings and incomplete GIS survey, avoidable payment of salaries to non-teaching staff etc. Audit further observed incorrect submission of Utilisation Certificate for the full amount of receipt of Thirteenth Finance Commission grants instead of the amount of actual expenditure.

(Paragraph 3.2)

4.2.3 Payment for fuel charges by Greater Hyderabad Municipal Corporation

Greater Hyderabad Municipal Corporation (GHMC) is in possession of 773 vehicles, of which 442 vehicles were used for collecting, lifting and transporting garbage generated in the twin cities of Hyderabad and Secunderabad. Audit scrutiny revealed that there was no supporting evidence for payment of ₹86.66 lakh shown by GHMC to have been incurred on consumption of fuel and disposal of garbage.

(Paragraph 3.3)

4.2.4 Unauthorised Advertisement boards in Hyderabad

Although the Greater Hyderabad Municipal Corporation is vested with the powers to accord, regulate and collect fee as approved by the Corporation, for permissions granted or renewed to erect/exhibit/fix/retain the sky-sign or advertisement on any post, pole, standard frame or any land, building, wall, hoarding etc., it had not framed any specific policy with regard to selection of sites to erect advertisement hoardings/sky-signs etc. As a result, it has not initiated adequate action for removal of unauthorised hoardings/advertisement boards erected in the city, leading to leakage of revenue.

(Paragraph 3.4)

4.2.5 Violation of Act provisions in implementation of Employees' Provident Fund (EPF) scheme in ULBs

The authorities of 12 Municipalities failed to comply with the Act provisions relating to recovery and remittance of Employees' Provident Fund contributions and furnishing employee-wise details of recovery and remittance to the Fund Commissioner.

(Paragraph 3.5)

Chapter-1

Overview of Finances of Local Bodies and their Accounting Arrangements

1.1 Finances of Local Bodies

1.1.1 Fund flow

Resource base of PRIs and ULBs consists of own revenue generated by collection of tax¹ and non-tax² revenues, devolution at the instance of State and Central Finance Commissions, Central and State Government grants for maintenance and development purposes and other receipts³. The authorities responsible for reporting the use of funds in respect of Zilla Praja Parishads (ZPPs), Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs) are the Chief Executive Officer (CEO), Mandal Parishad Development Officer (MPDO) and Panchayat Secretary respectively. The Commissioner concerned is responsible in case of Corporations and Municipalities.

1.1.2 Sources and application of funds (PRIs)

1.1.2.1 Sources of funds

Summary of receipts of PRIs during 2009-14 is given below:

Table 1.1

(₹ in crore)

S. No.	Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
1	Own Revenue	928.33	955.77	1009.24	976.50	736.50
2	Assigned Revenue ⁴	311.69	262.39	344.02	154.36	457.24
3	State Government grants	930.16	797.05	1185.85	343.97	350.59
4	GoI Grants					
	BRGF ⁵	3070.50	2245.85	1913.90	1083.15	325.62
	12 th and 13 th Finance Commission	491.31	393.52	428.29	117.88	1005.24
5	Other Receipts	341.40	362.45	331.68	84.18	Nil
	Total	6073.39	5017.03	5212.98	2760.04	2875.19

Source: Commissioner, Panchayat Raj

It can be seen from **Table 1.1**, that there was marginal increase in total receipts of PRIs during 2013-14 compared to the previous year. While own revenue and BRGF grants from GoI declined during the year, grants under recommendations of the 12th and 13th Finance Commissions increased substantially during the year.

1.1.2.2 Application of funds

Details of expenditure incurred by PRIs during 2009-14 are given in Table 1.2.

¹ House tax, advertisement fee etc.,

² Water tax, rents from markets, shops and other properties, auction proceeds etc.,

³ Donations, interest on deposits etc.,

⁴ Seigniorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to Local Bodies in the form of assigned revenue

⁵ Backward Region Grant Fund

Table 1.2

(₹ in crore)

S.No.	Type of expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
1	Revenue expenditure	3054.78	3314.82	2968.66	1405.50	3562.39
2	Capital expenditure	1648.92	1545.82	1464.15	1033.47	1756.98
	Total	4703.70	4860.64	4432.81	2438.97	5319.37

Source: Data furnished by Commissioner, Panchayat Raj

As seen from **Table 1.2**, the revenue expenditure 2013-14 increased by more than 150 per cent over the previous year and more than made up for the decrease effected in 2012-13. Similarly, the capital expenditure of 2012-13 was also less than 29 per cent as compared to 2011-12 and increased by 70 per cent in 2013-14 as compared to 2012-13.

1.1.3 Sources and application of funds (ULBs)

1.1.3.1 Sources of funds

Summary of receipts of ULBs during 2009-14 is given below:

Table 1.3

(₹ in crore)

S.No.	Receipts	2009-10	2010-11	2011-12	2012-13	2013-14
1	Own Revenue	1809.72	2013.74	2297.17	2898.52	3183.43
2	Assigned Revenue⁶	377.80	684.00	795.70	819.28	695.66
3	State Government grants	350.00	430.00	608.00	921.00	1358.60 ⁷
4	GoI grants					
	Scheme funds	1093.40	734.27	704.24	378.36	-
	12 th and 13 th Finance Commission	74.80	177.78	111.85	Nil	-
5	Other Receipts	Nil	Nil	Nil	Nil	275.60*
	Total	3705.72	4039.79	4516.96	5017.16	5513.29

Source: Data furnished by Commissioner and Director of Municipal Administration and Commissioner, GHMC

Note: *other receipts include loans, accrued interest, penalties received, forfeited security deposits, contributions etc.

As seen from **Table 1.3**, there was decline in assigned revenue during 2013-14 in a reversal of the increasing trend seen in earlier years. Also, the break-up of grants (₹1,358.60 crore) received during 2013-14 from GoI and State Governments were not furnished by the Commissioners concerned separately.

1.1.3.2 Application of funds

Details of expenditure incurred by ULBs during 2009-14 are given in Table 1.4.

⁶ Seigniorage fee and surcharge on stamp duty collected by Departments of Mines and Geology and Stamps and Registration are apportioned to the Local Bodies in the form of assigned revenue

⁷ This includes grants received from GoI

Table 1.4

(₹ in crore)

S.No.	Type of expenditure	2009-10	2010-11	2011-12	2012-13	2013-14
1	Revenue expenditure	2181.79	2621.40	2941.85	3153.33	3418.10
2	Capital expenditure	1313.38	1399.83	1253.08	1166.59	1573.30
	Total	3495.17	4021.23	4194.93	4319.92	4991.40

Source: Data furnished by Commissioner and Director of Municipal Administration

It can be seen from **Table 1.4** that the capital expenditure increased by 35 per cent in 2013-14 compared to 2012-13.

1.2 Devolution of Funds and Functions

Eleventh Schedule to 73rd Constitutional Amendment Act, 1992 listed 29 subjects for devolution to strengthen the PRIs. During 2007-08, State Government devolved 10⁸ functions to PRIs and thereafter no initiative was taken for devolving the remaining functions. Funds relating to devolved functions are being released to PRIs through line departments concerned. As per the information furnished (November 2014) by the Government, only five departments released funds amounting to ₹28.67 crore to PRIs in eighteen districts⁹ during 2012-14 (*Appendix-1.1*). While PRIs of all these eighteen districts (except Rangareddy) received funds from Fisheries department, releases by the four departments were only partial.

The 74th Constitutional Amendment Act, 1992 identified 18 functions for ULBs as incorporated in 12th Schedule to the Constitution. Except '*Fire Services*', all the functions mentioned in this Schedule were devolved to ULBs in the State.

1.3 Accounting arrangements

PRIs maintain accounts on cash basis. Model accounting system was prescribed by GoI in consultation with the Comptroller and Auditor General of India. State Government issued orders (September 2010) for adopting this format using PRIASoft, i.e., Panchayat Raj Institutions Accounting Software developed by National Informatics Centre (NIC). Government confirmed (September 2014) that online accounting was completed in all the PRIs (22 ZPPs, 1,096 MPPs and 21,567 GPs).

However, test check (2013-14) of accounts of 94 GPs using PRIASoft revealed that while 18 GPs were not implementing the system as of September 2014 mainly due to lack of computers/computer operators, in respect of 18 other GPs, there were discrepancies between PRIASoft generated accounts and manually prepared accounts for the years 2011-12 and 2012-13 (accounts of 2013-14 were yet to be finalised).

⁸ (i) Agriculture (ii) Animal Husbandry (iii) Fisheries (iv) Rural Development (v) Drinking Water and Sanitation (vi) Primary, Secondary and Adult Education (vii) Health, Sanitation, Primary Health Centres, Dispensaries and Family Welfare (viii) Social Welfare (ix) Backward Classes Welfare (x) Women and Child Development.

⁹ Adilabad, Anantapur, Chittoor, Guntur, Karimnagar, Khammam, Kurnool, Mahbubnagar, Medak, Nalgonda, Nellore, Nizamabad, Prakasam, Rangareddy, Visakhapatnam, Vizianagaram, Warangal and West Godavari Districts.

As regards ULBs, GoI in consultation with the Comptroller and Auditor General of India, had formulated (December 2004) National Municipal Accounts Manual (NMAM) with double entry system for greater transparency and control over finances and requested (May 2005) States to adopt it with appropriate modifications to meet the State's specific requirements. Accordingly, a Steering Committee was constituted (May 2005) by State Government and Andhra Pradesh Municipal Accounts Manual (APMAM) was developed during 2006-07. State Government issued orders in August 2007 for adoption of APMAM in all the ULBs in State. Similarly, other manuals viz., Andhra Pradesh Municipal Budget Manual and Andhra Pradesh Municipal Asset Manual, were also accepted by State for implementation (August 2007) by ULBs. Though double entry book keeping system is being followed in all the ULBs, scrutiny of records of two (Khammam and Palamaneru Municipalities) out of eight ULBs test-checked during 2013-14 revealed the following:

- i. Schedule of assets did not depict the value of flyovers, bridges, subways constructed in municipality.
- ii. Taxes were not being accounted on accrual basis.
- iii. No schedule for depreciation was maintained.
- iv. Prepaid expenses were not booked despite payment of insurance for vehicles covering the future period.
- v. There were discrepancies between the data uploaded online and physical records.

1.4 Audit Mandate

1.4.1 Statutory Audit

Director, State Audit (DSA) functioning under the administrative control of Finance Department, is the statutory auditor for PRIs and ULBs under Andhra Pradesh State Audit Act, 1989. As per Section 11(2) of the Act, DSA is required to prepare a Consolidated State Audit and Review Report and present it to the State Legislature. The DSA has six Regional Offices, 22 District Offices and Sub/Resident offices of districts to conduct audit of all the PRIs and ULBs annually.

1.4.1.1 Arrears in audit

Certification of accounts gives an assurance that funds have been utilised for the purpose for which these have been authorised. However, as per the information furnished (December 2014) by DSA, audit of 220 accounts of ULBs was pending as the accounts were yet to be compiled by the ULBs. In case of GPs, audit of 5,613 accounts were in arrears as of December 2014. DSA attributed non-production of records by GPs for delay in audit of accounts of these GPs.

1.4.1.2 Submission of Consolidated State Audit and Review Reports

DSA has prepared and submitted Consolidated State Audit and Review Reports up to the year 2010-11 to Finance department and the Government tabled (February 2014)

the Report in the State Legislature. While the consolidation of Report for 2011-12 was completed and translation into vernacular language (Telugu) was in progress, it was yet to be taken up for the years 2012-13 and 2013-14. Some of the major findings relate to excess utilisation / non-utilisation / diversion / mis-utilisation of grants, non-collection of dues, advances pending adjustments, violation of rules, wasteful expenditure etc.

1.4.1.3 Issue of surcharge certificates

As per Section 10 of the Act, DSA is empowered to initiate surcharge proceedings against the persons responsible for causing loss to the funds of local authorities or other authorities and such amounts are to be recovered by the executive authority concerned under Revenue Recovery (RR) Act. As of March 2014, there were 71,348 cases where surcharge certificates were issued to PRIs (71,034 cases) and ULBs (314 cases), but the requisite amount was not recovered. The amount involved in this regard is ₹92.71 crore.

1.4.2 Audit by CAG

CAG conducts audit of Local Bodies (PRIs and ULBs) under Section 14 of CAG's (DPC) Act, 1971. Based on the recommendations of the Eleventh Finance Commission, State Government entrusted (August 2004) the responsibility for providing Technical Guidance and Supervision (TGS) in connection with the accounts and audit of Local Bodies under Section 20(1) of CAG's (DPC) Act.

CAG conducts only a test check and provides a consolidated report (TGS Note) at the end of each financial year to the DSA for improving the quality of their reports. TGS note for the year 2013-14 was issued in December 2014.

1.4.2.1 Planning and conduct of audit

Audit process commences with assessment of risk of department/local body/scheme/programme etc., based on expenditure incurred, criticality/complexity of activities, priority accorded for the activity by Government, level of delegated financial powers and assessment of internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, frequency and extent of audit is decided and an annual audit plan is formulated to conduct audit. During 2013-14, 293 PRIs (274 GPs and 19 Mandal Praja Parishads) and eight ULBs (five Municipalities and three Municipal Corporations) falling under the departments of Panchayat Raj and Rural Development and Municipal Administration and Urban Development were subjected to performance and compliance audit.

1.4.2.2 Response of departments to Audit findings

After completion of audit, Inspection Reports (IRs) containing audit findings are issued to head of the unit concerned. Heads of offices and next higher authorities are required to respond to observations contained in IRs within one month and take appropriate corrective action. Audit observations communicated in IRs are also

discussed in meetings at district level by officers of the departments with officers of Principal Accountant General's office.

As of December 2014, 530 IRs containing 6,567 paragraphs pertaining to the period up to 2013-14 were pending settlement as detailed in **Table 1.5**. Of these, first replies have not been received in respect of 144 IRs and 3,009 paragraphs.

Table 1.5

Year	Number of IRs/Paragraphs				IRs/Paragraphs where even first replies have not been received			
	IRs		Paragraphs		IRs		Paragraphs	
	PRI	ULB	PRI	ULB	PRI	ULB	PRI	ULB
Up to 2009-10	270	103	1896	2023	22	52	223	1045
2010-11	88	14	694	405	20	10	199	253
2011-12	9	3	101	53	1	1	9	26
2012-13	0	35	0	1125	0	33	0	1077
2013-14	1	7	12	258	1	4	12	165
Total	368	162	2703	3864	44	100	443	2566

1.5 Financial Reporting

Best practices in matters relating to different elements of financial reporting like drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by PRIs and ULBs (Municipal Corporations and Municipalities) are governed by the provisions of APPR Act, 1994, HMC Act, 1955 and Andhra Pradesh Municipalities Act, 1965 respectively, rules framed by State Government from time to time, Andhra Pradesh Treasury Code, Financial Code, Public Works Accounts Code, Public Works Departmental Code, Stores Manual, Budget Manual, other Departmental Manuals, standing orders and instructions.

Significant issues relating to financial reporting by PRIs and ULBs during 2013-14 are detailed below.

1.5.1 Creation of database of PRIs

State Government released (2002-10) Eleventh and Twelfth Finance Commission grants amounting to ₹57.80 crore¹⁰ to Commissioner Panchayat Raj and Rural Employment (CPR&RE) for creation of database on finances of PRIs. CPR&RE kept these funds (₹67.37 crore including interest) in fixed deposits and flexi savings accounts with various banks. In addition to these funds, ₹2.27 crore received¹¹ from GoI under ePanchayat programme for creation of database was also parked in bank accounts.

¹⁰ Eleventh Finance Commission grants ₹22.96 crore (2002-04) and Twelfth Finance Commission grants ₹34.84 crore (2005-10)

¹¹ Dates of receipt were not made available to audit

Of these funds, CPR&RE released ₹34.05 crore to Andhra Pradesh Technological Services (APTS) in January 2014 towards purchase of computers and ₹3.45 crore to Bharat Sanchar Nigam Limited (BSNL) (April 2014) towards annual fixation charges for broad band connections. As of December 2014, Andhra Pradesh had received ₹19.64 crore for developing ePanchayat database which was lying in bank accounts of Commissionerate.

Thus database was not created despite provision of funds by the GoI and thereby the objective of consolidating finances of PRIs remained unachieved for more than 13 years.

1.5.2 Advances pending adjustment

As per Andhra Pradesh Financial Code-1, advances paid should be adjusted without any delay and the DDOs concerned should watch their adjustment. Scrutiny of records of eight ULBs during 2013-14 revealed that in five ULBs, funds amounting to ₹47.66 lakh advanced to staff for various purposes during 2006 - 2013 remained unadjusted as of September 2014.

1.5.3 Cases of misappropriation

Andhra Pradesh Financial Code stipulates responsibilities of Government servants in dealing with Government money, procedure for fixing responsibility for any loss sustained by Government and action to be initiated for recovery. State Government ordered (February 2004) the Secretaries of all the departments to review the cases of misappropriation in their departments on a monthly basis and the Chief Secretary to Government to review these cases once in six months with all the Secretaries concerned.

Misappropriation cases in PRIs and ULBs noticed by Director, State Audit during 2011-12 to 2013-14 yet to be disposed off at the end of December 2014 are given in Table 1.6.

Table 1.6

(₹ in lakh)

Unit	2011-12		2012-13		2013-14	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Panchayat Raj Institutions						
Zilla Praja Parishads	1	0.18	26	108.08	3	4.82
Mandal Praja Parishads	20	32.78	39	38.85	21	12.79
Gram Panchayats	9344	559.39	1272	195.51	307	192.06
Urban Local Bodies						
Municipal Corporations	0	0	8	117.91	45	68.09
Municipalities	76	125.06	152	350.87	61	391.63
Total	9441	717.41	1497	811.22	437	669.39

Source: Information furnished by Director, State Audit

Urgent action needs to be taken by the Government in this regard.

1.5.4 Physical verification of stores and stock

Article 143 of Andhra Pradesh Financial Code Volume I stipulates that all stores and stock should be verified physically once a year and a certificate to this effect be recorded by the Head of the Office in the Register concerned. Scrutiny of records of 94 GPs during 2013-14 revealed that annual physical verification of stock and stores was not being conducted in any of these GPs.

1.5.5 Non-reconciliation of departmental figures with treasury

As per paragraph 19.6 of Andhra Pradesh Budget Manual, Drawing and Disbursing Officers (DDOs) are required to reconcile departmental receipts and expenditure with those booked in treasury every month to avoid any misclassification and fraudulent drawals. Scrutiny of records of 94 GPs during 2013-14 revealed that in respect of 50 GPs (53 per cent), reconciliation was pending for two to three years.

1.5.6 Preparation of budgets by GPs

As per Section 77 of Andhra Pradesh Panchayat Raj Act, 1994, the budget proposals containing detailed estimates of income and expenditure (with explanatory notes for each head of account) for the ensuing year are to be prepared every year by executive authority (Panchayat Secretary) and this draft budget is discussed in GP (elected members) before submission to Divisional Panchayat Officer (DLPO) on or before 25 December. DLPO shall make such suggestions, as he may deem fit and return the Budget to GP within one month. Later the GP considers the same and approve the budget with or without modifications which is final. If the budget is not prepared and placed before GP, the executive authority is liable for action as per Para 4 (b) of Andhra Pradesh Gram Panchayat, Preparation and Submission of Budget Rules, 2000.

Scrutiny of the records of 94 GPs test-checked during 2013-14 revealed that in respect of 10 of these, budgets were not prepared for the period covered in audit (2010-13) and 16 GPs prepared for one or two years. In the absence of approved budgets, authenticity for incurring expenditure by these GPs during 2010-13 could not be verified in audit.

1.5.7 Non-finalisation of accounts

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 Audit not later than 15 June. While there were arrears of more than two decades in compilation of accounts by Gudur Municipality, in respect of Greater Hyderabad Municipal Corporation (GHMC), Greater Visakhapatnam Municipal Corporation (GVMC) and Kadapa Corporation, they were more than a decade. Unit wise details of pendency in compilation of accounts are given in *Appendix-1.2*.

1.5.8 Non-conducting of inspections

As per Section 44(2)(a)(b) of Andhra Pradesh Panchayat Raj Act, 1994 the Government should appoint District Panchayat Officer, Divisional Panchayat Officer

and Extension Officers as Inspecting Officers for overseeing the operations of Gram Panchayat (GP). Test-check of the records of 94 GPs revealed that in respect of 19 of these (20 *per cent*) inspections were not conducted by any of the above authorities, while no inspection reports were found in support of inspections conducted by the authorities concerned in 23 GPs.

1.6 Conclusion

As can be seen from the above paragraphs, out of 29 functions listed in Eleventh Schedule to 73rd Constitutional Amendment Act, 1992, Government devolved PRIs only functions relating to 10 subjects. Model accounting system (PRIA Soft) adopted by State Government is yet to be implemented by many GPs. Also, the database of finances was not created even after lapse of 13 years of releasing the funds. As regards ULBs, there were delays in compilation of accounts, with consequent delay in their audit by DSA.

Financial reporting in test-checked PRIs/ULBs during 2013-14 was inadequate as evidenced by non-adjustment of advances, non-preparation of budget, non-finalisation of accounts, non-conducting of physical verification of stores and stock, and non-reconciliation of departmental figures with treasury etc.

Chapter-2

Performance Audit

Panchayat Raj and Rural Development Department

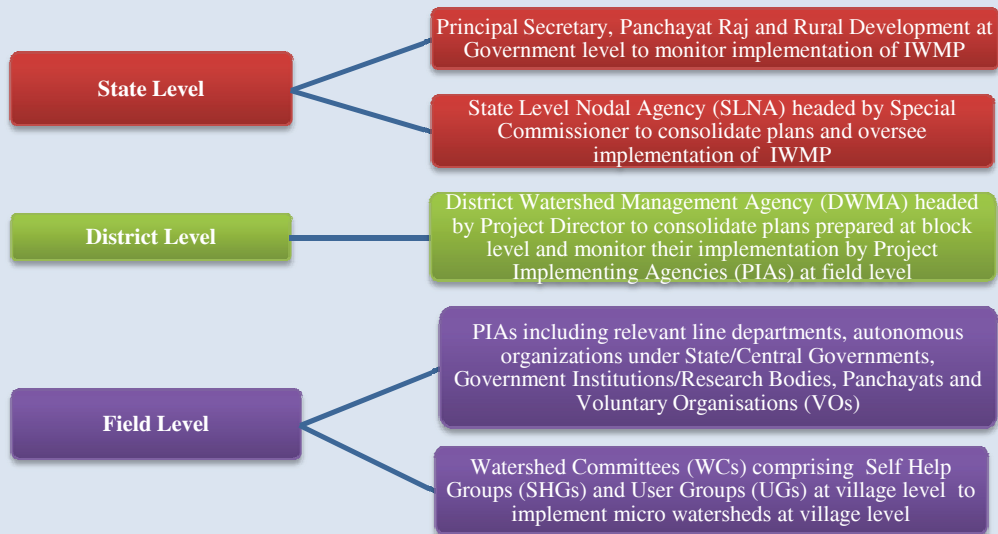
2 Watershed Management

2.1 Introduction

The guidelines of Integrated Watershed Management Programme (IWMP) introduced by Government of India (GoI) in 2008 focused on livelihood orientation and productivity enhancement in livelihoods in addition to land and water resource management for sustainable development of natural resources and community empowerment. The envisaged outcomes of the programme are prevention of soil runoff, regeneration of natural vegetation, rain water harvesting and recharging of ground water table to enable multi-cropping and introduction of diverse agro-based activities, and besides providing sustainable livelihood to people living in concerned watershed areas.

2.2 Institutional arrangements and responsibility centres

In compliance with GoI instructions relating to institutional arrangements for implementation of the programme, a dedicated State Level Nodal Agency (SLNA) was constituted (July 2008) for preparation of perspective and strategic plan for watershed development in the State. The responsibility centres for implementation of the programme at various levels are given below:



To assist WCs in formulating watershed implementation action plan, a full time Watershed Development Team (WDT)¹ for each micro-watershed has been set up by

¹ With a composition of four members (being one woman at least), broadly with knowledge and experience in agriculture, soil science, water management, social mobilisation and institutional building

each PIA in the State prior to launch of IWMP and was continued under the programme.

2.2.1 Convergence with other programmes/departments

GoI envisaged convergence of IWMP with other poverty alleviation and productivity enhancing programmes and related line departments as shown below. While Society for Elimination of Rural Poverty (SERP) is involved in administering livelihood activities like dairy, small ruminants, petty business/skilled business etc. MGNREGS funds are utilised in IWMP identified villages for development of dry-land horticulture activities involving mango, sapota, cashew, jamun, and micro irrigation projects covering guava, acid lime etc. Departments of Animal husbandry and Rural Water Supply are involved in conducting animal health camps, supply of trevices, drinking water troughs, water purification plants, solar street lights etc. Forest Department is involved in treatment of lands coming under forest area. Convergence with Agriculture Department involves activities under production systems improvement like provision of implement service stations (ISSs), custom hiring stations (CHSs), farm mechanisation etc.



2.3 Status of works

Details of projects sanctioned during 2009-14 and the status of their implementation as of May 2014 are given in Table 2.1.

Table 2.1

Year	Batch	Projects approved by GoI	Project cost (₹ in crore)	Treatable area (Hectares in lakh)	Funds released (₹ in crore)	Expenditure (₹ in crore)
2009-10	I	110	568.13	4.73	238.92 (42%)	233.76
2010-11	II	171	893.04	7.40	293.17 (33%)	286.22
2011-12	III	173	896.54	7.47	94.16 (11%)	126.69
2012-13	IV	102	549.41	4.24	33.85(6%)	5.18
2013-14	V	97	597.04	4.07	23.02(4%)	1.09
Total		653	3504.16	27.91	683.12	652.94

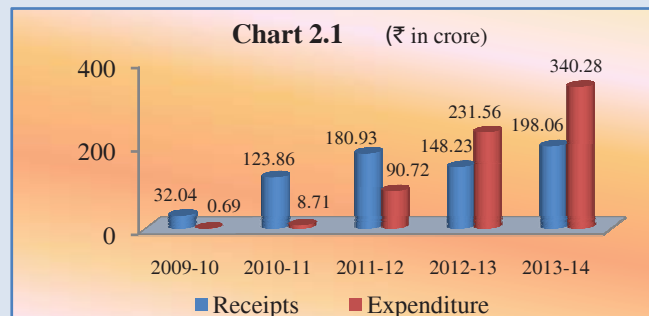
Source: Records of SLNA

2.4 Funding Pattern

IWMP is funded in the ratio of 90:10 by GoI and State Government. Funds are released by GoI directly to SLNA based on proposals sent by it. As per guidelines of IWMP, the duration of watershed project is 4-7 years. Funds are released by SLNA for all three phases (preparatory, works and consolidation) of implementation of projects sanctioned by GoI spread over the project period². From June 2012 onwards, the first installment equivalent to 60 per cent of estimated annual fund requirement was to be released unconditionally and balance was to be released when 60 per cent of the first installment was expended.

2.5 Receipts and Expenditure

Details of funds received by SLNA under the programme during 2009-14 and the expenditure thereon are given alongside. As against ₹683.12 crore received under the programme, Department incurred ₹671.96 crore during the period.



Source: Statutory Auditor's Reports

² 20 per cent on sanction, 50 per cent on completion of preparatory phase and balance when 75 per cent of the released funds has been expended

2.6 Audit Framework

2.6.1 Audit objectives

The objectives of undertaking this performance audit were to assess whether:

- ❖ the planning was robust for establishing watersheds;
- ❖ watershed projects were implemented effectively within the time and cost budgeted as per guidelines of the programme and maintained properly; and
- ❖ the internal controls relating to financial management, monitoring and quality control were in place and effective

2.6.2 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- ❖ GoI guidelines on watershed management;
- ❖ Orders/guidelines/circulars issued by GoI and State Government from time to time;
- ❖ State perspective and strategic plan;
- ❖ Detailed Project Reports (DPRs);
- ❖ Prescribed quality assurance mechanism; and
- ❖ Andhra Pradesh Financial Code/Andhra Pradesh Detailed Standard Specifications.

2.6.3 Audit Scope and Methodology

Performance audit covered watershed management projects implemented during the five year period 2009-14. Audit methodology involved scrutiny (May and June 2014) of relevant documents in Rural Development Department, SLNA, eight DWMAAs (out of 22) and 71 PIAs (out of 107³). An Entry Conference was held in April 2014 with Special Commissioner (Watersheds) wherein audit scope, objectives, criteria and methodology, including conduct of joint site inspection were explained and their inputs obtained. Exit Conference was held in December 2014 to discuss audit findings and Government response has been incorporated in the report at appropriate places.

2.6.4 Audit sample

Audit sample for detailed scrutiny involved selection of 71 out of 653 IWMP projects sanctioned during 2009-14 on stratified sample basis⁴ in eight districts (Adilabad, Anantapur, Chittoor, Mahbubnagar, Nalgonda, Prakasam, Rangareddy and Srikakulam). Further, 81 out of 1,650 projects of pre-IWMP programme (2000-2008) slated for completion during the audit period were also selected based on the same

³ Excludes PIAs whose data in this regard was not furnished despite specific request

⁴ Stratified on expenditure criteria (projects with expenditure more than ₹3 crore: 100 per cent; projects with expenditure between ₹1.50 crore and ₹3 crore: 50 per cent; projects with expenditure between ₹1 crore and ₹1.50 crore: 25 per cent; projects with expenditure between ₹50 lakh and ₹1 crore: 10 per cent; projects with expenditure below ₹50 lakh: 5 per cent and projects with zero expenditure: 1 per cent)

parameters for detailed scrutiny to ascertain if these have been completed within cost and time budgeted and are delivering the envisaged benefits. Apart from scrutiny of records, 152 IWMP projects were physically inspected along with the departmental representatives and photographic evidence was taken where necessary to substantiate audit findings.

Audit Findings

2.7 Planning

2.7.1 Perspective and strategic plan

In compliance with common guidelines issued by GoI, Government prepared a state perspective and strategic plan in 2009. As per this plan, out of the geographical area of 277 lakh hectares in the State, 158 lakh hectares of area was identified for watershed treatment (excluding the areas under irrigation, forest area, urban areas etc.). Of this identified area, 48 lakh hectares was already covered under various projects and the remaining 110 lakh hectares was targeted under IWMP. About 87 lakh⁵ hectares was proposed for treatment under the perspective plan over a period of 18 years from 2009-10 at an estimated cost of ₹16,130 crore. On an average, it was planned to take up coverage of about 5 lakh hectares under IWMP every year. As this programme was aimed at implementation of projects on cluster basis, about 1,000 to 5,000 hectares of land was envisaged to be covered in each project.

2.7.2 Overlapping projects

While the perspective and strategic plan was based on details furnished by DWMAs the latter had not obtained any data from the ground level units in violation of GoI guidelines (Common Guidelines IWMP). Therefore, the possibility of overlap cannot be ruled out between watersheds being covered under other programmes/grants⁶ and the proposed projects under IWMP. This is corroborated by the fact that State Government carried out a partial survey subsequently and requested (September 2012) GoI to delete 24,044 hectares of land falling under 31 out of 281 projects sanctioned in Batch I and II, based on an alert from National Bank for Agriculture and Rural Development (NABARD) with regard to overlapping projects. However, as of May 2014, GoI has not communicated its approval for deletion of overlapping projects or sanctioned additional areas for watershed development in lieu of projects proposed for deletion. State Government stated (December 2014) that the duplication was due to secondary level data furnished by other watershed implementing agencies during preparation of DPRs.

Test check in Audit revealed that the reliability of findings of this survey carried out by Government is questionable given the fact that it failed to point out that ‘*Mukarlabad watershed*⁷’ was proposed by Government under IWMP while it was

⁵ Reasons for not proposing the balance 23 lakh hectares of area are awaited from Department

⁶ NABARD, MGNREGS

⁷ Rangareddy district

also being implemented with NABARD assistance. This project was sanctioned in 2009-10 at a cost of ₹96 lakh and Government expended ₹11.84 lakh on it under IWMP as of May 2014, while an expenditure of ₹65 lakh was booked under NABARD. Government replied (December 2014) that even if a particular village was covered under pre-IWMP or by any other implementing agency, it might not be possible to cover entire village because the watershed area was demarcated based on the drainage lines. The areas proposed under NABARD and IWMP were, therefore different. However, specific details were not furnished by the Government in this regard.

2.7.3 Non-inclusion of forest areas

As per common guidelines, projects under IWMP should follow a ridge-to-valley sequenced approach. Higher reaches or forests and hilly regions in the upper catchment areas are covered first to arrest soil erosion and degradation of forest and also to benefit lower tiers in terms of runoff/water yield, soil erosion, sedimentation, fodder etc.

Scrutiny of records in SLNA revealed that guidelines for implementation of watersheds in forest lands were finalised by them only in October 2012. Although 78 out of 110 projects sanctioned (2009-10) in the first batch involved development of forest lands on pilot basis, 73 of these works were not taken up as of May 2014. No proposals were initiated for the projects sanctioned in subsequent batches.

As regards test-checked projects, about 1,660 acres of forest area in three⁸ (sanctioned in 2009-10) out of 19 IWMP projects in Anantapur district are pending treatment. Similarly, trench works proposed (2009-10) in forest areas under '*Mukarlabad project*' of Rangareddy district was not initiated as of May 2014. Thus the intention of IWMP to follow a ridge-to-valley approach in taking up watershed projects to arrest erosion in hilly and forest areas could not be achieved in the areas covered under the above projects.

State Government replied (December 2014) that the detailed guidelines for inclusion of forest areas in IWMP were forwarded by GoI only in July 2011 and due to inadequate funds, works in forest areas were belatedly taken up in convergence with MGNREGS. It was assured in the exit conference that Government would set up a separate cell for efficient planning in this regard.

2.7.4 Annual Action Plans

As per common guidelines of GoI, States are required to submit Annual Action Plans (AAPs) by the end of February every year indicating ongoing liabilities as well as new projects proposed to be taken up. Projects are to be prioritised based on extent of drinking water shortage, severe ground water exploitation, preponderated wastelands/degraded lands etc., in Desert Development Programme (DDP) and Drought Prone Area Programme (DPAP) identified areas.

⁸ Bandameedipalli, Thogarakuunta and Lakshmampalli watersheds

While SLNA claimed that AAPs were sent to GoI for the years 2009-14 on time, relevant records to this effect along with supporting documents showing the basis for inclusion of proposals for sanction of projects in each year were not furnished for audit scrutiny. In the absence of these documents, justification for sanction of 653 projects during 2009-14 could not be verified in audit.

Scrutiny of records of test-checked units revealed the following:

Selection of works without prioritisation	<p>Three blocks (Adilabad, Asifabad and Luxettipet) of Adilabad district prioritised by DWMA based on acute shortage of water under DPAP were ignored by Department while sanctioning the projects under IWMP. Instead, the projects in non-prioritised blocks were selected in the first batch (2009-10). DWMA did not furnish specific reasons for non-selection of prioritised blocks.</p> <p>Government replied (December 2014) that these blocks were excluded due to non-availability of contiguous area. Reply is not acceptable, as these blocks were already prioritised based on acute shortage of water.</p>
Coverage of projects under assured irrigation	<p>As per guidelines, area of the project should not be covered under assured irrigation. However, in Prakasam district, 34 micro watersheds⁹ were sanctioned (2009-13) at an estimated cost of ₹35.83 crore and an amount of ₹3.75 crore was expended on these as of May 2014 despite their falling under the command area of Nagarjuna Sagar Irrigation project (Right Canal). Twenty seven micro watersheds executed (2009) under pre-IWMP programmes at an expenditure of ₹6.73 crore were also covered by the command area of Nagarjuna Sagar Project.</p> <p>Similarly, in Anantapur and Srikakulam districts, 9,386 hectares of irrigated land was included in the DPRs of five¹⁰ projects for treatment under IWMP. Details of expenditure incurred on works covered in these areas were not furnished by the PIAs concerned despite specific request.</p> <p>Government replied (December 2014) that in respect of projects related to Prakasam district the areas covered under the projects were at the tail-end of Nagarjuna Sagar Project area and water could not reach since the lands were uneven and rainfall was also very low. Hence the agricultural activities could not be taken-up prior to the selection of these lands and thereby the areas were selected for implementation of the Watershed Projects.</p>
Allotment of areas for more than prescribed limit:	<p>AAPs indicate the extent of area covered under a particular project along with the details of PIAs implementing it in a district. As per guidelines, at any point of time, one Voluntary Organisation (VO)/Non-Government Organisation (NGO) cannot be assigned more than 10,000 hectares of area in a district. Audit scrutiny revealed that in three (Anantapur, Chittoor and Kurnool) out of eight sampled districts, the area for treatment of watersheds (12 Nos.) was allotted to four NGOs¹¹ (VOs) at a cost of ₹13 crore in excess of prescribed limit of 10,000 hectares.</p> <p>Government replied (December 2014) that these agencies were allotted in excess of prescribed limit considering their high reputation and expertise in the related field.</p>

⁹ Micro watershed is a unit of 100 to 1,000 hectares of land area

¹⁰ Bandameedipalli, Kanaganapalli, Gugudu and Lakshmampalli of Anantapur and Etcherla of Srikakulam district

¹¹ APPS for four watersheds at an excess cost of ₹6.14 crore (551 hectares excess); OUTREACH for three watersheds at an excess cost of ₹4.04 crore (3,368 hectares excess); Action Fraterna for three projects at an excess of ₹2.20 crore (1,835 hectares excess) and WOTR for two projects at an excess cost of ₹62.28 lakh (519 hectares excess)

2.8 Programme implementation

2.8.1 Major activities

The duration of each watershed project is 4-7 years¹² depending on the size of the cluster, which could be anywhere between 1,000-5,000 hectares. The activities of projects are sequenced into (i) preparatory, (ii) works and (iii) consolidation and withdrawal phase. The preparatory phase includes taking up Entry Point Activities (to establish rapport with village community), Institution and Capacity Building (to develop watershed committees (WCs), Self Help Groups and User Groups at village level and build capacities of different stakeholders) and preparation of Detailed Project Reports (DPRs) in respect of all identified projects.

2.8.2 Projects not grounded due to non-formation of Watershed Committees

As of May 2014, there was no expenditure or expenditure on only administrative items in respect of 81 projects (119 micro watersheds) relating to batches I-III. State Government replied (December 2014) that as of December 2014, there were only 45 micro watersheds with nil expenditure due to non-formation of watershed committees.

2.8.3 Entry point activities

These activities include taking up works based on urgent needs of the local community like revival of common natural resources, drinking water, repair and upgradation of existing common assets, etc. EPAs do not include civil works, roads and cement structures, works beneficial to individuals, duplication of work/services (with other line agencies) etc. Four *per cent* of the cost of project is earmarked for EPAs with a stipulation for completion within the first 1-2 years of project period.

Scrutiny of records of SLNA revealed that as of April 2014, an amount of ₹98.89 crore was earmarked for conducting about 26,407 activities under EPA in 514¹³ projects in the State. However, the implementing agencies could undertake only 10,794 activities and incurred ₹44.19 crore (45 *per cent*) as indicated below:

Table 2.2

Sl. No.	District	Number of projects	Number of micro watersheds	Number of EPAs targeted	Number of EPAs undertaken	Expenditure as of May 2014 (₹ in crore)
1	Adilabad	36	170	1168	567	4.25
2	Anantapur	77	335	4756	2819	7.36
3	Chittoor	57	326	6351	2756	5.08
4	Khammam	8	28	737	464	1.42
5	Kurnool	51	192	1378	451	4.54
6	Mahbubnagar	75	421	3316	1033	4.85
7	Medak	31	217	1898	628	2.57

¹² Preparatory phase 1-2 years, Works phase 2-3 years and Consolidation and Withdrawal phase 1-2 years

¹³ Out of the total 653 projects sanctioned by GoI during 2009-14, 139 have not had any expenditure as of April 2014

Sl. No.	District	Number of projects	Number of micro watersheds	Number of EPAs targeted	Number of EPAs undertaken	Expenditure as of May 2014 (₹ in crore)
8	Nalgonda	37	197	1315	448	3.13
9	Prakasam	61	309	1564	412	3.81
10	Rangareddy	33	200	772	425	3.62
11	Srikakulam	12	159	1183	132	0.66
12	YSR Kadapa	36	197	1969	659	2.90
Total		514	2751	26407	10794	44.19

Source: Records of SLNA

Government replied (December 2014) that the works could not be initiated due to delay in issue of no objection certification (NOC) by the other implementing agencies. As the funds related to EPA activities are non-lapsable, it was stated that efforts would be made to utilise these funds for repairs, restoration and up-gradation of existing structures.

Audit scrutiny of sampled units and physical inspection of EPAs revealed that there were deviations from the programme guidelines in several districts as detailed below:

Improper functioning of Reverse Osmosis water purifier plants	<p>As part of EPA, reverse osmosis (RO) plants were erected in districts.</p> <ol style="list-style-type: none"> RO plant at Mubarakpur (Pulumamidi project) was not installed as of May 2014 despite payment (2013) of ₹1.70 lakh to the suppliers. RO plant installed at Gangapalem (Dharmavaram project) of Prakasam district was three kilometres away and did not cater to the needs of the villagers. RO Plant at Ramgopalapuram (Gannavaram project) did not provide pure water¹⁴. Government replied (December 2014) that the filters have been changed but test-reports were not enclosed. RO plant at Chandaram (Challampet project) was lying idle for 20 months due to collapse of steel shed. Government replied (December 2014) that action would be initiated for completion of the work.
Non-installation of solar street lights (SSL)	At Balaraopet project of Adilabad district three SSLs, were not installed as of May 2014. Government replied (December 2014) that necessary instructions were issued to PD to pursue the installation of SSLs.
Poor maintenance of village tent houses	Ichoda project in Adilabad revealed that five tent houses procured at a cost of ₹4.77 lakh were spoiled due to negligence of watershed committees and ₹23,762 collected towards rent of tent houses was not accounted for in the books. Government replied (December 2014) that necessary instructions were issued in this regard
Non-availability of details of animal health camps	With regard to two projects (one each in Nalgonda and Chittoor districts), PIA could not provide supporting documents like utilisation certificates to audit in respect of ₹7.56 lakh advanced to the department of Animal Husbandry for conducting animal health camps during 2013-14.

¹⁴ 100 parts per million (ppm) against the required 80 ppm

<p>Duplication of work/ services with other line agencies</p>	<p>Duplication of work was not allowed as per guidelines. But purchase of dual desks and iron benches for Zilla Praja Parishad schools in Sancham and Muddada projects in Srikakulam district and Regatte project in Nalgonda district for an amount of ₹10.48 lakh (Nalgonda ₹2.32 lakh and Srikakulam ₹8.16 lakh) was made. Government replied (December 2014) that the purchase was made with the approval of the Chairman, DWMA.</p>
<p>Improper maintenance of cattle troughs</p>	<p>Physical verification of 32 cattle troughs (₹4.65 lakh) constructed as part of seven projects test-checked in Adilabad district revealed that 29 troughs were not functioning due to lack of water connection, dismantled condition due to road widening. Government replied (December 2014) that necessary instructions were issued to PD, DWMA to rectify the deficiencies pointed out in audit.</p>
<p>Non-laying of ceramic tiles</p>	<p>At Khudabakshipalli (Venkepalle project of Nalgonda district), ₹6,941 was incurred on laying of ceramic tiles, but there was no evidence to this effect during physical verification. Government replied (December 2014) that orders were issued for recovery of amount for non-laying of ceramic tiles.</p>

2.8.4 Institutional and Capacity Building (I&CB)

As per GoI guidelines, five *per cent* of the cost of project is earmarked for Institution and Capacity Building (I&CB) activities. Capacity building and training of all functionaries and stakeholders involved in the watershed programme implementation was to be carried out on war footing with definite action plan and requisite professionalism and competence. Audit observations in this regard are as follows:

- i. Delay in conducting training to user groups (UG):** Operational guidelines (2008) stipulate that training modules for target groups should be prepared along with reading material for distribution to the stake holders. It was however, observed that the training modules for imparting trainings to UGs were prepared only in July 2013. Training was imparted to 51,451 out of 3,35,693 identified UG members during 2011-14. Government replied (December 2014) that prior to 2013, the district and cluster level livelihood resource centers and other NGOs had conducted trainings for primary and secondary stake holders. However, in the absence of supporting details, audit could not verify the training imparted to the targeted stakeholders.
- ii. Shortfall in training to departmental staff:** During 2009-14, out of 5,620 training proposed for 2,52,986 persons, only 3,812 training covering 1,43,931 persons were conducted (May 2014) by utilising ₹6.76 crore out of ₹9.03 crore for the entire unified State. Government replied (December 2014) that the shortfall in training was due to State's processes and elections.

2.8.5 Detailed Project Reports (DPR)

Preparation of Detailed Project Report (DPR) is a crucial activity in preparatory phase and one *per cent* of project cost is allocated for its preparation. DPR includes the basic information on watershed *viz.*, rainfall, location, soil, forests, land use pattern, details of expected/proposed user groups and self-help groups, plot wise existing assets

relating to water harvesting, institutional mechanism and arrangements for implementation of the plan etc. DPR should be in tune with District Perspective Plan and should be approved in *Gram Sabha* for onward submission to DWMA by PIA. It is prepared by WDT with active participation of WC. Audit findings in this regard are discussed below:

i. Variation in execution of works *vis-a-vis* DPRs: Audit scrutiny of 64 projects (128 MWS) in eight selected districts revealed that DPRs were prepared in respect of all projects. However, there were variations during execution of works (check dams, plantations, percolation tanks (PT), ponds, trenches and sunken pits) *vis-a-vis* items in DPRs. Illustrative instances are given below:

- a. In Chittoor district, 20 check dams were executed against five planned (T.Pasalavandlapalli MWS) and no check dams were executed against 30 planned (Badikayalapalli MWS);
- b. In Anantapur district, 69 PTs were executed though no PT was planned (Hanumapuram MWS); and in Chittoor district, no PT was executed against 350 planned (T.Pasalavandlapalli MWS)

Government replied (December 2014) that there were variations in some projects which were necessitated due to the requirement of local community.

ii. Defective DPRs: In respect of Mangi, Tamsa, Watoli, Khamana, Korvichelma, Masala (K), Kistapur and Suraram projects in Adilabad district, 9,471 hectares of area was deleted from the originally proposed area in DPRs due to incorrect inclusion of irrigated lands. Further, the Kundanakota micro watershed of Kamalapadu project in Anantapur district was also proposed (2013) for foreclosure due to lands covered under a cement factory. Government replied (December 2014) that the guidelines stipulated foreclosure of DPRs in extreme cases.

iii. Improper preparation of DPR: In Tallavalasa MWS (Laveru project) in Srikakulam district, the area proposed for treatment (648 hectares) was in excess of the geographical area (633.34 hectares) of the village, which resulted in excess allocation of ₹1.72 lakh.

2.8.6 Non-collection of contribution towards WDF

One of the mandatory conditions as per guidelines for implementation of watershed projects is recovery of people's contribution towards Watershed Development Fund (WDF) by PIA/VO concerned. A minimum of 10 *per cent* (40 *per cent* in case of horticulture works) of the cost of works executed on private lands or five *per cent* in case of SC/ST, small and marginal farmers should be recovered towards this fund. After completion of works phase, at least 50 *per cent* of the WDF has to be reserved for maintenance of assets created on community land or for common use under the project. The remaining money should be used as a revolving fund to advance loans to villagers of the project area who have contributed to the fund. Scrutiny of records of

SLNA and test-checked projects pertaining to creation of WDF revealed the following.

- In respect of works taken up under Hariyali-II, III, IV in Anantapur district, DWMA raised the WDF by withholding (2009-12) 10 *per cent* of funds (aggregating ₹1.88 crore) from the funds released to PIAs contrary to guidelines.
- Scrutiny of SLNA records revealed that Commissioner RD directed (July 2010) all the DWMA's in the State to surrender WDF fund to SLNA account and accordingly, an amount of ₹20.35 crore was received by SLNA. Out of the amount so collected, Government accorded (2009) sanction for construction of 10 District livelihood Resource centers and 23 Cluster livelihood Resource centers (buildings) across the State at a cost of ₹12.08 crore as of May 2014. Such action of the State Government was against GoI guidelines, as this was WDF fund, which was to be used for maintaining the assets created under various Watersheds.
- In respect of 19 projects¹⁵ of Anantapur District pre-IWMP, although WDF contribution amounting to ₹20.24 lakh was effected from work bills, it was subsequently remitted to DWMA instead of being retained at the disposal of concerned watershed committees for utilising towards maintenance of the created assets.

Government replied (December 2014) that amounts available under WDF were not sufficient to maintain the assets created under pre-IWMP and therefore, it has been decided to pool the fund and utilise it for construction of Cluster livelihood Resource centers (CLRCs) and District livelihood Resource centers (DLRCs) buildings for institutional and capacity building activities.

2.8.6.1 Non-creation of WDF

- i. Scrutiny of records in Anantapur district revealed that although an expenditure of ₹132.27 lakh was incurred (2012-14) on IWMP works in private lands of small farmers, the stipulated five *per cent* contribution amounting to ₹6.60 lakh was not collected by the PIAs concerned towards WDF as of May 2014.



Name of the project: **Chalkurthanda**
Name of the district: **Anantapur**
Non-repaired check dam with toe wall and apron

Similarly, in respect of horticulture works, the required contribution amounting to ₹88.46 lakh against the expenditure of ₹217.75 lakh was also not collected in the district as of May 2014. Government replied (December 2014) that the

¹⁵ Bommaganipalli, Niluvarathipalli, Lokojipalli, Goridindla, Boyapalli, Cherlopalli, Budanampalli, Garugu Thanda, Chalkur, YerraguntaII, Pedakodapalavandlapalli, D.Hirehal, Deveredipalli, Nemakallu-II, Galagarla-II, Garladinne, Rachumarri, Bodaipalli, Komali

contributions were not collected on the analogy of similar works which were executed free of cost under MGNREGS.

- ii. In Chittoor district required contribution towards WDF amounting to ₹10.69 lakh was not collected by PIA in two test-checked micro watersheds of V.G. Puram and Padmapuram. Government replied (December 2014) that an amount of ₹1.85 lakh was collected as WDF excluding for plantation and for the works taken up by SC, STs and deposited in WDF account.

Government also replied (December 2014) that all the pending repair works were being estimated for completion before monsoon 2015.

2.9 Works phase

This is the phase in which DPR is implemented. This mainly includes (i) Natural Resources management (NRM) activities like watershed development works including ridge area treatment, drainage line treatment, development of water harvesting structures etc., (ii) livelihood activities for the asset less people and (iii) production system and micro enterprise. The works under these categories are executed in this phase.

As per the common guidelines of the GoI, the duration for the works phase is 2-3 years. However, the State Government has not fixed any time limit to the contractors in the work allotment letters for completion of any of the tasks, despite providing specific number of working days for each item of work in estimates. Non-fixation of time limit in agreements resulted in delay in execution with consequent effect on sustainability of already created assets.

2.9.1 Natural Resource Management (NRM) works

GoI stipulated 50 *per cent* (enhanced to 56 *per cent* in 2011) of project cost for execution of watershed development works. The NRM works include water harvesting structures like low-cost farm ponds, nalla bunds, check-dams, percolation tanks and ground water recharge through wells, bore wells and other measures like plantations, etc. Test-check of records pertaining to the sampled works (IWMP as well as pre-IWMP) revealed the following:

Table 2.3

Year (Batch No.)	No. of works sanctioned	Sanctioned cost (₹ in crore)	No. of works initiated	Expenditure as of May 2014 (₹ in crore)
2009-10 (I)	54,338	347.17	35,503	134.16
2010-11 (II)	69,218	481.57	31,675	138.56
2011-12 (III)	43,097	269.23	13,528	48.51
2012-13 (IV)	5,660	34.35	493	0.98
2013-14 (V)	0	0	0	0
Total	1,72,313	1132.32	81,199	322.21

Source: Records of SLNA

Due to delay in commencement of works initially, none of the works initiated from batch 2009-10 were completed (May 2014). Audit findings on test-checked works are given below.

Check dams: Works relating to construction of check dams of three projects in two (Prakasam and Rangareddy) districts revealed that the works were not completed in full shape as evident from non-construction of weirs¹⁶ and non-execution of rough stone dry packing despite provision of these items in estimates. As a result, the expenditure of ₹14.03 lakh so far incurred on these works remained unproductive. Government replied (December 2014) that these pending works were under progress.

Scrutiny of three projects¹⁷ in Anantapur District revealed that check dams constructed at a cost of ₹6.99 lakh were either demolished subsequently for cultivation and or not put to use due to construction of roads across the down streams. In respect of Pulumamidi project of Rangareddy district, executing agencies dumped the earth on the immediate shoulders/berms of dam/stream which causes sliding of the excavated earth into main stream thereby obstructing free flow of water. In respect of Murlinagar project in Rangareddy district, non-construction of apron¹⁸ reduced the strength of the check-dam.

Illustrative photographs of findings based on physical verification along with departmental officials are given below:



Name of the project: **Pulumamidi**
Name of the district: **Rangareddy**
Incomplete check dam – Non-clearance of excavated soil



Name of the project: **Murlinagar**
Name of the district: **Rangareddy**
Incomplete check dam – Non construction of apron, etc.

Government replied (December 2014) that necessary instructions were issued to the concerned project staff to rectify the deficiencies. However, evidence in support of rectificatory measures were not produced to audit.

Horticulture: Works relating to avenue plantation, block plantation, dry land horticulture plantation etc., are taken up as part of land development, vegetative measures to ensure ecological balance. Scrutiny of 11 projects of three districts (Adilabad, Anantapur, and Prakasam) revealed that works relating to dry land

¹⁶ Weir is an alternative to a check dam that utilises impervious material such as cast-in-place concrete or steel

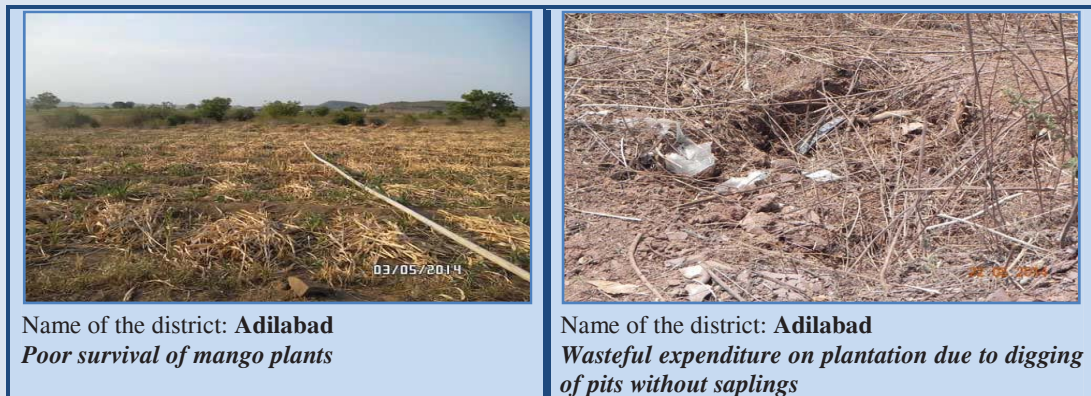
¹⁷ Budanampally, Garugutanda, Chalkur

¹⁸ Ground covering of concrete or other material used to protect the underlying earth from water erosion

horticulture, avenue plantation and block plantation suffered from deficiencies viz., poor survival of plantation due to non-watering, thereby rendering the expenditure of ₹7.05 lakh on these works largely wasteful/unfruitful. Government replied (December 2014) that the poor survival was due to severe drought conditions prevailing in the districts and that action has been taken for replacement of effected plants.

- In respect of two projects of Srikakulam, and Chittoor districts, block plantation and dry land horticulture works were taken up in ineligible/improper lands/sites viz., irrigated agriculture lands of beneficiaries, lands belonged to non-SC/ST categories, areas within tank bed etc., at cost of ₹25.63 lakh. Government replied (December 2014) that plantation works were permissible in all lands irrespective of the communities following the ridge to valley treatment approach under IWMP.
- Further, an amount of ₹10.23 lakh incurred on works relating to avenue plantation, dry land horticulture and bund plantation, taken up (2013-14) as part of eight projects of four districts (Adilabad, Chittoor, Prakasam and Rangareddy) remained wasteful on account of removal of plantations due to road widening, digging of pits without saplings and closure of work.

Illustrative photographs of physical verification of the sites of above works along with departmental officials are given below:



Government in reply (December 2014) accepted that the plants were damaged due to road widening and fresh planting was taken up where ever the plants were damaged.

Percolation tanks (PT)¹⁹: In respect of five projects relating to Adilabad, Prakasam and Rangareddy districts, PT works were not executed to full extent²⁰. While all these works commenced more than a year ago by incurring expenditure of ₹27.07 lakh, requisite measures were not taken to complete and operationalise them. In respect of Santhanuthalapadu project of Prakasam district, even though the excavated earth was used for bund formation and consolidation of PT, the watershed committee claimed and drew (2013) ₹11.93 lakh towards transportation/lead charges of earth leading to possible fraudulent drawl of funds. Government replied (December 2014) that

¹⁹ Percolation tank is an artificially created surface water body, submerging in its reservoir a highly permeable land so that surface runoff is made to percolate and recharge the ground water storage

²⁰ Without rough stone dry packing to the embankment, stone revetment to earthen bund, toe wall, apron and weirs, plastering to aprons, consolidation to bunds etc.,

deficiencies in construction of PTs noticed by audit were due to problem of transporting materials during the rainy season and non-availability of rough stone and that adequate measures had been taken to transport the material and the works were under progress.

2.9.2 Livelihood activities

Ten *per cent* (reduced to 9 *per cent* in 2011) of project cost is earmarked for livelihood activities. Major activities under this component include dairy, small ruminants, petty business, skilled business etc., which are facilitated to the eligible beneficiaries identified based on action plan by Village Organisations (VOs). Even though these activities are included in the main cluster of the project including other NRM works, their implementation is administered and monitored by SERP²¹ with financial assistance under IWMP. Out of 454 projects (Phase I, II and III sanctioned during 2009-12) under works phase, SERP could cover only the activities of 280 projects sanctioned during 2009-11 despite release of funds by SLNA for coverage of activities up to projects sanctioned under Phase III. As per the latest Utilisation Certificate furnished (June 2014) by SERP to SLNA, state processes and issue of election code were attributed as reasons for non-disbursement of funds to the district level authorities. The amounts received by SERP are released to the VOs as revolving fund for onward disbursement to the identified beneficiaries among Self Help Groups.

Scrutiny of 16 projects of Anantapur and Prakasam districts revealed that out of ₹105.08 lakh received by VOs as part of revolving fund from SERP for distribution among eligible beneficiaries, they could disburse only ₹72.35 lakh as of May 2014. Specific reasons for non-disbursement of the balance amount of ₹32.73 lakh despite having the list of beneficiaries were not clarified by VOs concerned. Government during Exit Conference (December 2014), accepted non-disbursement of funds to VOs and stated that steps would be taken to utilise these funds for the purpose for which these were released.

2.9.3 Production system and micro enterprise

Thirteen *per cent* (reduced to 10 *per cent* in 2011) of project cost is earmarked for the activities involved under production system and micro enterprise. Under this component, community based activities like fertility and animal health camps, supply of trevices, castrators, milk testing machines and individual based activities like providing mineral mixture and mineral blocks, de-wormers, back yard poultry related to animal husbandry are taken up. Provision of implement service stations (ISSs), custom hiring stations (CHSs), farm mechanisation etc., related to agriculture activities are also undertaken under this component. As regards activities relating to animal husbandry, the department of Animal Husbandry supplies the material to VOs, for which required financial assistance is given by DWMA concerned. However, in respect of the activities relating to agriculture, funds are released directly to VOs as

²¹ Functioning under the Department of Rural Development

revolving fund for onward disbursement to identified user groups at 30 *per cent* of unit cost (varies from activity to activity) fixed by the department.

Audit findings relating to these activities are discussed below.

The overall status of implementation of the activities under this component for the projects sanctioned during 2009-12 (which were under works' phase) was very poor as evident from meager expenditure (percentage ranged between 8 and 17) against the allocation for the purpose. Details are given below:

Table 2.4

(₹ in crore)

District	2009-10		2010-11		2011-12	
	Allocation	Expenditure	Allocation	Expenditure	Allocation	Expenditure
Anantapur	8.94	2.89	12.21	4.13	14.95	2.15
Adilabad	5.35	0.80	5.60	1.05	6.10	0.52
Chittoor	6.52	1.04	9.77	1.87	9.93	0.51
Khammam	1.56	0.29	2.13	0.64	1.07	0.13
Kurnool	9.08	1.63	8.12	1.92	10.77	1.49
Mahbubnagar	9.85	0.75	11.87	0.81	14.00	0.22
Medak	3.95	0.43	5.80	0.77	5.04	0.00
Nalgonda	5.22	0.27	6.58	0.68	6.71	0.01
Prakasam	9.86	1.37	9.99	1.18	10.81	0.64
Rangareddy	4.39	0.78	8.30	1.74	3.76	0.52
Srikakulam	3.04	0.31	2.90	0.49	0.85	0.27
YSR Kadapa	4.24	0.48	7.25	0.71	4.47	0.23
Total	72.00	11.04	90.52	15.99	88.46	6.69

Source: SLNA reports

Poor utilisation was mainly due to delay in convergence with the department of Agriculture (August 2013), finalisation of guidelines and action plans by SLNA for implementation of activities in this regard. Government replied (December 2014) that the matter would be pursued with SERP.

Funds held up with the department of animal husbandry: Scrutiny of records of DWMA's and the units pertaining to the department of Animal Husbandry in three districts (Anantapur, Chittoor and Rangareddy) revealed that out of ₹1.50 crore (October 2012 – September 2013) released to the departmental units of Animal Husbandry, only ₹44.97 lakh (30 *per cent*) was utilised towards supply of material required for improvement of production system and for onward distribution among identified beneficiaries/groups. Government replied (December 2014) that instructions have been issued to concerned authorities to follow up the matter and complete all the activities.

2.10 Internal controls

2.10.1 Financial Management

2.10.1.1 Short release of State share

Common guidelines of IWMP mandate release of State share within 15 days of release of funds by GoI. Scrutiny of records of SLNA revealed that as against ₹68.86 crore due to be released as its share during 2009-14, State Government released ₹63.31 crore with a delay ranging from 2½ - 8½ months. The balance amount of ₹5.55 crore was not released as of May 2014. Government replied (December 2014) that the delay was due to State issues and initial delays in release of funds both by GoI and State Government.

2.10.1.2 Non-reconciliation of receipts and expenditure

During the years 2009-14 SLNA received ₹721.61 crore for implementation of IWMP as seen from the Central Plan Scheme Monitoring System (CPSMS). However, as per the records of SLNA, the total receipts pertaining to IWMP during the period was ₹683.12 crore. Government accepted (December 2014) the discrepancy and assured reconciliation.

2.10.1.3 Inadmissible expenditure

As per guidelines, capital nature works and salaries of permanent staff are not permitted to be incurred from programme funds. Scrutiny of records of sampled units however, revealed that DWMA of six districts incurred ₹4.36 crore (₹4.33 crore²² of pre-IWMP + ₹0.03 crore IWMP) programmes funds towards various purposes viz., purchase of vehicles, computers, furniture, fixed assets, digital cameras, payment of salaries to permanent staff etc., against the guidelines.

Government replied (December 2014) that they had to incur expenditure on these items as a part of administration and institutional and capacity building.

2.10.1.4 Incurring expenditure after closure of pre-IWMP projects

GoI, while issuing directions (July 2011) to close Hariyali projects and to take up untreated areas of such projects under IWMP, instructed the implementing agencies to refund all the unspent balances as on 31 December 2012, along with interest accrued thereon and submit consolidated utilisation certificate, activity wise physical and financial progress, details of assets created, non-embezzlement certificate etc. DWMA of Anantapur, Nalgonda and Srikakulam districts incurred an amount of ₹4.13 crore²³ during January 2013 to March 2013 i.e. after closure of pre-IWMP programmes based on the orders of Special Commissioner, as of May 2014.

²² Pre-IWMP – Anantapur: ₹2.60 crore, Nalgonda: ₹1 lakh, Srikakulam: ₹11.42 lakh, Prakasam: ₹79.67 lakh, Rangareddy: ₹80.66 lakh; IWMP – Mahbubnagar: ₹1.72 lakh, Srikakulam: ₹1.41 lakh

²³ Nalgonda: ₹2.41 crore, Srikakulam: ₹1.14 crore and Anantapur: ₹0.58 crore

Project fund amounting to ₹8.36 crore²⁴ was pending with DWMAAs of Adilabad, Anantapur, Prakasam, Rangareddy and Srikakulam districts.

Government replied (December 2014) that PDs of Anantapur, Nalgonda, Rangareddy, and Srikakulam had remitted the unspent balances. However no supporting evidence to this effect was furnished to audit.

2.10.1.5 Advances pending adjustment

As per Andhra Pradesh Financial Code-1, advances paid should be adjusted without any delay through detailed adjustment bills along with vouchers to the authority sanctioning such advance and the DDOs concerned should watch their adjustment. Scrutiny of records of test-checked districts revealed that an amount of ₹41.03 crore²⁵ released to the agencies for various purposes during pre-IWMP period (2009-11) were pending adjustment as of December 2014. Similarly, an amount of ₹98.45 lakh²⁶ was pending adjustment for the advances released from IWMP funds. Government replied (December 2014) that action had been initiated to adjust the balance amount.

2.10.1.6 Operation of programme funds in Multiple Bank accounts

As per GoI guidelines, programme funds relating to IWMP are to be operated through a single bank account by SLNA. However, ₹30.97 crore (SLNA ₹28.84 crore and DWMAAs ₹2.13 crore) was shown as closing bank balance in SLNA Accounts of 2013-14. Of this ₹28.84 crore was lying in 16 banks situated at various places including outside State capital viz, Guntur, Anantapur, Chittoor etc. Similarly, DWMA Anantapur operated 6 separate bank accounts under Hariyali-IV scheme in contravention of guidelines.

While Government in its reply (December 2014) stated that, it had closed all the multiple accounts in respect of IWMP, it did not provide any documentary evidence to this effect.

2.10.1.7 Pending Utilisation Certificates

An amount of ₹1.42 crore²⁷ was released (2012-13) to village organisations (VOs) in two out of eight test-checked districts under IWMP. Under Pre-IWMP, an amount of ₹50.86 crore²⁸ was released to various organisations in three out of eight test checked districts. However, relevant utilisation certificates along with vouchers for the above amounts were not obtained by the implementing agencies as of May 2014. Government replied (December 2014) that Joint Directors of concerned departments had been asked to submit the UCs.

²⁴ Adilabad: ₹38.48 lakh, Prakasam: ₹2.37 lakh, Srikakulam: ₹9.35 lakh, Anantapur: ₹773.09lakh, Rangareddy: ₹12.59 lakh

²⁵ Adilabad: ₹6.19 crore, Anantapur: ₹20.34 crore, Srikakulam: ₹3.56 crore, Mahbubnagar: ₹1.31 crore; Chittoor: ₹7.74 crore and Prakasam: ₹1.89 crore

²⁶ Adilabad: ₹0.47 lakh, Anantapur: ₹4.61 lakh, Nalgonda: ₹43.86 lakh, Prakasam: ₹49.51 lakh

²⁷ Anantapur: ₹1.41 crore, Chittoor: ₹0.01 crore

²⁸ Mahbubnagar: ₹80 lakh, Chittoor: ₹1.41 lakh and Prakasam: ₹50.05 crore

2.10.1.8 Incorrect Utilisation Certificates

As part of livelihood activities (poultry, petty business like selling of utensils, vegetables, milch animals etc.) of the projects sanctioned during 2009-11 (Phase-I & II) SLNA transferred (2012-13) funds amounting to ₹78.90 crore (first instalment) to SERP for onward disbursement to the members (beneficiaries) of Self Help Groups through the Village Organisations. Of this, SERP distributed only ₹71.89 crore as of May 2014 and the SLNA treated entire amount of ₹78.90 crore as expenditure while furnishing (September 2013) UC to GoI.

Similarly, SLNA furnished (June 2014) UC to GoI for an amount of ₹86.55 crore pertaining to second instalment of Phase I and II and first instalment of Phase III projects released to SERP in December 2013, despite not incurring any expenditure as on the date of issue of UC.

Government replied (December 2014) that since both the SERP and Animal Husbandry departments were Government agencies and funds were released as revolving fund, these amounts released were considered as expenditure at SLNA level. But the funds were lying with SERP till date of audit (October 2014) pending distribution to beneficiaries.

2.10.1.9 Non-recovery of excess expenditure incurred due to duplication of works

In compliance with the guidelines issued by GoI, State Government converged IWMP with MGNREGS and issued orders in September 2013 along with details of works to be converged. However, scrutiny of records of SLNA revealed payment of ₹1.38 crore to 547 farmers relating to natural resource management (NRM) under IWMP on which payments were already claimed in MGNREGS works as is evident from same job cards on which these works were executed, thereby resulting in double payment. Government replied (December 2014) that orders were issued for recovery of excess amount paid in case of all such duplication works.

2.10.1.10 Parking of funds in fixed deposits

Scrutiny of records of DWMA, Anantapur revealed that funds amounting to ₹1.95 crore released to one of the implementing agencies of livelihood activities under erstwhile watershed programmes towards procurement and distribution of sheep and agricultural equipment to the identified beneficiaries were parked in fixed deposits in contravention to programme guidelines. Government replied (December 2014) that the implementing agency concerned had refunded the amount in August 2014. However, details in this regard were not enclosed.

2.10.2 Monitoring and evaluation

2.10.2.1 Non-conducting/delay in impact evaluation

Out of 6,795 projects sanctioned under pre-IWMP, 30 projects were stated to be abandoned and remaining 6,765 projects were stated to have been completed/closed on introduction of IWMP. However, SLNA did not furnish any documentation

evidencing evaluation of the projects before their closure to ascertain various factors viz., soil conservation, moisture conservation, water conservation, afforestation, mitigation of adverse effects of extreme climatic conditions etc., and more specifically to evaluate the run off discharge of rain fed water and sedimentation yield. At the field level, several deficiencies in execution of check-dams, percolation tank bunds were noticed in evaluation report in the test-checked district of Mahbubnagar.

As regards IWMP projects, evaluation process has not commenced till April 2012, despite completion of preparatory phase of the projects sanctioned during 2009-10. No evaluation was conducted for the remaining projects sanctioned during subsequent phases.

Government replied (December 2014) that final evaluation reports of all the pre-IWMP projects were submitted to GoI and in respect of IWMP projects, evaluation of preparatory phase has been completed for Batch I, II and III and the evaluation of works phase would commence from February 2015. However, Government did not provide any documentation in support of its contention.

2.10.2.2 Quality Control

Shortfall in inspections: A Quality Control (QC) wing established in Rural Development Department for conducting quality control inspections of MGNREGS works was being utilised for taking up quality control inspections under IWMP. As per instructions issued (October 2011) by the department of Rural Development, quality control teams should inspect all works before, during and after completion. It was however, observed that against 1,06,354 works executed as on 15 June 2014 in the State, only 6,798 works (6 per cent) were inspected by the QC teams. In addition to this, no efforts were made to effect recoveries towards penalties proposed by QC teams for an amount of ₹22.18 lakh on 148 works.

Government replied (December 2014) that presently QC teams of MGNREGS were being utilised for QC inspections and recovery proceedings were communicated to the concerned project authorities for effecting recovery. Deployment of separate QC teams for IWMP was under progress and more number of works would be inspected in future.

2.10.2.3 Non-conducting of check measurements by APDs of MGNREGS

As per guidelines issued (March 2011) by Commissioner, Rural Development, the Project Director of respective DWMA should allot jurisdiction to Assistant Project Directors (APD) of MGNREGS works to conduct super check of works under IWMP. In this regard, the APD should at least super check 12 works in a month. As seen from online reports, while 70,533 works initiated under IWMP were check measured as of August 2014, no Super Check measurement was carried out by POs, APDs, Addl PDs. Government replied (December 2014) that concerned authorities were instructed to inspect the prescribed number of works in a month.

2.10.2.4 Payments without pass orders / check measurements / authorised signatures

Scrutiny of works records relating to dugout ponds/farm ponds pertaining to pre-IWMP (Hariyali) works in Anantapur district revealed that PIAs authorised (2006-08) payments worth ₹29.42 lakh paid to the concerned watershed committees without ensuring pass orders/check measurements and authorised signatures confirming the completion of works in violation of guidelines. Government replied (December 2014) that necessary action had been taken to avoid deviations.

2.10.2.5 Social Audit

As per Guidelines, SLNA's role is critical in ensuring that social audit arrangements are in place at appropriate levels. As per SLNA, social audit for watersheds under IWMP commenced only in October 2013 after formulation of their audit guidelines. As a result, social audit was completed in respect of only 37 out of 653 projects sanctioned in five batches as of May 2014 and reports were stated to have been forwarded to the PDs of the districts concerned for follow up action. Government replied (December 2014) that Social Audit reports would be produced during the next audit.

2.11 Conclusion

Planning and preparatory work for identification of treatable areas under IWMP was deficient as seen from overlapping of IWMP projects with those taken up under other programmes/grants. While DPRs were prepared in respect of all the watershed projects, there were several lacunae with reference to projects deviating from specifications in DPRs during implementation. There were deviations from planned entry point activities. Failure to collect Watershed Development Fund from beneficiaries left the scope for non-maintenance of structures. Similarly, failure in identification of suitable land for raising horticulture and providing funds to the beneficiaries for taking up livelihood activities had resulted in non-utilisation of funds released under the scheme. Lack of financial control while releasing funds and watching their utilisation resulted in advances remaining unadjusted and non-furnishing of utilisation certificates for the funds released. Comprehensive evaluation studies were not conducted at State level with regard to pre-IWMP schemes to assess the impact of programme implementation for taking mid-course corrective measures.

2.12 Recommendations

Audit recommends the following for consideration:

- *Comprehensive survey should be carried out expeditiously with regard to projects proposed under different batches/schemes/assistance, to avoid the possibility of overlap and double payments.*

- *Definite timeframe should be fixed by Government for completion of all the activities related to conservation of ground water and enhancement of livelihood of beneficiaries.*
- *Feasibility studies for identification of potential beneficiaries and activities under livelihood component (horticulture and animal husbandry) should be carried out to avoid infructuous expenditure.*
- *Financial management should be strengthened and monitored closely to ensure funds are not parked in fixed deposits/multiple banks, and are utilised for the intended purpose within the specified timeframe.*
- *Monitoring mechanism should be enhanced by increasing the area of quality control checks.*
- *Arrears in Social audit should be cleared and compliance on Action Taken Reports should be watched closely for immediate rectification of errors.*

During Exit Conference in December 2014, Government accepted the recommendations of Audit and stated that several initiatives have been taken to ensure effective land and water resource management for sustainable development of natural resources and community empowerment and that preparation of an action plan with specific time frame for deliverables is under way in this regard.

Chapter-3

Compliance Audit Paragraphs

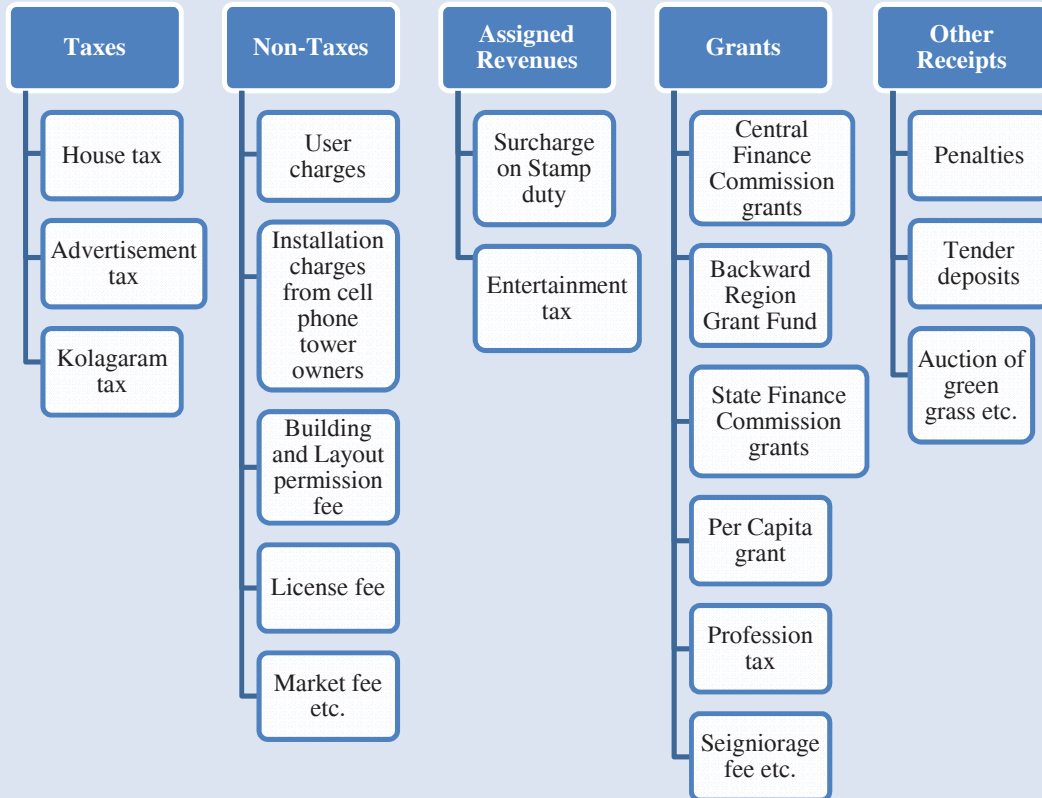
Panchayat Raj and Rural Development Department

3.1 Receipts of Panchayats

3.1.1 Introduction

Andhra Pradesh Panchayat Raj (APPR) Act, 1994 provided for constitution of Gram Panchayats (GPs) in the State in conformity with 73rd Constitutional Amendment Act to empower local self-governing institutions. As of 31 March 2014, there were 21,567 GPs in the State.

Andhra Pradesh Panchayat Raj Act, 1994 empowers the GPs to levy and collect direct and indirect taxes. Apart from tax revenue, GPs also receive assigned revenues¹ and grants-in-aid from Central and State Governments. All these receipts are credited to the Gram Panchayat Fund. Details of tax and other sources of revenue of GPs are given below:



3.1.2 Audit framework

Audit of 100 GPs (*Appendix-3.1*) was carried out between April and September 2014 with the objective of reviewing if the GPs have assessed, levied, collected and accounted for tax and non-tax revenue during the period 2011-14 in compliance with

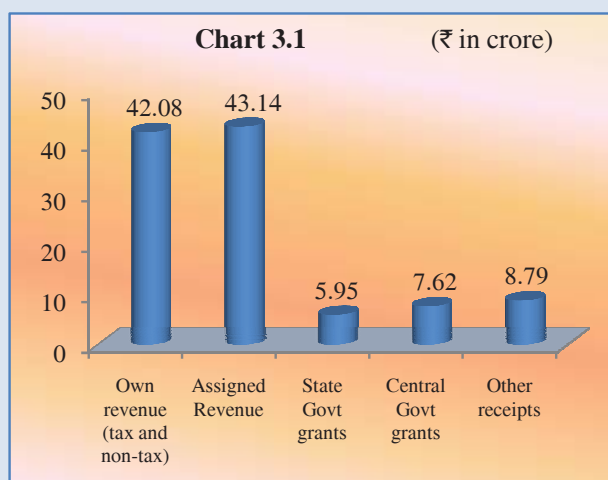
¹ Surcharges on Stamp Duty and Entertainment Tax are collected by Department of Stamps and Registration and Department of Commercial taxes respectively and apportioned to Local Bodies in the form of assigned revenue

the relevant provisions of Andhra Pradesh Panchayat Raj Act, 1994 and Rules/orders issued by State Government thereto, from time to time. Audit sample comprised of five districts² selected on the basis of population.

Audit methodology involved test-check of records in the selected GPs, and where records were not maintained or not made available for Audit, properties coming under the purview of these GPs were physically inspected along with the officials of Panchayat Raj department to verify their existence and correctness of tax levied. Photographs were taken to substantiate audit findings, where necessary.

3.1.3 Receipts of GPs

During the period 2011-14, GPs test-checked in audit (100 Nos.) received a total amount of ₹107.58 crore³.



While assigned revenue and grants to the GPs are at the discretion of the Government, GPs are directly responsible for generation of tax and non-tax revenues. Given the autonomy of GPs in assessment, levy, collection and account of tax revenue, proper discharge of these functions goes a long way in empowering the local government institutions and providing them with the required financial autonomy.

Source: Annual Accounts of GPs

Audit findings on own revenue (taxes and non-taxes) of GPs test-checked in audit are discussed in the following paragraphs.

3.1.4 Tax Revenue

Tax revenue includes house tax, advertisement tax, kolagaram tax etc. While house tax is levied on all houses in the village on the basis of either annual rental value⁴ or capital value⁵, kolagaram or katarusum is levied on village produce sold in the village by weight or quantity. Tax on advertisements erected, exhibited or displayed in the

² Chittoor, East Godavari, Guntur, Mahbubnagar and Rangareddy

³ This excludes data relating to eight GPs (Chittoor: 2 GPs and Mahbubnagar: 6 GPs) due to non-production of Annual accounts (2011-14) and data pertaining to 2013-14 in respect of 25 GPs due to non-compilation of data/finalisation of accounts

⁴ Annual Rental Value of a house shall be deemed to be the gross annual rent at which the house may reasonably be expected to be let out from month to month or year to year, less deduction of 10 per cent of such annual rent in lieu of all allowances for repairs etc. On this Gram Sabha would decide the rate ranging from 2-20 per cent of the annual value. The rental value in respect of each house would be assessed by the executive authority i.e., Panchayat Secretary

⁵ Capital value: Total estimated value of land and the estimated present cost of erecting the house after deducting a depreciation of reasonable amount which shall in no case be less than 10 per cent of such cost. On this, the Gram Sabha would decide the rate ranging from 1/8th per cent to 1 per cent of the capital value

village is collected by the GPs with the approval of Zilla Praja Parishad. Audit findings on taxes are discussed below:

3.1.4.1 House tax

House tax is levied every year at rates prescribed by GP and the owner of the property is required to pay the tax within thirty days of commencement of the year. In case of default, GPs are empowered to initiate action against them. Scrutiny of records of test-checked GPs revealed the following:

i. Assessment and Levy of tax

Audit scrutiny of assessments of 20,220 properties in 76⁶ out of 100 GPs revealed that, all the GPs were following the capital value method for computation of house tax except four⁷ GPs which were following annual rental value method. While nine out of 14 GPs⁸ in Mahbubnagar district were not levying house tax as of March 2013, four of them started levying from April 2013.

- Assessment registers/physical assessment (where assessment registers were not maintained) relating to 4,194⁹ properties of 58 GPs revealed that due to short computation of capital value on account of adoption of Sub-Registrar office (SRO) rates incorrectly, these GPs sustained a loss of ₹2.93 crore.
- In respect of 16,026 properties (including 331 State Government buildings) relating to 46 GPs of Chittoor, East Godavari, Guntur, Mahbubnagar and Rangareddy districts, no tax was levied although the properties were being used, resulting in loss of revenue. Loss of revenue based on measurements made available in respect of 15,661 properties relating to 9 GPs¹⁰ amounted to ₹2.07 crore.
- Scrutiny of records further revealed that although the State Government directed (December 2012) the GPs to revise assessment of house tax, none of the GPs test-checked in Audit had revised the rates as of September 2014. Reasons for non-compliance with Government orders were not on record.

Government confirmed (November 2014) that most of the GPs were following capital value method for computation of tax and stated that District Panchayat Officers (DPOs) would be requested to issue instructions to all the Panchayat Secretaries to follow the orders/instructions issued from time to time and appoint Revision officers to complete the revision within three months.

⁶ Chittoor: 14 GPs, East Godavari: 17 GPs, Guntur: 17 GPs, Mahbubnagar: 10 GPs and Rangareddy: 18 GPs

⁷ V.Kota and Kuppam in Chittoor district and Makthal and Kothakota in Mahbubnagar district

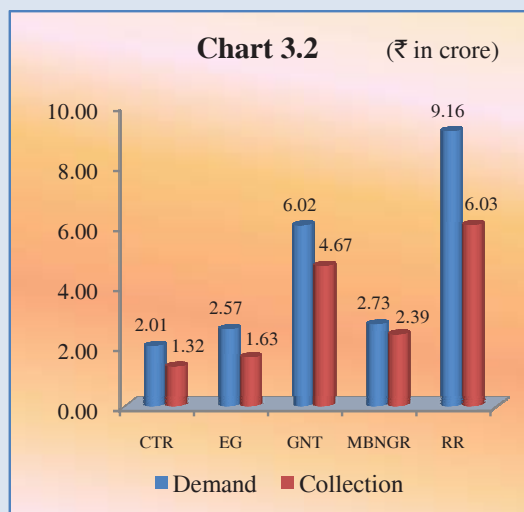
⁸ Six GPs did not furnish annual accounts

⁹ Chittoor: 97 properties, East Godavari: 232 properties, Guntur: 1,719 properties, Mahbubnagar: 65 properties and Rangareddy: 2,081 properties

¹⁰ Vadlamudi, Nambur, Vejudla and Venigandla of Guntur district, Karni of Mahbubnagar district and Dabilpur, Jawaharnagar, Kokapet and Shamshabad of Rangareddy district

ii. Collection of house tax

Collection of taxes is watched through Demand, Collection and Balance (DCB) register. District-wise details of demand raised and actual collection of house tax by 59 out of 100 sampled GPs (as rest of GPs did not maintain DCB) during 2011-14 is given alongside. It includes details of both current as well as arrears. Percentage of collection of house tax *vis-à-vis* demand ranged from 63 to 88 per cent in the test checked GPs of five districts. There were no documented reasons for poor collection of taxes.



Source: GP Records

- Due to non/improper maintenance of DCB registers by 41¹¹ out of 100 GPs, Audit could not verify the correctness of ₹4.18 crore collected by these GPs towards House tax.
- As per State Government orders (November 1996), irrecoverable tax can be written off by GPs, subject to fulfilment of certain conditions including finalisation of list of proposed waiver amounts with proper justification by executing authority, maintenance of register to this effect by GPs and sanction orders issued by District Panchayat Officer (DPO) and District Collector for every amount exceeding ₹150 and ₹1,000 respectively. However, there were no records to justify waiver of ₹2.25 lakh by 14¹² GPs during 2011-14¹³. In the absence of records, correctness of waiver of these tax dues could not be verified in audit.
- Though an amount of ₹6.45 crore was due as of March 2014 in the test checked districts, none of the test-checked GPs initiated any action against defaulters from whom tax was due. The concerned GPs did not attribute any reasons in this regard.

Government replied (November 2014) that DPOs would be directed to issue instructions to Panchayat Secretaries to adhere to the instructions issued with regard to writing off the taxes to avoid loss to GPs due to their negligence.

3.1.4.2 Kolagaram Tax

As per Section 60 of APPR Act, 1994, GPs are empowered to levy tax at specific rates on eleven items¹⁴ of village produce sold in the village as Kolagaram Tax.

¹¹ Chittoor: 13 GPs, East Godavari: 6 GPs, Mahbubnagar: 16 GPs and Rangareddy: 6 GPs

¹² Chittoor: 1 GP, East Godavari: 5 GPs and Guntur: 8 GPs

¹³ 2011-12: ₹1.48 lakh; 2012-13: ₹0.51 lakh; 2013-14: ₹0.26 lakh

¹⁴ turmeric, jaggery, tamarind, chillies, onions, cashew nuts, banana leaves, fruits, bricks/tiles/glass beads, eggs, ghee

Audit scrutiny revealed that Kolagaram tax was not levied in 53¹⁵ out of the 100 test checked GPs, despite raising crops/poultry, preparing bricks/goods. None of these GPs initiated any proposal in this regard with the Gram Sabhas, although it would fetch revenue.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of Kolagaram tax to avoid loss to GPs due to their negligence.

3.1.4.3 Advertisement tax

As per Section 63 of APPR Act, 1994 taxes on advertisements erected, exhibited or displayed in public view have to be collected by GP after approval of Zilla Parishad. However, none of the test-checked GPs maintained any information with regard to advertisements/hoardings etc. Therefore, Audit team carried out a physical survey along with the officials of the department to identify the hoardings in these GPs.

Physical survey revealed that 36¹⁶ out of 100 GPs did not levy any advertisement tax despite existence of advertisement boards/hoardings. No proposal for imposition of such tax was put forward in the Gram Sabhas of these villages depriving the potential revenue to the GPs.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of Advertisement tax and ensure that no loss is caused to GPs due to their negligence.

3.1.5 Non-Tax Revenues

Non-tax revenue includes user charges, building and layout permission fee, license fee (business and trade), fines and rents from markets and shops etc. As 56¹⁷ GPs test-checked did not maintain any DCB registers for non-tax revenues, Audit could not verify the correctness of taxes collected as per demand during the period 2011-14.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to maintain registers for non-tax revenues.

3.1.5.1 User Charges

As per Government orders (March 2002), every GP has to levy user charges annually for providing street lighting, pucca drainage and drinking water. These charges are calculated in such a way that cost of operation and maintenance is distributed among all the households utilising the particular service. Demand has to be raised separately for these items based on the details maintained for the purpose.

¹⁵ Chittoor: 7 GPs, East Godavari: 15 GPs, Guntur: 14 GPs, Mahbubnagar: 9 GPs and Rangareddy: 8 GPs

¹⁶ Chittoor: 3 GPs, East Godavari: 13 GPs, Guntur: 9 GPs, Mahbubnagar: 1 GP and Rangareddy: 10 GPs

¹⁷ Chittoor: 15 GPs, East Godavari: 9 GPs, Guntur: 9 GPs, Mahbubnagar: 16 GPs and Rangareddy: 7 GPs

Audit, however, observed that against the expenditure of ₹34.16 crore incurred on civic amenities by 84 GPs¹⁸ during 2011-14, only 59 GPs test-checked in audit collected user charges in respect of water tax component amounting to ₹5.13 crore. While only two GPs collected ₹1.36 lakh towards lighting component, none of the GPs collected any amount towards drainage component. The additional expenditure was met from other sources of GP fund. Further, there was no system in place to maintain a separate register for raising demand.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to levy of User charges.

3.1.5.2 Building Permission

As per Section 121 of APPR Act, 1994 no building should be constructed and no addition or alteration can be made to an existing building without permission of GP. The GP should accord building permissions only after collecting the fee¹⁹ and observing the setback norms as prescribed in Andhra Pradesh Land Development (Layout and Building Permission) Rules, 2002. Building permission Register is to be maintained with the details of name of the person to whom permission is accorded, measurement of the plot, survey number, plinth area and permission fee collected. The builder is required to complete construction within two-three years²⁰ from the date of according building permission and in case construction is not completed within this period, GP needs to collect the renewal fee for delayed constructions.

Scrutiny of records of test-checked GPs revealed the following deficiencies:

- i. In 20 out of 100 GPs, 4,612²¹ buildings were constructed/under construction without obtaining building permission during 2011-14. Loss of revenue on account of non-collection of building permission fee in respect of 87 out of these unauthorised buildings (to the extent measurement data was made available to audit) in Chittoor, East Godavari, Guntur and Rangareddy districts was ₹43.36 lakh²².
- ii. Building Permissions Register (BPR) was not maintained in 28²³ out 100 GPs. Even in those GPs where this register was maintained, required details relating to the extent of land/plinth, permission number and date, permission period, assessment number in respect of completed buildings etc., were missing. In the absence of these details, audit could not verify the correctness of fees/renewal fee

¹⁸ Eight GPs (Chittoor: 2 GPs and Mahbubnagar: 6 GPs) did not furnish annual accounts, while remaining eight GPs (Chittoor: 7 GPs and Rangareddy: 1 GP) did not incur any expenditure towards maintenance of water, lighting and drainage as per annual accounts

¹⁹ ₹10 per sq. meter of built up area for residential and ₹20 per sq. meter in respect of non-residential area in respect of major GPs and ₹2 per sq. meter of built up area for residential and ₹4 per sq. meter in respect of non-residential area in respect of minor GPs

²⁰ Three years for GPs within Urban Development Authority (UDA) and two years for non-UDA areas

²¹ Chittoor: 1,678 buildings, East Godavari: 12 buildings; Guntur: 19 buildings, Mahbubnagar: 2,864 buildings and Rangareddy: 39 buildings

²² Chittoor: 5 GPs, 27 buildings ₹0.10 lakh, East Godavari: 1 GP, 12 buildings ₹0.02 lakh, Guntur: 2 GPs, 19 buildings ₹15.81 lakh and Rangareddy: 2 GPs, 29 buildings ₹27.43 lakh

²³ Chittoor: 7 GPs, East Godavari: 1GP, Guntur: 5 GPs, Mahbubnagar: 13 GPs and Rangareddy: 2 GPs

(for delayed constructions) collected on the properties for which permission was given and brought to tax net.

Government Order of April 2012 stipulated that a tenant/owner (GP areas covered by Urban Development authorities) should be given possession only after obtaining occupancy certificate from the local authority. The owner has to submit a notice of completion through the registered architect and licensed builder/developer along with prescribed documents and plans to the Sanctioning Authority (GP).

However, Audit scrutiny revealed that none of the test checked GPs was issuing occupancy certificates to the concerned tenants/owners. Also the owners of the buildings had not submitted completion reports to GPs. In the absence of this procedure, Audit could not verify whether (i) all the buildings were brought in to tax net after completion (ii) renewal fee was collected for belated construction.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued while according building permissions.

3.1.5.3 *Layout permission*

As per Andhra Pradesh Land Development (Layout and Building Permission) Rules 2002, every person or a corporate body or the Government or a private corporate body who intends to undertake or carry out layout or development work should seek permission from the Executive Authority (GP) for development of layout duly paying the layout fees. Further, the developers should assign 10 *per cent* of the land in the name of GP for development of Parks, Educational Institutions, etc.

Further, as per Rule 12(2) of rules *ibid*, DPO should take action in case of unauthorised layouts, besides also holding the executive authority responsible for allowing such unauthorised layouts.

Scrutiny of records and physical survey revealed the following deficiencies:

- i. There were 77 unauthorised layouts in 11 GPs²⁴ out 100 GPs on 295.03 acres of land. As no efforts were made by GPs to identify these unauthorised layouts, they sustained loss of revenue amounting to ₹8.35 lakh due to non-collection of layout permission fee and penal charges. Assignment of 10 *per cent* of land i.e., 29.50 acres as required in the name of GP was also not made. Further, there were 23 unauthorised layouts in four²⁵ GPs in respect of which details of land could not be ascertained.
- ii. In respect of six authorised layouts (191.72 acres) in Guntur (Nambur: one layout) and Rangareddy (Aliabad: five layouts) districts, 10 *per cent* of the developed land (19.17 acres) was not handed over to GPs in violation of Government orders.

²⁴ Chittoor:1 GP, East Godavari:3 GPs, Guntur:3 GPs; Mahbubnagar:3 GPs and Rangareddy:1 GP

²⁵ Chittoor: 1GP, Mahbubnagar: 1GP and Rangareddy: 2 GPs

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for according layout permissions.

3.1.5.4 License Fee on business entities

As per Section 119 of Andhra Pradesh Panchayat Raj Act, 1994 licence fee is to be levied and collected annually on all businesses carried out in GPs. Physical survey revealed that six²⁶ GPs did not collect any amount towards license fee despite existence of business activities in their jurisdiction.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for granting license for the business activities.

3.1.5.5 Market fee

GPs are authorised to provide places for use as public markets and levy market fee on vendors at such rates as they may think fit. Scrutiny of records of Kothakota and Bijinepally of Mahbubnagar district revealed short collection of ₹29.70 lakh during 2011-14 towards market fee relating to weekly and daily markets.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued while levying marketing fee.

3.1.5.6 Non-Collection of regularisation fee from Cellular companies

As per Government orders of October 2012²⁷, the local authorities are empowered to accord permission to Cellular Companies for installation of towers on payment of ₹15,000 for ground based towers and ₹12,000 for roof top towers. Besides, an annual license fee of ₹1,000 is to be levied and an amount of ₹10,000 is to be collected for regularisation of towers installed prior to the issue of orders.

Audit observed existence of 300 cell towers in 76 out of 100 GPs test checked in audit. Against ₹34.50 lakh²⁸ due to be collected towards installation, regularisation and annual license fee on these towers, only 33 GPs of four districts²⁹ collected ₹6.72 lakh as of March 2014. None of the GPs in Rangareddy district had collected any amounts in this regard.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued for according permission for installation of cell towers and to collect regularisation charges in respect of already existing cell towers.

²⁶ East Godavari: 1 GP, Guntur: 1 GP and Mahbubnagar: 4 GPs

²⁷ G.O.Ms.No.334 dated 09 October 2012 of PR&RD department

²⁸ Information pertaining to year of erection of cell phone towers is not available in GPs, hence minimum amount was calculated (regularisation charges of ₹10,000) and annual license fee was calculated from October 2012– March 2014

²⁹ Chittoor: 3 GPs, East Godavari: 11 GPs, Guntur: 7 GPs, Mahbubnagar: 12 GPs

3.1.5.7 Fish ponds

As per State Government orders (March 1999), GP has to entrust the maintenance of fish tank to the existing fishermen co-operative societies. Where there are no co-operative societies, GP has to conduct open auction of tanks and utilise the receipts towards village development. Fish ponds are mainly prevalent in East Godavari and Guntur districts of five test-checked districts. Physical verification of the following GPs of these two districts revealed the following:

- i. In five GPs³⁰ auctions for fish tanks were not conducted, resulting in non-generation of revenue of ₹9.59 lakh (to the extent data was available in respect of 3 GPs).
- ii. Physical survey in Vadlamudi GP of Guntur district revealed that the area of fish growing tanks was less than the area included in GP records due to encroachment of 16.66 acres of land.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to auctioning of fish ponds.

3.1.6 Accountal of collections

3.1.6.1 Remittance of collections

Revenue collected by bill collectors (house tax, water tax, building permission, rents etc.) are initially taken in Irusulnama/chitta register, which comprises the details of day/category wise collections with names of the persons from whom taxes were collected. These receipts are subsequently posted in Cash Book and remitted on the next day to treasury through challans after duly entering challan number in Cash Book and Irusulnama register. Scrutiny of remittance particulars of tax/non-tax collections pertaining to test-checked GPs revealed the following:

- i. In Manthangode, Ajjakollu and Chagadone GPs of Mahbubnagar district, an amount of ₹1.64 lakh, ₹0.25 lakh and ₹0.34 lakh respectively were withdrawn (2011-14) from treasury through self-cheques. However, there were no expenditure details for these amounts, indicating possible misappropriation of funds.
- ii. Twenty one³¹ GPs remitted ₹1.26 crore into treasury with a delay ranging from 2 to 238 days, indicating possible temporary misappropriation of funds.
- iii. Instances of not carrying the details of challan number and date of remittance in Irusulnama or Chitta register were noticed in almost all the test-checked GPs, which raises doubts about proper remittance of revenues collected.

³⁰ East Godavari: Patathungapadu and Velugubanda (July 2010-October 2011; ₹0.29 lakh); Guntur: Nandigama (2012-14; ₹7.30 lakh), Panidam(2012-13; ₹2 lakh) and Bhrugubanda

³¹ East Godavari: 8 GPs, Guntur: 3 GPs, Mahbubnagar: 1 GP and Rangareddy: 9 GPs

iv. In V.Kota GP of Chittoor district separate bank accounts were opened in Syndicate bank, State Bank of India and Saptagiri grameena bank in the names of Panchayat Secretary and transactions were being operated irregularly through these banks instead of through treasury, as stipulated by the APPR Act, 1994.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to remittance of collections.

3.1.6.2 Improper maintenance of cash book

Cash book has to be closed periodically and reconciled with the treasury pass book to arrive at correct cash balances under attestation of Executive Authority (GP). However, scrutiny of records in test-checked GPs revealed cases of non-closing of Cash Books at prescribed intervals, non-attestation of entries, entries in pencil, non-reconciliation with treasury. Audit is therefore unable to vouch for the correctness of transactions.

Government replied (November 2014) that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to the instructions issued with regard to maintenance of cash book.

3.1.6.3 Diversion of funds

Section 75 of APPR Act, 1994 stipulates the purposes to which the gram panchayat fund may be applied. However, 12³² out of 100 GPs test-checked diverted ₹3.79 lakh from General Fund to the accounts of District Panchayat Office/Divisional Panchayat Offices to meet their office contingencies in violation of the Act.

Contrary to the provisions of Section 76 of APPR Act, 1994, ₹3.36 lakh was utilised to the meet the election expenditure in two³³ GPs.

Government reiterated various provisions of Rules issued by them on preparation of budget and appropriation of funds and stated (November 2014) further that DPOs would be directed to issue instructions to the Panchayat Secretaries to adhere to those instructions to see that no loss is caused to GPs.

3.1.7 Conclusion

As brought out in the foregoing paragraphs, there is no systematic mechanism in the GPs for ensuring correct assessment, demand, collection and accountal of various tax and non-tax revenues. Due to non-maintenance of demand, collection and balance registers by some GPs, correctness of the amounts collected towards tax revenue could not be vouchsafed in audit. Efforts to initiate action against defaulters were lacking in almost all the test-checked GPs leading to arrears. Kolagaram and Advertisement taxes were neglected. As regards non-tax revenues, user charges for providing street lighting, pucca drainage and drinking water supply were not collected based on actual usage. Instances of unauthorised buildings were noticed in test-

³² East Godavari: 8 GPs and Rangareddy: 4 GPs

³³ East Godavari: 1 GP and Guntur: 1 GP

checked GPs resulting in loss of revenue in the form of non-collection of building permission fee. Collection of layout permission fees, license fee on business activities, regularisation fee from cellular companies etc., were neglected. There were cases of delayed remittance of tax/non-tax collections into treasury.

Municipal Administration and Urban Development Department

3.2 Greater Visakhapatnam Municipal Corporation: Receipts, accountal and management of core services

3.2.1 Introduction

The Greater Visakhapatnam Municipal Corporation (GVMC) was formed in November 2005 covering an area of 533 sq kms. The Corporation is responsible for providing civic amenities and infrastructure facilities to the Visakhapatnam city, which had a population of 18.69 lakh as per 2011 Census.

Audit of GVMC was carried out during October – December 2014 covering the transactions of the Corporation during the period 2009-14 with the objective of verifying if the Corporation had assessed, levied, collected and accounted for its receipts properly and incurred expenditure in accordance with the relevant provisions of Hyderabad Municipal Corporation Act, 1955³⁴ and Rules/orders issued by the State Government from time to time.

3.2.2 Receipts of GVMC

The main sources of revenue of the Corporation are taxes (property tax, vacant land tax and advertisement tax), non-taxes (water tax, trade license fee, rents, building license fee, etc.), grants-in-aid from State Government (assigned revenue, State Finance Commission etc.) and Government of India (Central Finance Commission, JNNURM³⁵ etc.). Other receipts include loans, deposits, advances, contributions etc.

Receipts of the Corporation during 2009-14 are given in Chart 3.3. While own revenue constituted 49 *per cent* of total receipts, other receipts (including State Government and GoI grants) accounted for 51 *per cent*. Corporation could realise only ₹4,167³⁶ crore (42 *per cent*) against its budgeted receipts of ₹9,895³⁷ crore during the last five years.

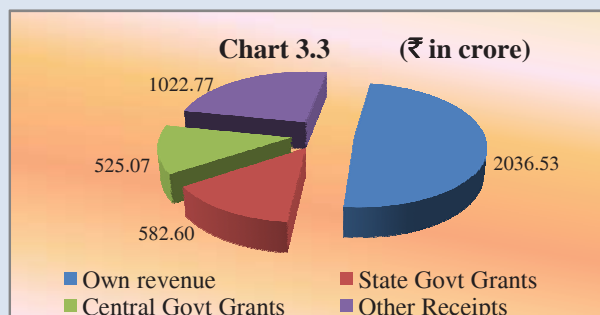
³⁴ All the Corporations in the State are governed by the Hyderabad Municipal Corporation Act 1955

³⁵ Jawaharlal Nehru National Urban Renewal Mission

³⁶ Own Revenue: ₹2,036 crore, State Government Grants: ₹583 crore, GoI Grants: ₹525 crore and other receipts: ₹1,023 crore

³⁷ Own Revenue: ₹3,562 crore, State Government Grants: ₹1,309 crore, GoI Grants: ₹3,138 crore and other receipts: ₹1,886 crore

While it could not mobilise its resources for various reasons as brought out in the subsequent paragraphs, it did not receive the anticipated grants from the State Government towards per capita grant³⁸ and also surcharge on stamp duty³⁹.



Source: GVMC Annual Accounts

3.2.3 Assessment of taxes/non-taxes

Property tax (PT) is levied on all properties within the jurisdiction of the Corporation on the basis of Annual Rental value of the building. Advertisement Tax is levied on advertisements erected, exhibited or displayed within the Corporation area and collected in advance at the rates fixed by the Commissioner. As regards non-tax revenue, water tax is collected according to the rates fixed and notified by Standing Council of GVMC separately for bulk water consumers⁴⁰ and other residential/non-residential categories. Audit findings relating to assessment of these major revenues are discussed below.

Property tax

Current rates were being implemented from 2010. During the years 2011-14, Corporation assessed PT for 4.14 lakh properties and raised demand for ₹858.73 crore. Despite revision of rates in 2010-11, it continued to raise demand at pre-revised rates in respect of 32 Gram Panchayats which were merged with GVMC in November 2005 resulting in loss of revenue.

Audit compared the number of PT assessments with the number of electricity connections as of March 2014. While 6.20 lakh low tension (LT) service connections were provided by Electricity department⁴¹ up to 2013-14 under residential category, Corporation assessed PT in respect of only 3.67 lakh residential properties. Given the huge variation (41 per cent) between the number of electricity connections and PT assessments, the possibility of omitting several properties from the tax net cannot be ruled out. GVMC stated that survey would be conducted to identify such houses. Audit findings relating to assessment of six major test-checked properties are given in **Appendix-3.2**.

³⁸ ₹ 8 per head, which amounts to ₹8.27 crore for 2009-14

³⁹ Stamp duty not apportioned ₹34.15 crore for 2009-14

⁴⁰ Bulk water consumers include industries, public sector units, SEZs and Central Government organisations

⁴¹ Andhra Pradesh Eastern Power Distribution Company Limited (APEPDCL)

	Further, there was eight years delay in raising (June 2014) demand towards PT amounting to ₹2.56 crore for the period from 2006-07 to 2013-14 in respect of 11 ancillary industries existing within the Special Economic Zone (SEZ) area.
Advertisement tax	As of December 2014, 36 agencies erected/exhibited 2,350 advertisements ⁴² in GVMC area. Due to adoption of incorrect rates in respect of advertisements with mobile media (173 vehicles) and traffic umbrellas (52 Nos.) for the period 2011-14, the Corporation sustained a loss of revenue amounting to ₹59.64 lakh ⁴³ .
Water tax	<p>GVMC provides water to residential and non-residential houses and commercial establishments on submission of prescribed application and payment of water charges as notified from time to time. As of September 2014, Corporation has given water connections to 1,63,023 consumers including 1,59,705 residential and 3,318 non-residential houses and commercial establishments.</p> <p>According to the rates fixed and notified by Standing Council of GVMC, the bulk water consumers are required to pay initially non-refundable capital contribution charges and advance consumption charge as security deposit while obtaining water connection. For this purpose, the consumers enter into agreement with GVMC for a period of five years. Scrutiny of bulk water supply records revealed that Corporation was supplying water without collecting capital contribution charges amounting to ₹5.38 crore from three bulk water consumers and differential advance consumption charges amounting to ₹5.82 crore from fifteen bulk water consumers</p>

3.2.4 Collection of taxes and non-taxes

Collection of taxes is watched through Demand, Collection and Balance (DCB) register maintained separately for all taxes and non-taxes. Audit findings relating to collection of taxes and non-taxes by GVMC are discussed below.

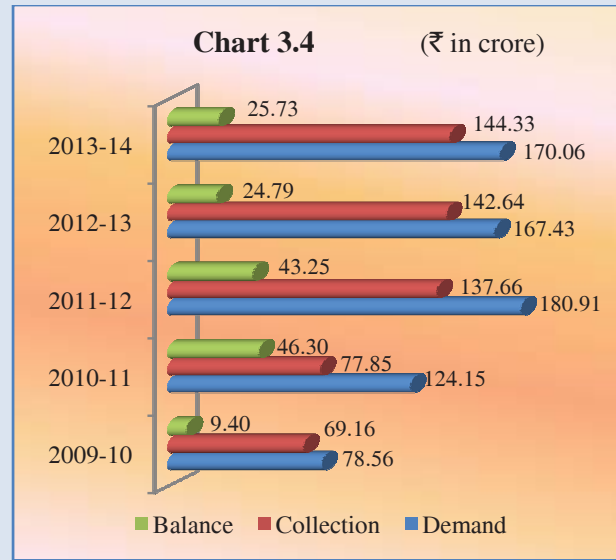
⁴² hoardings (854), lollypops/pole boards (580), advertisements on bus shelters (633), Archs (17), uni-poles (7), traffic umbrellas (57), advertisements on moving media (202)

⁴³ Traffic umbrellas (₹37.25 lakh) and mobile media (₹22.39 lakh)

3.2.4.1 Property tax

As of September 2014, ₹25.73 crore was pending towards PT collections. These dues include ₹10.47 crore due from 66 State Government properties for the period 1985-86 to 2014-15. Year wise details (2009-14) of demand, collection and balance in respect of property tax are shown in chart alongside.

Detailed audit findings relating to six major test-checked properties are given in *Appendix-3.3*. Despite specific provisions in HMC Act 1955 for penalising tax defaulters, GVMC has not initiated any action for collection of tax from the defaulters.



Source: DCB statements

Note: Collection as per DCB is ₹571.64 crore whereas it was ₹559.19 crore as per annual accounts

3.2.4.2 Advertisement tax

As per para 5 of Advertisement tax Rules, 1967, the tax has to be collected in advance. However, as per the last five years data, an amount of ₹2.23 crore was in arrears as of December 2014.

3.2.4.3 Water tax

As of September 2014, ₹22.93 crore was to be realised by GVMC on account of water tax. This includes ₹9.43 crore pertaining to residential and ₹13.50 crore pertaining to non-residential and commercial units. In case of bulk consumers, if the monthly consumption charges are not paid within due date, consumer connection will be disconnected without issuing any notice and a penalty of ₹10,000 can be levied for reconnection after clearing pending bills by the assessee. Although an amount of ₹10.82 crore was pending (December 2014) from 65 bulk consumers, Corporation did not levy any penalty.

3.2.4.4 Regularisation fee from cellular companies

As per Government orders of August 2013, GVMC is empowered to accord permission to Cellular Companies for installation of towers on payment of ₹one lakh. Besides, an annual license fee of ₹5,000 is also to be collected for renewal.

Audit observed that 607 cell towers were erected in the Corporation area up to 2013-14. Against ₹2.54 crore due for recovery towards installation and annual license fee on these towers to end of March 2014, GVMC collected only ₹67 lakh as of December 2014.

3.2.5 Accountal of collections

3.2.5.1 Delay in remittances

Corporation collects the taxes and non-taxes through eSeva centres managed through Axis Bank and through other designated banks⁴⁴. Amount collected through these centres/banks are to be transferred to the General Fund account. Further Rule 7 (Part-I) of Andhra Pradesh Treasury Code categorically states that amounts collected should be remitted without any delay.

Scrutiny of records revealed that the collections at eSeva centres were not brought into the Cash Book. Online statement relating to eSeva collections and their remittance into GVMC fund revealed that in respect of 21 transactions during 2012-14, an amount of ₹24.45 crore was remitted in to the fund with a delay ranging from 3 to 209 days, which is violative of provisions mentioned in Andhra Pradesh Treasury Code.

3.2.5.2 Maintenance of PD account

Corporation was allotted three Personal Deposit accounts for General fund, Thirteenth Finance Commission grants and Assembly constituency Development Programme (ACDP) respectively. Detailed examination of PD account maintained for General fund along with relevant Cash Book and Treasury Pass Book for the period 2009-14 revealed procedural irregularities like non-posting of transactions in Cash book, non-carry forward of opening and closing balances, variation between cash book and treasury pass book (ranging from ₹11.65 crore to ₹17.51 crore) etc.

3.2.6 Management of municipal lands

GVMC surveyed its lands in 2009, and as per asset register it possessed 1,890 lands worth ₹186.91⁴⁵ crore. However, it did not maintain title deeds for any of these properties. Further, the list of lands leased out to private parties was also not made available to audit despite specific request. As per assets register of GVMC, 38 lands (65.39 acres) were under encroachment as of December 2014. Action taken if any, to remove the encroachments was not forthcoming from the records.

3.2.7 Management of core services

In compliance with GoI's instructions under JNNURM, GVMC prepared a City Development Plan (CDP) in 2005 to ensure planned growth of city covering a time frame of 20 years. Audit findings on delivery of two core services stated in the CDP relating to water supply and sewerage are discussed below:

3.2.7.1 Water supply

GVMC is responsible for planning, designing, implementing, operating and maintaining water supply and sewerage systems. It meets the expenditure towards these components through its own resources (water and sewerage cess) besides

⁴⁴ IDBI, ING-Vysya Bank and ICICI

⁴⁵ Market value as of April 2009

receiving grant/loans from GoI/State Government/financial institutions. Corporation formulated (2005) the following strategies and action plans for implementation during 2006-2012 with regard to water supply.

- Meter all the connections to prevent wastage
- Ensure promotion of suitable cost effective and sustainable measures for water conservation and utilisation in the city
- Augment the water sources and prevent wastage of water
- Increase the number of connections to cover the entire city
- All the poor localities to be covered by piped water
- Keeping the under water levels analysis in view, restriction to be imposed on digging borewells which indirectly helps increase water level

i. Implementation of plans

As regards augmentation for supply of water, the Corporation had initiated (March 2009) the following two major schemes under JNNURM. Status of these projects is given below:

Sl.No.	Project Details	Audit observations
1.	<p><i>Refurbishment of comprehensive water supply in North Eastern Zone of Central Area of GVMC</i> Administrative sanction: 2 March 2009 for ₹190.18 crore Technical sanction: 23 May 2009 Dates of entrustment: 12 December 2009 Stipulated period of completion: 36 months Present status: Incomplete Expenditure: ₹141.22 crore</p>	<p>As per the agreement conditions 80 per cent payment shall be made after supply of the specified pipe/MDPE pipe for Meters, 10 per cent after laying and joining of the pipe/erection of pipe and specials and the remaining 10 per cent against testing of the pipe/fixing up of Meters. In violation of the agreement, Corporation paid an excess amount of ₹4.65 crore, by allowing 5 per cent excess on pipes (₹1.46 crore), 40 per cent payment on house service connections (₹3.19 crore).</p>
2.	<p><i>Comprehensive water supply system in old city of GVMC area</i> Administrative sanction: 2 March 2009 for ₹47.93 crore Technical sanction: 23 May 2009 Dates of entrustment: 12 December 2009 Stipulated period of completion: 24 months Present status: Incomplete Expenditure: ₹37.50 crore</p>	<p>Despite planning for completion of the project by December 2011, Corporation did not complete the works as of December 2014. Although extension of time was granted up to June 2014, there were still three 7,900 KL reservoirs to be taken up, while 5,850 KL Reservoir at Sand hill and procurement of pump sets were partially completed. GVMC stated that in view of delay in handing over the site, delay in getting permission from other departments etc., the works were delayed and the agency had been granted extension of time up to June 2014. GVMC also stated that further extension/action against the agency was under consideration.</p>

ii. Performance vis-à-vis service level benchmarks

A Service Level Benchmarking (SLB) initiated (2008) by the Union Ministry of Urban Development (MoUD) as part of urban reforms agenda under JNNURM, provided a common framework for monitoring and reporting on service level indicators along with guidelines on how to operationalise the framework across all the

ULBs in the country. However, it was observed that barring redressal of complaints, cost recovery in water supply services and quality of water supply, none of the other targets was achieved in Visakhapatnam due to non-completion of water supply improvement and strengthening works. SLBs issued by GoI, targets set for the last three years 2011-14 and their achievement as of October 2013 (details up to December 2014 were not provided by Corporation despite specific request) are tabulated below:

Table 3.1

Indicator	Benchmark by GoI	As of October 2013	
		Target	Achievement (%)
Coverage of water supply connections	100%	4,44,667	3,68,092 (83%)
Per capita supply of water	135 lpcd	135 lpcd	100-110 lpcd
Extent of metering water connections	100%	1,42,383	32,478 (23%)
Extent of non-revenue water (NRW)	20%	20%	33 %
Continuity of water supply	24 hrs	24 hrs	1 hr
Quality of water supplied	100%	3,83,605	3,83,555 (100%)
Efficiency in redressal of complaints	80%	80 %	100%
Cost recovery in water supply services	100%	₹110 crore	₹127 crore (115%)
Efficiency in collection of water supply charges	90%	₹8,900 lakh	₹4,700 lakh (53 %)

Source: GVMC records

3.2.7.2 Sewerage

Considering the key challenges including non-existence of comprehensive master plan for sewerage, lack of efficient communication strategy, inadequate sewerage treatment facilities resulting in discharge of sewerage into water bodies, and very low recycling and reuse of waste water noticed while preparing CDP, Corporation identified 478 sq.km of length of sewer lines to cater to the needs of households in the City. For this purpose, it had projected construction of sewerage treatment plants of 159 MLD capacity and 750 km underground drainage lines. However, as of December 2014, it could cover only to the extent of 225 km UGD lines by constructing 26 MLD⁴⁶ capacity STP. Out of two major projects⁴⁷ sanctioned under JNNURM during 2006-07, Corporation completed only one project (sewerage system to old city area). Though the other project covering 129.38 sq.km was scheduled for completion by November 2009, was delayed due to land disputes, non-receipt of Railway permissions, etc., and was re-scheduled for completion by end of December 2014.

⁴⁶ In addition to existing 175 km UGD and 25 MLD capacity STP

⁴⁷ (1) providing sewerage system in old city area and (2) providing sewerage system to Central part of Visakhapatnam

i. Efficiency in meeting Performance Indicators

As with water supply, MoUD stipulated SLBs as part of urban reforms agenda under JNNURM. However, it was observed that due to non-completion of projects, out of 11 items of targets, except two items, none of these targets was achieved in Visakhapatnam. SLBs issued by GoI, targets set for the last three years 2011-14 and the achievement as of October 2013 (details up to December 2014 were not provided by Corporation despite specific request) and their achievement are tabulated below:

Table 3.2

Indicator	Benchmark by GoI	As of October 2013	
		Target	Achievement (%)
Coverage of toilets	100%	3.59 lakh	2.04 lakh (57 %)
Coverage of sewage network services	100%	3.59 lakh	0.92 lakh (26 %)
Collection efficiency of the sewage network	100%	149 MLD	30 MLD (20%)
Adequacy of sewage treatment capacity	100%	149 MLD	70 MLD (47 %)
Quality of sewage treatment	100%	730 (No. of treated effluent samples passed in the previous year)	730 (100%) (No. of treated effluent samples tested in the year)
Extent of reuse & recycling of treated sewage	20%	30 MLD	0.90 MLD (3 %)
Efficiency of redressal of consumer complaints	80%	250	200 (80%)
Efficiency of cost recovery of sewage management	100%	₹370 lakh	₹222 lakh (60%)
Efficiency in collection of sewage charges	90%	₹148 lakh	₹126 lakh (85%)
Coverage of Storm water drainage network	100%	1,670 kms	1,170 kms (70%)
Incidence of water logging and flooding	0	0	Maximum of 10 (average during the monsoon period)

Source: GVMC Records

3.2.7.3 Solid Waste Management

Government of India (GoI) notified Municipal Solid Waste (MSW) Management and Handling Rules in 2000 to regulate management and handling of waste. As per these Rules, every Municipal authority is responsible for management of waste scientifically by adopting proper methodology for collection, storage, segregation, transportation, processing and disposal of municipal solid waste. MSW Rules, 2000 also specified the criteria⁴⁸ for benchmarking the performance of each of these processes.

⁴⁸ Organising house-to-house collection or community bin collection, Organising awareness programmes for segregation of wastes and to promote recycling or reuse of segregated materials. While bins for storage of biodegradable wastes are to be painted green, bins for storage of recyclable wastes are to be painted white and those for storage of other wastes should be painted black. Transportation vehicles should be so designed that multiple handling of wastes, prior to final disposal, is avoided. Municipal authorities should adopt suitable technology or combination of such technologies to make use of wastes so as to minimise burden on landfill. Land filling should be restricted to non-biodegradable, inert waste and other waste that are not suitable either for recycling or for biological processing

During 2009-14 Visakhapatnam urban generated 14.75 lakh MT of MSW at an average of 808 MT per day.

Audit findings on implementation of SWM by GVMC are given below:

- i. In order to segregate waste into bio-degradable and non bio-degradable at source, GVMC estimated a requirement of six lakh plastic bins of red and green colour at an estimated value of ₹1.80 crore. Against this, it procured only 40240 bins⁴⁹ at a cost of ₹15.79 lakh from the Twelfth Finance Commission grants. Considering the huge gap between the requirement and procured quantities of plastic bins, the possibility of waste being mixed up and transported to dump yard at Kapuluppada cannot be ruled out.
- ii. Assessment of the requirement of vehicles for transportation of waste was not forthcoming from the records made available to audit. Currently, 336 vehicles of different categories are used for transportation of dumper bins and open waste from primary collection points to intermediary transfer stations and to final dumping yard. Although the Commissioner and Director of Municipal Administration (CDMA) accorded (January 2011) sanction for procurement of 150 mini tippers at an estimated cost of ₹6.68 crore from Twelfth Finance Commission grants for usage under SWM, GVMC procured only 120 mini tippers at a cost of ₹4.32 crore. Contrary to the orders, it had procured 18⁵⁰ office vehicles at a cost of ₹1.34 crore.
- iii. As per MSW Rules, 2000 suitable technology or combination of such technologies is to be adopted to utilise waste and minimise burden on landfill. GVMC has not initiated adequate steps in this regard barring windrows compost pits set up at some places for processing waste. No scientific landfills were established by GVMC as of December 2014 and all the waste is being dumped in the dumping yard at “Kapuluppada” without segregation.
- iv. MSW Rules require every municipal authority to monitor performance of waste management, improve landfill sites as per rules, identify new landfill sites for future use, reclaim the landfill sites etc. Rules further stipulated that AP Pollution Control Board (APPCB) should monitor compliance with prescribed quality standards as regards maintenance of ground water, ambient air, leachate⁵¹ quality etc. Despite lapse of 14 years, GVMC has neither set up any scientific landfill site nor improved the existing dump yards. This could result in mixing of effluents with ground water and expose the citizens to pollution and health hazards.

⁴⁹ 20,120 Red bins and 20,120 Green bins

⁵⁰ 4 Tata sumo Grande Jeeps, 6 Bolero Jeeps, 6 Mahindra Thar jeeps and 1 each of Tata Safari and Toyota Fortuner

⁵¹ liquid pollutant flowing out of garbage

3.2.8 Expenditure Management

3.2.8.1 Incomplete GIS survey

In compliance with GoI guidelines on JNNURM, GVMC resolved (July 2008) to develop a multi-faceted Geographical Information System (GIS) to identify (a) each property and its utility, (b) electrical network in each locality, (c) water supply provided to each locality etc. Accordingly, an agreement was concluded by it with an agency in October 2009 with a stipulation to complete the work in 12 months i.e., by October 2010 for an agreement value of ₹3 crore. Scope of the work included detailed and comprehensive survey of all dwelling units, developing numbering system, fixing the number plates, providing GIS application software, supply and installation of International Business Machines server (IBM server) etc. Audit findings in this regard are discussed below:

- i. The agency reported that it had surveyed about 3,52,000 properties and overall assignment was completed by 1 September 2011 barring fixation of door number plates and supply and fixing street name boards for ₹91.12 lakh. However, the record (Measurement Books) of GVMC revealed that survey was conducted only in respect of 2,01,543 properties.
- ii. Although retention at 5 per cent (apart from a bank guarantee for ₹15 lakh) of agreement value towards security deposit was provided in agreement, no such amount was withheld from the payments released to the consultant. Similarly, no deduction was made towards service tax for ₹9.41 lakh.
- iii. Bank guarantee for ₹15 lakh though lapsed in September 2012 was not revalidated.

GVMC replied (December 2014) that the server is installed with GIS software and concerned programming application. However, as the tasks of fixing numbers/name boards to streets, data integration etc., is still pending the same is still not utilised.

3.2.8.2 Utilisation of funds for salaries to non-teaching staff

State Government issued orders in September 2013 for payment of salaries of teaching and non-teaching staff working in schools under the control of GVMC through treasury, as was done in respect of teaching and non-teaching staff working in Government schools under the department of Education. GVMC did not send the details of non-teaching staff to District Audit Officer for recommending the admissibility of their pay bills through the treasury and for onward submission of report to this effect to Government. As a result, funds to the tune of ₹3.38 crore paid towards salaries to the non-teaching staff for the period from September 2013 to August 2014 were drawn from municipal fund.

3.2.8.3 Non-adjustment of contributory pension amounts to Individual accounts

Corporation failed to register with National Securities Depository Limited (NSDL) individual identification numbers of the staff for adjustment of contributory pension

of both individual as well as the Corporation. As a result, pension contributions of ₹6.57 crore for the period from 2009-10 to date (August 2014), which was due to be credited to individual accounts, was not done. Of this, while an amount of ₹2.62 crore was parked in current account maintained in State Bank of Hyderabad, balance amount of ₹3.95 crore was lying in General Fund of the Corporation. Commissioner, GVMC replied that necessary action would be taken in this regard.

3.2.8.4 Unfruitful expenditure towards construction of office buildings

State Government sanctioned (September 2008) construction of three office buildings at an estimated cost of ₹6.52 crore⁵² under GVMC fund. Corporation took up these works with Municipal funds and awarded (March 2010) to the contractor for completion in 12 months. Although the construction of Zonal office and Self-employment training center was completed (March 2013) and final bill paid for ₹5.07 crore⁵³, they were not put to use as of December 2014. GVMC stated that action will be taken to put those buildings to use. As regards Hostel building, the work was stopped in May 2012 after executing the works valuing ₹1.07 crore. The balance items including fixation of doors and windows, flooring, electrification, sanitation, painting etc., were not taken up due to lack of sufficient funds. GVMC replied that balance works would be taken up after availability of funds.

3.2.8.5 Central Finance Commission grants

Twelfth Finance commission grants amounting to ₹3.42 crore were parked in fixed deposits (₹3.04 crore) and saving account (₹37.88 lakh) without utilisation. GVMC authorities without assigning any reasons for non-utilisation stated that the unspent balance of Twelfth Finance commission grants would be remitted to Government. Under Thirteenth Finance Commission grants, State Government released ₹13.18 crore and ₹16.97 crore respectively during 2010-11 and 2011-12. Audit scrutiny revealed that GVMC submitted Utilisation Certificate (UC) for the full amount of receipt, instead of the amount of actual expenditure of ₹27.59 crore. Further, in violation of guidelines (Thirteenth Finance Commission) State Government released (December 2014) ₹8.70 crore to the Corporation towards first installment of 2012-13 despite non-existence of elected body from February 2012 to date (December 2014).

The matter was referred to Government (January 2015); reply has not been received (March 2015).

⁵² (1) Zonal Office (Zone-1) at Mudasarlova: ₹1.42 crore (2) Hostel block for trainees: ₹1.07 crore, (3) Building for self-employment training: ₹4.03 crore

⁵³ Zonal office ₹1.33 crore and Self-employment training centre ₹3.74 crore

3.3 Payment for fuel charges by Greater Hyderabad Municipal Corporation

There was no supporting evidence for payment of ₹86.66 lakh shown by Greater Hyderabad Municipal Corporation to have been incurred on consumption of fuel and disposal of garbage.

Greater Hyderabad Municipal Corporation (GHMC) is in possession of 773 vehicles, of which 442 vehicles are used for collecting, lifting and transporting garbage generated in the twin cities of Hyderabad and Secunderabad. The remaining vehicles are used for other purposes like transporting water, dog van, ambulance etc. During the period 2012-14, GHMC incurred ₹162.49 crore towards fuel charges, repairs and maintenance of heavy vehicles.

Records of fuel consumption and fleet of vehicles with GHMC pertaining to the period 2012-14 were test checked in Audit during January - March 2014. Audit scrutiny revealed that the 25 tonner and 10 tonner garbage loader vehicles of GHMC report to the Caretakers of garbage transfer stations⁵⁴ (Imlibun, Tankbund and Yousufguda) for claiming fuel coupons for each trip to the dump yard at Jawaharnagar (35-40 kms away from transfer stations). These trips are recorded at Jawaharnagar Weigh Bridge. Audit scrutiny revealed that despite specific instructions (May 2013) from Executive Engineer, Solid Waste Management and Transport to the Caretakers of all the transfer stations to correlate the number of fuel coupons issued with the trips recorded at Jawaharnagar dump yard, in respect of 4,105⁵⁵ fuel coupons issued during June-December 2013, there was no corresponding entry of the vehicle at Jawaharnagar dump yard.

There was thus, no supporting evidence for payment of ₹86.66 lakh⁵⁶ shown by GHMC to have been incurred on consumption of fuel and disposal of garbage. The matter was referred to Government (August 2014); reply has not been received (March 2015).

⁵⁴ Intermediary collection centre between initial collection points and dump yard at Jawaharnagar

⁵⁵ Imlibun transfer station (1,497 trips), Tankbund transfer station (695 trips) and Yousufguda transfer station (1,913 trips)

⁵⁶ Imlibun transfer station ₹30.55 lakh, Tankbund transfer station ₹13.47 lakh and Yousufguda transfer station ₹42.64 lakh

3.4 Unauthorised Advertisement boards in Hyderabad

Greater Hyderabad Municipal Corporation has not initiated adequate action for removal of unauthorised hoardings/advertisement boards, leading to leakage of revenue.

Advertisements are grouped⁵⁷ into hoardings, mobile and bus shelter advertisements and further grouped into four categories⁵⁸ based on area where these are erected/exhibited within the limits of Greater Hyderabad Municipal Corporation (GHMC). Permissions for erection of new hoardings/uni-poles (except for renewals) were not being accorded from January 2011. As per the provisions⁵⁹ of Hyderabad Municipal Corporation (HMC) Act, 1955, the Commissioner, GHMC is vested with the powers to accord, regulate and collect fee as approved by the Corporation, for permissions granted or renewed to erect/exhibit/fix/retain the sky-sign or advertisement on any post, pole, standard frame or any land, building, wall, hoarding etc.

Audit scrutiny (November – December 2013) of records and further verification of data obtained (October – December 2014) from GHMC revealed that barring the above Act, GHMC had no specific policy with regard to selection of sites to erect advertisement hoardings/sky-signs, norms for periodicity of field survey for identifying unauthorised hoardings etc.

As of October 2014, there were 2,419 sky-signs, hoardings etc., in GHMC area. Audit inspected 500 sky-signs/hoardings/wall paintings with advertisement inspectors during December 2013, and noticed 82 advertisement boards without Advertisement Index Number (AIN) and erection of lit hoardings in 30 cases, where permission has been obtained for non-lit hoardings. Audit revisited all these 112 (82+30) advertisement boards in December 2014 along with the officials of GHMC and noted that there were 41 advertisement boards without AIN and 19 advertisement boards were lit despite obtaining permission under non-lit category. Absence of AIN and violation of permission orders indicate unauthorised boards and result in leakage of revenue to GHMC.

GHMC sanctioned 55 posts of Advertisement Inspectors in April 2013 for monitoring unauthorised advertisements and regulating them. However, as of December 2014, only five Inspectors were in position, which would make it difficult to closely monitor unauthorised advertisements in Hyderabad city. Since GHMC has not initiated adequate action for removal of unauthorised hoardings/advertisement boards, there is leakage of revenue to the Corporation, which, in the absence of details with GHMC, cannot be quantified in Audit.

The matter was reported to the Government (January 2015); reply has not been received (March 2015).

⁵⁷ 17 categories of hoardings, 16 categories of Mobile Advertisements; 10 categories of Bus Shelter

⁵⁸ Category A - Core areas of GHMC; Category B - peripheral areas of erstwhile MCH and areas not included in Category A; Category C and D - Newly merged municipalities in GHMC

⁵⁹ Section 420, 421 & 622 (2)

3.5 Violation of Act provisions in implementation of Employees' Provident Fund (EPF) scheme in ULBs

Authorities of 12 Municipalities failed to ensure recovery of EPF contributions from wage bills of contract labour and their remittance to the Fund Commissioner.

The Government of Andhra Pradesh instructed (February 2007) Commissioners of the Urban Local Bodies to establish a mechanism for ensuring that the contract labour are paid minimum wages as prescribed by the Commissioner of Labour under Minimum Wages Act, 1948 apart from contribution (both Government's as well as workers') towards Provident Fund (PF) and Employees' State Insurance (ESI) under Contract Labour (R&A) Act, 1970. The recoveries effected by the Municipalities from the wage bills of contract labour on account of PF have to be remitted to the Fund Commissioner within 15 days after the end of the month. Failure to remit such recoveries within the prescribed time attracts damage charges ranging from 17 per cent (for delays less than 2 months) to 37 per cent (six months and above).

Scrutiny (September 2012 to April 2013) of records of twelve Municipalities⁶⁰ relating to recovery and remittance of PF contributions revealed the following:

- i. Commissioner, Mahbubnagar Municipality did not recover PF contribution amounting to ₹77.71 lakh from wage bills of labour for the period from July 2007 to March 2011 in violation of the provisions of Act.
- ii. An amount of ₹4.14 crore (details are given in **Appendix-3.4**) recovered from wage bills towards PF contribution for the period from January 2007 to February 2013⁶¹ by eleven Municipalities was not remitted to the Fund Commissioners concerned as of August 2014, in violation of the provisions of the Act.
- iii. Commissioner, Hindupur Municipality remitted PF contributions amounting to ₹1.13 crore during January 2002 to March 2011, without enclosing the employee-wise details. This had resulted in individual fund accounts of employees not being given the corresponding credits.
- iv. Damage charges amounting to ₹80.63 lakh⁶² (including interest) were levied by Fund Commissioners for delay in remittance of contributions by the Commissioners of Hindupur and Kavali Municipalities for the period 2001-09. However, details of payment of these damage charges were not made available to audit despite specific requests.

⁶⁰ Bhongir, Bodhan, Hindupur, Kadiri, Kavali, Mahbubnagar, Nandyal, Saluru, Sangareddy, Tadipatri, Tandur and Vizianagaram

⁶¹ Details thereafter were not furnished to audit despite specific request

⁶² Hindupur: ₹47.96 lakh and Kavali: ₹32.67 lakh

Thus, there was non-compliance with Act provisions relating to recovery and remittance of PF contributions coupled with non furnishing of employee-wise details of recovery and remittance to the Fund Commissioner by the above Municipalities.

The matter was reported to Government in December 2014; reply has not been received (March 2015).

**Hyderabad
The**

**(VANI SRIRAM)
Principal Accountant General (G&SSA)
Andhra Pradesh and Telangana**

Countersigned

**New Delhi
The**

**(SHASHI KANT SHARMA)
Comptroller and Auditor General of India**

Appendices

Appendix-1

(Reference to Overview Page vii)

Statement showing roles and responsibilities of each level of organisational set-up of Panchayat Raj Institutions

S.No.	Organisation/ Agency/Authority	Role	Responsibilities
1	Principal Secretary Panchayat Raj Department	-	Assist the Government in formulating policies.
2	Commissioner, Panchayat Raj & Rural Employment	Head of the Department.	Overall incharge of Panchayat Raj & Rural Employment department in the State.
Zilla Praja Parishads			
3	Chairperson of ZPP	Head of the Zilla Praja Parishad (ZPP).	Convene and preside over the meetings of standing committees and General body and take up with Government on major issues relating to the District requiring immediate intervention of Government.
4	Vice Chairman	Vice Chairperson, in the absence of chairperson for more than 15 days, exercise the powers and functions of the Chairperson.	To exercise the powers and functions of the Chairperson in his absence for more than 15 days.
5	Standing Committees	Act provides for constitution of seven Standing Committees for scrutiny of business of ZPP.	To watch the progress of implementation of works and schemes related to subjects assigned to them.
6	Chief Executive Officer	The Chief Executive authority of ZPP.	<ul style="list-style-type: none"> • Holds the executive powers for the purpose of carrying out the provisions of the Act. • Responsible for implementation of resolutions of Zilla Praja Parishad standing committees. • Supervises and conducts the execution of all activities of Zilla Praja Parishad. • With the approval or on the direction of the Chairman, convene the Zilla Praja Parishad meetings atleast once in every month. • Have administrative control over all offices working under Zilla Praja Parishad. • As member convener of the district education committee, he has to constitute District Education Committee meetings.

S.No.	Organisation/ Agency/Authority	Role	Responsibilities
Mandal Praja Parishads			
7	President of Mandal Praja Parishad	To enlist people's co-operation for all Government programmes under Five year plans with involvement and participation of people in rural areas.	<ul style="list-style-type: none"> • Convene the meetings of Mandal Praja Parishads (MPPs) and approve the agenda. • Have control over MPDO for the purpose of implementation of resolutions of MPP. • Inspect the schemes implemented through Government funds.
8	Mandal Parishad Development Officer	Mandal Parishad Development Officer is the executive authority of the Mandal.	<ul style="list-style-type: none"> • Has to implement all the resolutions passed by the Mandal Praja Parishad Council. • Responsible for prompt adjustment of all the Government grants to Mandal Praja Parishad and exercise such powers of supervision over the Gram Panchayats in the Mandal as may be prescribed.
Gram Panchayats			
9	Sarpanch	Head of the Gram Panchayat elected by the elected members of Gram Panchayat.	<ul style="list-style-type: none"> • Presides over the meetings of the Gram Panchayat. • Supervises the working of Gram Panchayat and implementation of developmental schemes.
10	Upa-sarpanch	Exercises the powers and perform the functions of Sarpanch when the office of the Sarpanch is vacant and until new Sarpanch is elected and assumes his charge.	<ul style="list-style-type: none"> • During his charge as Sarpanch he is responsible for all the responsibilities assigned to the post of Sarpanch.
11	Members	All the members are elected representatives of the wards of the village.	Shall have the right to move resolutions and to interpolate the Sarpanch on matters connected with the administration of Panchayat.
12	Panchayat Secretary	A whole time or part time executive authority of a Gram Panchayat.	Responsible for exercising the executive powers for the purpose of carrying out the provisions of Panchayat Raj Act and directly responsible for fulfillment of the purpose thereof.

Appendix 1.1

(Reference to paragraph 1.2 page 3)

Statement showing district-wise and department-wise devolution of funds to PRIs during 2012-13 and 2013-14

(₹ in lakh)

S.No	Name of the ZPP	Agriculture and co-operative Dept		Animal Husbandry Dept		Fisheries Dept		Social Welfare Dept		BC Welfare dept		Total	
		2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
1	Adilabad	66.06	-	81.50	35.00	61.47	9.70	-	-	-	-	209.03	44.70
2	Anantapur	32.38	-	0.35	-	120.00	32.50	-	-	0.20	0.20	152.93	32.70
3	Chittoor	34.69	-	4.00	-	42.00	55.63	-	-	-	-	80.69	55.63
4	Guntur	-	-	32.70	-	62.50	69.13	-	-	-	0.40	95.20	69.53
5	Karimnagar	9.05	-	24.80	-	66.50	51.39	-	-	-	-	100.35	51.39
6	Khammam	9.35	-	30.63	-	68.50	94.72	19.10	8.00	-	-	127.58	102.72
7	Kurnool	26.14	-	16.67	0.54	63.68	65.16	1.10	0.40	-	-	107.59	66.10
8	Mahbubnagar	35.19	-	-	-	56.50	11.00	-	-	-	-	91.69	11.00
9	Medak	18.10	-	31.38	-	13.00	5.50	0.10	0.20	-	-	62.58	5.70
10	Nalgonda	16.29	-	71.90	-	106.50	97.50	-	-	-	-	194.69	97.50
11	Nellore	8.89	-	30.00	-	32.50	100.92	-	-	-	0.10	71.39	101.02
12	Nizamabad	9.05	-	1.98	-	51.00	27.38	-	0.10	0.40	-	62.43	27.48
13	Prakasam	-	-	29.79	-	37.00	95.64	-	-	0.10	0.20	66.89	95.84
14	Rangareddy	26.10	-	95.26	33.73	-	-	-	-	0.80	0.10	122.16	33.83
15	Visakhapatnam	9.05	-	64.08	40.54	44.38	34.89	-	-	0.30	-	117.81	75.43
16	Vizianagaram	15.45	-	21.76	1.00	24.78	36.39	-	-	-	-	61.99	37.39
17	Warangal	8.96	-	19.00	-	50.25	16.00	-	-	-	-	78.21	16.00
18	West Godavari	-	-	16.38	15.65	18.50	88.49	0.30	0.30	-	-	35.18	104.44
	Total	324.75	0	572.18	126.46	919.06	891.94	20.60	9.00	1.80	1.00	1838.39	1028.40

Appendix 1.2

(Reference to paragraph 1.5.7 page 8)

Statement showing the details of non-compilation of Accounts in ULBs

S.No	Name of the ULB	No. of years
1	Amalapuram Municipality	1
2	Amudalavalasa Municipality	1
3	Anakapalli Municipality	2
4	Armoor Municipality	1
5	Badvel Municipality	1
6	Bapatla Municipality	1

S.No	Name of the ULB	No. of years
7	Bhimavaram Municipality	1
8	Bhimunipatnam Municipality	1
9	Bhongir Municipality	2
10	Bhupalapally Municipality	1
11	Bobbili Municipality	1
12	Chilakaluripeta Municipality	1
13	Chirala Municipality	1
14	Chittoor Municipal Corporation	1
15	Devarakonda Municipality	1
16	Gadwal Municipality	1
17	Gajwel Municipality	1
18	Greater Hyderabad Municipal Corporation	19
19	Greater Visakhapatnam Municipal Corporation	13
20	Gudiwada Municipality	2
21	Gudur Municipality	28
22	Guntur Municipal Corporation	1
23	Husnabad Municipality	1
24	Huzurabad Municipality	1
25	Huzurnagar Municipality	1
26	Ichapuram Municipality	2
27	Ieeja Municipality	1
28	Jadcherla Municipality	1
29	Jaggaihpeta Municipality	6
30	Jammalamadugu Municipality	1
31	Jammikunta Municipality	1
32	Janagaon Municipality	1
33	Kadapa Municipal Corporation	13
34	Kadiri Municipality	1
35	Kandukur Municipality	1
36	Karimnagar Municipal Corporation	1
37	Khammam Municipal Corporation	1
38	Khammam Municipality (upto 18 December 2012)	4
39	Kodad Municipality	1
40	Kollapur Municipality	1
41	Kothagudem Municipality	1
42	Kovvuru Municipality	1
43	Kurnool Municipal Corporation	10
44	Macherla Municipality	3

S.No	Name of the ULB	No. of years
45	Machilipatnam Municipality	9
46	Mahabubabad Municipality	1
47	Mahbubnagar Municipality	3
48	Mandapeta Municipality	1
49	Mangalagiri Municipality	1
50	Manugur Municipality	1
51	Nagari Municipality	1
52	Nagarkurnool Municipality	1
53	Nakrekal Municipality	1
54	Nalgonda Municipality	1
55	Nandyala Municipality	1
56	Narasmpet Municipality	1
57	Narayanpet Municipality	2
58	Narsapuram Municipality	1
59	Nidadavolu Municipality	1
60	Nuzvid Municipality	2
61	Palakol Municipality	1
62	Palamaneru Municipality	1
63	Palasa Municipality	1
64	Palvancha Municipality	1
65	Parakala Municipality	1
66	Parvathipuram Municipality	1
67	Pedana Municipality	2
68	Peddapally Municipality	1
69	Proddatur Municipality	1
70	Pulivendula Municipality	1
71	Punganur Municipality	1
72	Putturu Municipality	1
73	Rajahmundry Municipal Corporation	1
74	Rajam Municipality	2
75	Ramachandrapuram Municipality	1
76	Ramagundam Municipal Corporation	1
77	Rayachoti Municipality	1
78	Saluru Municipality	1
79	Sangareddy Municipality	2
80	Sathupally Municipality	1
81	Sattenapalli Municipality	1
82	Shadnagar Municipality	1
83	Srikakulam Municipality	1

S.No	Name of the ULB	No. of years
84	Tadepalligudem Municipality	3
85	Tanuku Municipality	1
86	Tirupathi Municipal Corporation	3
87	Tuni Municipality	1
88	Vemulawada Municipality	1
89	Venkatagiri Municipality	2
90	Vijayawada Municipal Corporation	7
91	Vizianagaram Municipality	1
92	Warangal Municipal Corporation	8
93	Yellandu Municipality	1
94	Yemmiganur Municipality	1

Appendix-3.1

(Reference to paragraph 3.1.2 page 35)

Details of Audit Sample

District	Gram Panchayats
Chittoor	Gollapalli, Kangundi, Krishnapuram, Karakambadi, Avilala, R.Mallavaram, Gajulamandyam, Kuppam, Thukivakam, Ragimanupenta, Mallamgunta, Nalagampalli, Durga Samudram, Pudipatla, Mogili Venkatagiri, V.Kota, Mudaram Doddi, Mallanuru, Dalvai Kothapalle and Jownipalli.
East Godavari	L.Polavaram, Rajanagaram, Veeravaram, Kadiyam, Ravulapalem, Gopalapuram, K.P.Puram, Jegurupadu, A.Kothapalli, A.V.Nagaram, Vemagiri, Velugubanda, Pathathungapadu, S.Annavaram, Thondangi, Thetagunta, Palacharla, V.Kothuru, Ubalanka and D.Polavaram.
Guntur	Tangeda, Takkellapadu, Kesanapalli, Namburu, Narakoduru, Pedakakani, Venigandla, Vejendla, Vadlamudi, Dacheppalle, Nadikudi, Chebrolu Phanidam, Komerapudi, Kolakaluru, Kattevaram, Pedaravuru, Angalakuduru, Nandigama and Brugubanda.
Mahbubnagar	Ajjakollu, Aloor, Bijinapally, Burgula, Chagadona, Chinchode, Kothakota, Ghattu, Jaklair, Kanchinerla, Krishnanagar, Lattupalli, Makthal, Manthangode, Mogiligidda, Palem, Mangalur, Waddeman, Karni and Konnur.
Rangareddy	Kismathpur, Aliabad, Devarayamjal, Jillelguda, Narsingi, Ravalkole, Shamshabad, Palmakule, Jalpally, Narkuda, Balapur, Meerpet, Medchal, PeddaShapur, Shamirpet, BandlagudaJagir, Dabilpur, Kokapet, Jawahar Nagar and Hydershah Kote.

Appendix-3.2

(Reference to paragraph 3.2.3 page 46)

Audit findings relating to assessments of test-checked properties

S.No.	Name of the Property	Audit observation
1	Gandhi Institute of Technology And Management (GITAM) University	<p>i. GITAM University is in the vicinity of Madhurwada area. Although this area was merged with GVMC in November 2005 and taxes were to be levied from October 2006, Corporation was raising demand for PT only from 2008-09. An amount of ₹42.86 lakh was lost by Corporation due to non-raising of demand for one and half years (i.e October 2006 to March 2008).</p> <p>ii. There was difference in plinth area of about 44,674 sft between assessment register and records of Town Planning section. This had resulted in short assessment of ₹10.11 lakh for the period 2011-12 to first half of 2014-15.</p>
2	Chandana Brothers Multi Complex Pvt. Ltd., (CMR Central)	<p>i. PT was not assessed for the cellar and sub-cellar used for paid parking of vehicles and also a room on fifth floor. Loss to this effect worked out to ₹54.47 lakh (cellar and sub-Cellar: ₹52.31 lakh, room in fifth floor: ₹2.16 lakh) for the period 2010-2014.</p> <p>ii. Further, there was 880.30 sq.mtrs variation in plinth area of cinema hall between the records of Corporation and measurements recorded during physical verification, resulting in short assessment of ₹4.56 lakh for the period 2010-14.</p> <p>iii. Incorrect assessment of properties of CMR (RCC Posh) on commercial basis instead of rates applicable to shops and food courts resulted in short assessment of ₹37.05 lakh for the period 2010-14.</p>
3	M/s.Hindustan Shipyard Limited (HSL)	<p>As per the orders of State Government issued in September 1979, 51 <i>per cent</i> of total tax collected by Corporation from HSL has to be spent on works benefiting Hindustan Shipyard area and remaining 49 <i>per cent</i> would constitute the Municipal fund of Corporation.</p> <p>Despite revision of rates in 2010-11, Corporation raised demand at only pre-revised rates (₹1.20 lakh) towards its 49 <i>per cent</i> component as of September 2014.</p>
4	East Point Golf Club	There was variation of about 2,067.21 sq.mtrs in plinth area of the property between the records of Corporation and information furnished by assessee during physical verification, resulting in short assessment of ₹6.97 lakh during April 2010 to March 2014.
5	Symbiosis Technologies	Aggrieved by the tax (₹4.47 lakh) levied by Corporation, assessee approached (July 2010) the Court of law. The Court disposed (March 2012) the case by directing the assessee to pay tax for ₹3.30 lakh with effect from January 2011. Instead of paying the tax directed by Court, assessee approached (February 2014) the Corporation for further reduction of tax. Corporation without approaching the Court, re-assessed the property and reduced PT from ₹3.30 lakh to ₹2.67 lakh, resulting in short levy of ₹0.63 lakh per half year. Even this reduced PT has not been paid by Symbiosis Technologies (March 2014), for which GVMC had not initiated any action for collection of revenue.
6	Visakhapatnam Port Trust (VPT)	<p>As per Visakhapatnam Municipal Corporation (VMC) Act 1979, VMC shall levy a Property Tax (PT) on the lands and buildings of VPT at the rate of four per centum of the Annual Gross Earnings (AGE) of the year immediately preceding such levy. Following the Hon'ble High Court orders (in W.A .M.P No.947/84) and as per mutual understanding, VPT shall keep 51 per cent of the PT in separate account of VPT subject to inspection and audit by VMC authorities and pay 49 per cent to the VMC.</p> <p>However, while arriving at AGE during 2009-14 'interest earned on short term deposits and revenue account' were deducted by VPT even though they form part of AGE. This resulted in short assessment to the tune of ₹10.62 crore under 49 <i>per cent</i> and ₹11.05 crore under 51 <i>per cent</i> components of PT.</p>

Appendix-3.3

(Reference to paragraph 3.2.4.1 page 48)

Audit findings relating to collection of property tax in test-checked properties

S.No.	Name of the Property	Audit observation
1	Visakhapatnam Steel Plant (VSP)	GVMC has not collected PT from 13 properties in the vicinity of VSP. Dues in this regard were worked out by GVMC in March 2014 for Rs.42.50 lakh per half year. Although GVMC replied that demand was raised on six properties, details in this regard were not furnished.
2	Andhra University	An amount of ₹1.88 crore was due to be collected from the University as of September 2014. Action initiated for collection of tax was not forthcoming from the records of Corporation.
3	M/s. Bharat Heavy Plates and Vessels taken over by BHEL	Against ₹11.18 crore due from April 2006 to September 2014, assessee had paid (January 2014) only ₹2 crore, leaving ₹9.18 crore, indicating lack of action on the part of GVMC.
4	Coromandal Fertilisers	An amount of ₹53.95 lakh was due (2012-14) to be collected as of September 2014. Action initiated for collection of this amount was not on record.
5	APTRANSCO	An amount of ₹6.82 crore was due from 2004 to December 2014. As per the records of Corporation, APTRANSCO was not making payment towards PT on the contention of levying tax on switch yards, interest erroneously collected etc., A joint inspection committee (involving officials of APTRANSCO and GVMC) was formed (2011) to settle the issue of PT. However, the issue could not be settled (December 2014) even after a lapse of three years and amounts were locked up with APTRANSCO.
6	Visakhapatnam Port Trust (VPT)	As per the procedure explained in Appendix-3.2, VPT shall pay 49 per cent of PT to GVMC. Audit noticed that GVMC was not insisting upon VPT to submit the details of AGE every year to ascertain the correctness of PT paid by VPT, instead continued to account for the amounts released by VPT. As a result, GVMC was not in a position to state whether VPT is remitting the entire due amount or not. However, as per the details obtained from VPT, an amount of ₹19.21 crore (₹3.69 crore and ₹15.52 crore for the years 2012-13 and 2013-14 respectively) was yet (December 2014) to be paid to GVMC towards 49 per cent.

Appendix-3.4

(Reference to paragraph 3.5 page 58)

Statement showing the details of contributions recovered towards Provident Fund, but not remitted to Fund Commissioner

Sl.No.	Name of the Municipality	Amount recovered (₹)	Period
1.	Bhongir	16,39,887	August 2012 to February 2013
2.	Bodhan	36,77,133	June 2011 to August 2012
3.	Hindupur	44,91,106	April 2011 to October 2012
4.	Kadiri	51,89,108	March 2011 to June 2012
5.	Kavali	64,30,775	May 2012 to October 2012
6.	Nandyal	55,52,141	February 2012 to January 2013
7.	Saluru	5,23,690	July 2012 to October 2012
8.	Sangareddy	70,31,351	2007-12
9.	Tadipatri	1,98,229	March 2012 to February 2013
10.	Tandur	53,38,089	April 2011 to July 2012
11.	Vizianagaram	13,31,300	2010-12
	Total	4,14,02,809	

Glossary of Abbreviations

ACDP	Assembly Constituency Development Programme
AAPs	Annual Action Plans
APD	Assistant Project Directors
APEPDCL	Andhra Pradesh Eastern Power Distribution Company limited
APMAM	Andhra Pradesh Municipal Accounts Manual
APPCB	Andhra Pradesh Pollution Control Board
APPR	Andhra Pradesh Panchayat Raj
APTS	Andhra Pradesh Technological Services
BPR	Building Permission Register
BRGF	Backward Region Grant Fund
BSNL	Bharat Sanchar Nigam Limited
CAG	Comptroller and Auditor General of India
CDP	City Development Plan
CEO	Chief Executive Officer
CHSs	Custom Hiring Stations
CLRCs	Cluster Livelihood Resource Centers
CPR&RE	Commissioner Panchayat Raj and Rural Employment
CPSMS	Central Plan Scheme Monitoring System
DCB	Demand Collection Balance
DDOs	Drawing and Disbursing Officers
DLRCs	District Livelihood Resource Centers
DPC	Duties, Powers and Conditions
DPO	District Panchayat Officer
DPRs	Detailed Project Reports
DSA	Director State Audit
DWMA	District Watershed Management Agency
EPAs	Entry Point Activities
EPF	Employees Provident Fund
ESI	Employees State Insurance
GHMC	Greater Hyderabad Municipal Corporation
GIS	Geographical Information System
GoI	Government of India
GPs	Gram Panchayats

GVMC	Greater Visakhapatnam Municipal Corporation
HMC	Hyderabad Municipal Corporation
I &CB	Institution and Capacity Building
IBM	International Business Machines
ICICI	Industrial Credit and Investment Corporation of India
IDBI	Industrial Development Bank of India
IRs	Inspection Reports
ISSs	Implement Service Stations
IWMP	Integrated Watershed Management Programme
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
lpcd	Liters Per Capita Per day
MA&UD	Municipal Administration and Urban Development
MDPE	Medium Density Poly Ethylene
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MLD	Million Liters per Day
MoUD	Ministry of Urban Development
MPDO	Mandal Parishad Development Officer
MPPs	Mandal Praja Parishads
MSW	Municipal Solid Waste
MT	Metric tonne
NABARD	National Bank for Agriculture and Rural Development
NGOs	Non-Government Organisation
NMAM	National Municipal Accounts Manual
NOC	No Objection Certificate
NRM	Natural Resources Management
NRW	Non-Revenue Water
NSDL	National Securities Depository Limited
PD	Personal Deposit
PF	Provident Fund
PIAs	Project Implementing Agencies
PR&RD	Panchayat Raj and Rural Development
PR&RE	Panchayat Raj and Rural Employment
PRIs	Panchayat Raj Institutions

PT	Percolation Tank
PT	Property Tax
QC	Quality Control
R&A	Regulation and Abolition
RCC	Reinforced Cement Concrete
RR	Revenue Recovery
RWS	Rural Water Supply
SERP	Society for Elimination of Rural Poverty
SEZ	Special Economic Zone
SHGs	Self Help Groups
SLB	State Level Benchmarking
SLNA	State Level Nodal Agency
STP	Sewerage Treatment Plant
SWM	Solid Waste Management
TGS	Technical Guidance and Supervision
UC	Utilisation Certificate
UDA	Urban Development Authority
UGD	Under Ground Drainage
UGs	User Groups
ULBs	Urban Local Bodies
VOs	Village Organisations
VOs	Voluntary Organisations
WCs	Watershed Committees
WDF	Watershed Development Fund
WDT	Watershed Development Team
ZPPs	Zilla Praja Parishads