

## **PREFACE**

*This is the first separate report of the Comptroller and Auditor General of India (CAG) on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Andhra Pradesh. The report (for the year ended 31 March 2006) is prepared for submission to the Governor of Andhra Pradesh under Article 151 (2) of the Constitution.*

*CAG conducts audit of PRIs and ULBs under Section 14 of C&AG's (DPC), Act, 1971. Further, based on the recommendations of the Eleventh Finance Commission, Government of Andhra Pradesh entrusted the C&AG (August 2004) with the responsibility of providing Technical Guidance and Supervision under Section 20 (1) of C&AG's (DPC) Act.*

*The report contains three chapters. Chapter one gives an overview of the structure and finances of Local Bodies. Chapter two consists of the results of the 'performance audit' of 'Andhra Pradesh Urban Services for the Poor' (APUSP) and 'Information Technology audit of Soukaryam' – an e-Governance Project of Greater Visakhapatnam Municipal Corporation. The last chapter contains observations arising out of audit of transactions in PRIs and ULBs.*

## Overview

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

### 1. Accounts and Finances of Local Bodies

There was no system in place to consolidate the finances of PRIs. The Budget and Accounts formats for PRIs prescribed by the Comptroller and Auditor General of India are yet to be implemented in Mandal Parishads and Gram Panchayats. Creation of database in PRIs is under process. Though the State Government stated that 17 functions had been devolved to PRIs, the transfer was only partial without corresponding transfer of funds and functionaries. Andhra Pradesh Municipal Accounts Manual was adopted by the Government of AP and is being implemented in ULBs. Property Tax collection in ULBs showed a declining trend. Recovery of Tax and Non-tax arrears were poor in local bodies. The audit of LBs by the Director, State Audit was in huge arrears in GPs and ULBs. District Planning Committees were not constituted so far. EFC grants were mis-utilised/diverted. SFC recommendations were partially implemented.

*[Paragraphs 1.1 and 1.2]*

### 2. Performance review

#### 2.1 Andhra Pradesh Urban Services for the Poor

*In order to achieve sustained reduction in poverty and vulnerability of urban areas, the State Government launched a project, namely Andhra Pradesh Urban Services for the Poor (APUSP) in April 2000, to cover 42 Class I towns. Audit scrutiny revealed several irregularities in implementation of the project such as unfruitful expenditure on water supply works, excess payments, losses, non-accountal of funds, parking of funds in fixed deposits, etc. in the 10 test checked municipalities/Project Coordinator (PC), APUSP. Monitoring was poor both at the level of PC, APUSP and at the municipalities.*

- Though the municipalities carried out project formulation as stipulated and evolved comprehensive municipal action plans for poverty reduction, certain vital proposals such as System Improvement Plan, Finance and Operation Plan, Operation and Maintenance Plan and General Town Plans were either left out altogether or not implemented. Preparation/approval of Basic Municipal Action Plan for Poverty Reduction (BMAPPs) was delayed by majority of the municipalities.

*[Paragraphs 2.1.7.1 and 2.1.7.2]*

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- The State Government budgeted and released funds to AP Urban Infrastructure Development Corporation (APUFIDC) without any correlation to the actual expenditure. As a result, 30 per cent of funds were lying unutilized in the Corporation's Personal Deposit Account as of March 2006.

***[Paragraph 2.1.8.2]***

- Though the project had commenced in 2000, the expenditure incurred during the six-year period 2000-06 at Rs.363.36 crore amounted to only 49 per cent of the total DFID grant of Rs.747.21 crore. Since the project is to be wound up by March 2008, utilisation of the remaining grant before closure of the project is doubtful.

***[Paragraphs 2.1.8.2 and 2.1.8.4]***

- Though all the three components of the project are linked and complementary to each other, only the 'Environmental Services for the Poor (C2)' component was concentrated upon. 'Municipal reforms' and 'strengthening civil society organizations' (C1 and C3) were neglected.

***[Paragraph 2.1.8.4]***

- The Commissioners of six (out of ten) municipalities had invested Rs 4.95 crore of the project funds in fixed deposits, contrary to guidelines.

***[Paragraph 2.1.8.5]***

- There were inordinate delays in implementation of proposals under the C1 component. None of the 122 proposals (BMAPPs) costing Rs 12.80 crore taken up in the 10 test checked municipalities had been completed, rendering the expenditure of Rs 2.29 crore incurred so far largely unfruitful.

***[Paragraph 2.1.9.1]***

- Under the 'Environmental Infrastructure' for sustainability component (C2) too, 652 out of 2495 works sanctioned in different MAPPs remained incomplete. Expenditure of Rs 5.40 crore incurred on 13 water supply, drainage and road-cum-drainage works in six (out of 10) test-checked municipalities without proper planning and survey before conceiving the proposals or awarding contracts resulted in unfruitful expenditure.

***[Paragraph 2.1.10]***

- Though the activities of formation, training and bank linkages to Self Help Groups (SHGs) and creation of livelihood were successfully carried out, none of the 382 proposals costing Rs 34.02 crore in the areas of education, health and vulnerability were implemented in the municipalities test checked. Thus, the performance of 'Strengthening of civil society' (C3) component was far from satisfactory, even after six years of launching the project.

***[Paragraph 2.1.11]***

- Monitoring was poor both at Project Coordinator, APUSP level and at municipalities, adversely affecting the pace of progress in implementation of the project as a whole, thereby denying the intended benefits to the targeted population.

***[Paragraph 2.1.12.1]***

## 2.2 Information Technology Audit of Soukaryam – an e-Governance initiative of Greater Visakhapatnam Municipal Corporation

*Greater Visakhapatnam Municipal Corporation (GVMC) implemented ‘Soukaryam’ (meaning facility), an e-Governance project to provide civic services to the citizens in a speedy and transparent manner. IT audit of the implementation of Soukaryam revealed inadequate efforts in project planning, application development, back up recovery/disaster recovery plans, absence of controls, logs and policies resulting in breach of security and integrity of data, exposing the system to possible manipulation. Inadequacy of audit trail made it difficult to identify and fix responsibility in the event of unauthorized access and subsequent manipulation of data/application. Irregularities in data were noticed during data analysis. GVMC still depends on manual procedures to a significant extent and hence was not deriving full benefits of the IT application.*

- System Requirement Specification (SRS) was prepared five years after the implementation of Soukaryam defeating the very purpose.

*[Paragraph 2.2.5.2]*

- Soukaryam does not have a bulletin Module for an audit trail and logs maintained were incomplete, thereby exposing the system to inadequate accountability.

*[Paragraph 2.2.7.3]*

- Most of the Bulk/ Semi-bulk water meter readings were not fed to the computer database indicating deficiencies in implementation.

*[Paragraph 2.2.8.2]*

- Annual budget figures of GVMC did not tally with the computer database figures, depicting inconsistencies.

*[Paragraph 2.2.9.4]*

- Revenue collections relating to property tax, water charges and lease charges amounting to Rs 1.85 crore were not accounted for.

*[Paragraph 2.2.9.5]*

- Non-utilisation of e-Procurement facility to take benefits of competitive prices etc.

*[Paragraph 2.2.10.2]*

- Ineffective redressal of citizens’ complaints through website based complaints module.

*[Paragraph 2.2.12.1]*

### **3. Transaction Audit**

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

- Laxity of the Chief Executive Officer, Zilla Parishad, Warangal in monitoring the recovery of House Building Advances led to non-recovery amounting to Rs 86.95 lakh, besides Rs 15.49 lakh is a loss to Government.

*[Paragraph 3.1.1]*

- Failure of the CEOs, Zilla Parishad, Nellore and Chittoor to effectively monitor the progress of the MPP building works led to expenditure of Rs 32.73 lakh remaining unproductive for periods ranging from 3 to 20 years, besides cost escalation of Rs 41.65 lakh.

*[Paragraph 3.1.2]*

- Earmarked funds aggregating Rs 11.75 crore either remained unutilised or were not transferred to the respective Finance Corporations of the SC/ST community in 4 Zilla Parishads and 17 Mandal Parishads, depriving the targeted communities of the intended benefits.

*[Paragraph 3.1.3]*

- Scheme funds amounting to Rs.3.09 crore were diverted by two Zilla Parishads and three Mandal Parishads in violation of the scheme guidelines.

*[Paragraph 3.1.4]*

- The ineffective monitoring of works by the Village Water and Sanitation Committees of Raparthy and Doruvulapalem Gram Panchayats resulted in the Protected Water Supply schemes remaining incomplete, even three and a half years after commencement. This had rendered the expenditure of Rs 49.65 lakh incurred on the projects, unproductive.

*[Paragraph 3.1.5]*

- Scrutiny of records of 479 Gram Panchayats during regular audit revealed huge arrears in collection of tax and non tax revenues, diversion of schemes grants, non-accountal of stock, non-maintenance of vital records/registers and poor accounting arrangements.

*[Paragraph 3.1.6]*

### 3.2 Urban Local Bodies

- The systematic disposal of Municipal Solid Waste in Guntur Municipal Corporation had not been achieved even 5 years after concluding an agreement with a company. Due to the inaction of the Commissioner, the uncontrolled and unscientific dumping of waste continues, creating an environment health hazard for the residents. It has also led to avoidable expenditure of Rs 10.97 lakh on provision of infrastructural facilities besides loss of revenue of Rs 29.52 lakh and non-recovery of penal interest of Rs 10.38 lakh.

*[Paragraph 3.2.1]*

- The Guntur Municipal Corporation failed to get competitive rates in awarding advertisement tax collection rights. It extended undue financial benefit to a particular bidder by relaxing the tender/agreement conditions, thereby losing revenue of Rs.44.49 lakh.

*[Paragraph 3.2.2]*

- Failure of the Commissioner, Wanaparthy Municipality to rectify defects in design of a shopping complex for over three years, had resulted in the municipality forgoing revenue of Rs. 11.46 lakh towards rent etc, besides rendering the entire expenditure of Rs 23.60 lakh, unfruitful.

*[Paragraph 3.2.3]*

- Failure of the Commissioner, Bobbili Municipality to effectively monitor the progress of works, resulted in construction work of four shopping complexes remaining incomplete even eight years after commencement. This had resulted in the expenditure of Rs 54.47 lakh incurred, so far being unproductive, besides loss of potential revenue in the form of rent and deposits from the buildings.

*[Paragraph 3.2.4]*

- Scheme funds amounting to Rs 4.89 crore were kept in fixed deposits by the Kurnool Municipal Corporation and three other municipalities, contrary to the schemes guidelines, adversely affecting the implementation of the schemes.

*[Paragraph 3.2.5]*

- Defective survey for selection of site for construction of Vegetable Market and shops and the inordinate delay in recasting the estimates and calling of fresh tenders, resulted in the vegetable market sanctioned in August 2003, not being constructed as yet. The delay of more than three years has already led to cost escalation of about rupees one crore.

*[Paragraph 3.2.6]*

- Non-utilisation of scheme funds of Rs 5.49 crore by Visakhapatnam Municipal Corporation and five other municipalities resulted in locking up of funds besides depriving the targeted urban population of the benefits of developmental schemes.

*[Paragraph 3.2.7]*

## **CHAPTER I**

### **AN OVER VIEW OF THE ACCOUNTS AND FINANCES OF LOCAL BODIES**

#### **CHAPTER SUMMARY**

- **There was no system in place to consolidate the revenue and expenditure of PRIs.**
- **Andhra Pradesh Municipal Accounts Manual was adopted by the Government of AP but is yet to be implemented in ULBs.**
- **The Budget and Accounts formats for PRIs are yet to be implemented in Mandal Parishads and Gram Panchayats.**
- **District Planning Committees have not been constituted so far.**
- **EFC/TFC grants were mis-utilised/ diverted.**
- **SFC recommendations were partially implemented.**

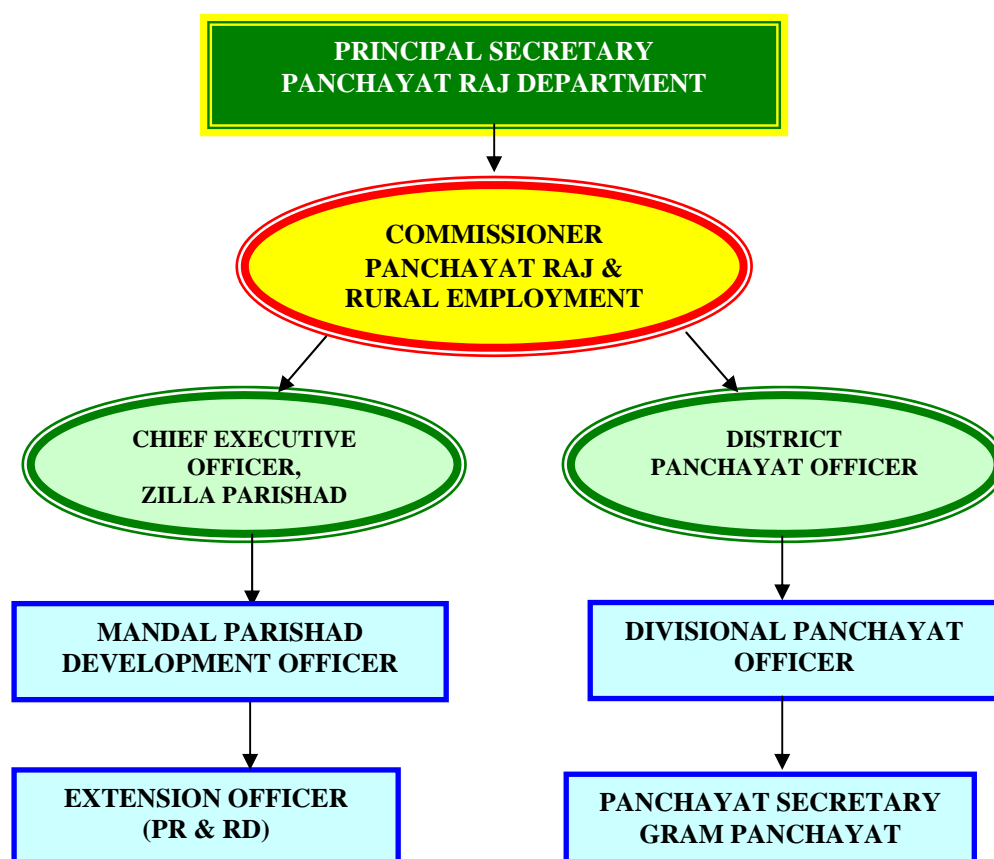
## 1.1 PANCHAYAT RAJ INSTITUTIONS

### 1.1.1 Introduction

In conformity with the 73<sup>rd</sup> Constitutional Amendment Act, the Andhra Pradesh Panchayat Raj (APPR) Act was enacted in 1994 repealing all existing Acts, to establish a three tier system at the Gram Panchayat, Mandal Parishad and Zilla Parishad level. As per the 2001 census, the total population of Andhra Pradesh was 7.57 crore, of which 5.52 crore (72.92 per cent) lived in rural areas. As on 31 March 2006, there were 23084 Panchayat Raj Institutions (PRIs) in the State which consisted of 22 Zilla Parishads (ZP's), 1119 Mandal Parishads (MPs) and 21943 Gram Panchayats (GPs). Elections to the PRIs were conducted in the months of July and August 2006 and newly elected members took charge in October 2006.

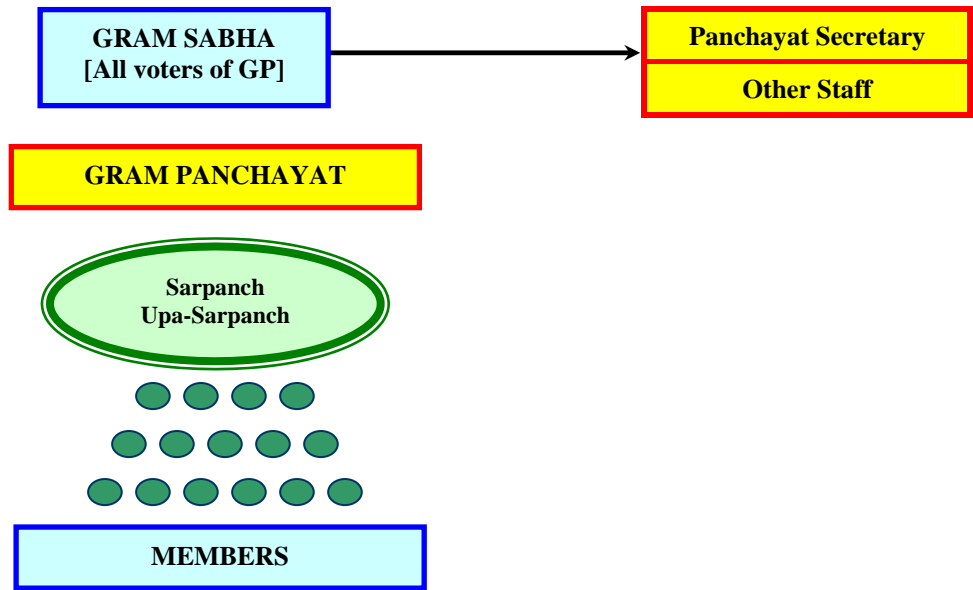
### 1.1.2 Organizational set up

The organizational set up of PRIs in the state is as under:

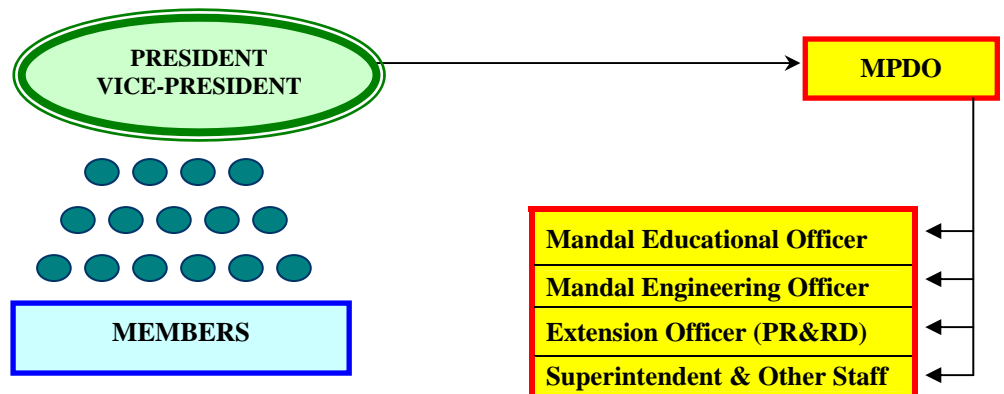




**Gram Panchayat:** The Government may by notification and in accordance with the rules in this behalf declare any revenue Village or Hamlet thereof or any part of a Mandal to be a Village for the purpose of the APPR Act, 1994 and specify the name of the Village. For every village the State Government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

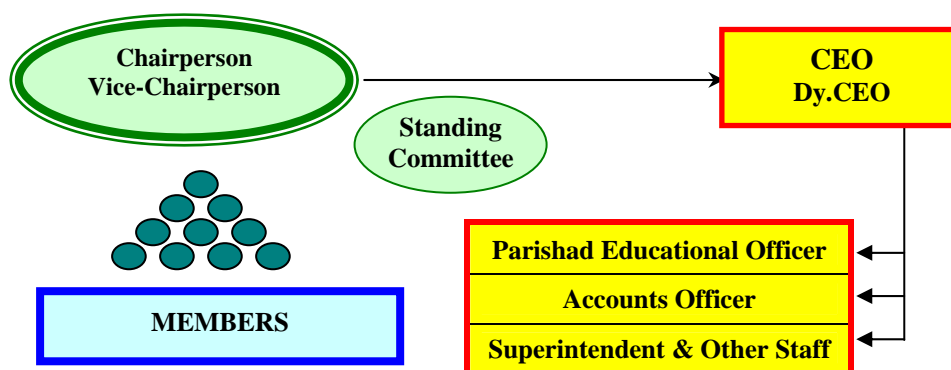


**Mandal Parishad:** A district may be divided into Mandals<sup>1</sup> comprising of such contiguous villages as may be specified in the notification by the State Government, and for every Mandal there is a Mandal Parishad which is divided into many territorial constituencies having a population between three and four thousand. One member shall be elected to the Mandal Parishad from each territorial constituency. The structure of the Mandal Parishad is depicted below:



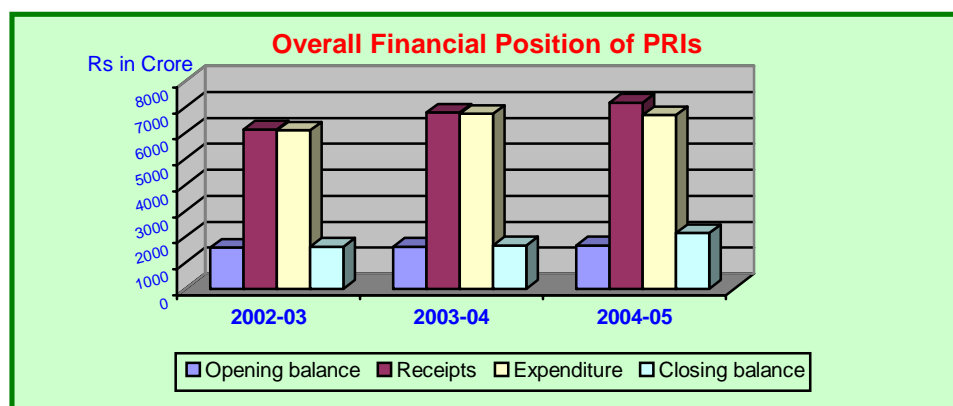
<sup>1</sup> The Blocks as a unit of development is obliterated and in its place the Mandal has emerged. 332 Panchayat Samities constituted earlier were replaced by 1119 Mandal Parishads

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



### 1.1.3 Funding of Panchayat Raj Institutions

The State and Central Government funded the PRIs through Grants-in-aid for general administration and development activities. The Gram Panchayats generate tax revenue from property and water taxes and non tax revenue from various fees such as tap connection fee, rent from properties, etc. The Mandal Parishad and Zilla Parishad do not generate any tax revenue and depend mainly on Grants-in-aid. The funds are utilized by the PRIs for providing civic amenities and welfare measures. Though the accounts are prepared by the PRIs individually, there is no system in place to consolidate the revenue and expenditure figures under various heads of accounts of all the PRIs, due to which effective monitoring of the finances was not possible and an overall picture of finances of PRIs could not emerge. With the available information and figures furnished by the Director of State Audit, the following financial analysis has been made.



**Financial Position of the PRIs:** The receipt and expenditure of PRIs from 2002-03 to 2004-05, as furnished by the State Audit department, is detailed in the table below.

(Rupees in crore)

| <b>Zilla Parishad</b>  |                        |                 |              |                    |                        |
|------------------------|------------------------|-----------------|--------------|--------------------|------------------------|
| <b>Year</b>            | <b>Opening balance</b> | <b>Receipts</b> | <b>Total</b> | <b>Expenditure</b> | <b>Closing balance</b> |
| 2002-03                | 1118.18                | 2538.09         | 3656.27      | 2560.96            | 1095.31                |
| 2003-04                | 1095.31                | 2771.16         | 3866.47      | 2842.19            | 1024.28                |
| 2004-05                | 1028.28                | 2326.97         | 3351.25      | 2396.54            | 954.71                 |
| <b>TOTAL</b>           |                        | <b>7636.22</b>  |              | <b>7799.69</b>     |                        |
| <b>Mandal Parishad</b> |                        |                 |              |                    |                        |
| <b>Year</b>            | <b>Opening balance</b> | <b>Receipts</b> | <b>Total</b> | <b>Expenditure</b> | <b>Closing balance</b> |
| 2002-03                | 456.80                 | 2373.77         | 2830.57      | 2360.23            | 470.34                 |
| 2003-04                | 470.34                 | 2608.80         | 3079.14      | 2616.20            | 462.94                 |
| 2004-05                | 462.94                 | 2317.48         | 2780.42      | 2261.97            | 518.45                 |
| <b>TOTAL</b>           |                        | <b>7300.05</b>  |              | <b>7238.40</b>     |                        |
| <b>Gram Panchayat</b>  |                        |                 |              |                    |                        |
| <b>Year</b>            | <b>Opening balance</b> | <b>Receipts</b> | <b>Total</b> | <b>Expenditure</b> | <b>Closing balance</b> |
| 2002-03                | 6.45                   | 1220.29         | 1226.74      | 1177.81            | 48.93                  |
| 2003-04                | 48.93                  | 1406.16         | 1455.09      | 1277.53            | 177.56                 |
| 2004-05                | 177.56                 | 2527.99         | 2705.55      | 2028.63            | 676.92                 |
| <b>TOTAL</b>           |                        | <b>5154.44</b>  |              | <b>4483.97</b>     |                        |

It would be seen from the above that the receipts of the GPs have increased considerably during 2004-05 compared to the previous years, while in case of ZPs and MPs, the same has decreased.

**Sources of Funds:** The receipts for PRIs from 2002-03 to 2004-05, as furnished by the State Audit department, is depicted below.

(Rupees in crore)

| Source of Funds  |   | 2002-03        | 2003-04        | 2004-05        |
|--|---|----------------|----------------|----------------|
| <b>Gram Panchayats</b>                                     |   |                |                |                |
| <b>1. Own Revenue</b>                                      |   |                |                |                |
| a.   | Taxes (House tax, water tax, etc.)  | 113.68         | 97.20          | 203.00         |
| b.   | Non-taxes (Market rents, rents of shops and other property, auctions, etc)  | 96.12          | 90.84          | 302.61         |
| <b>Total</b>   |   | <b>209.80</b>  | <b>188.04</b>  | <b>505.61</b>  |
| <b>2. Grants-in-aid</b>                                    |   |                |                |                |
| a.   | Salary Grant  | 127.01         | 95.59          | 151.26         |
| b.   | Sampoorna Grameena Rozgar Yojana (SGRY)   | 172.28         | 208.15         | 334.18         |
| c.   | Eleventh Finance Commission (EFC)   | 118.86         | 157.57         | 317.46         |
| d.   | State Finance Commission (SFC)  | 0              | 76.40          | 192.70         |
| e.   | Other grants (per capita grant, seinorage charges, profession tax, etc.)  | 454.16         | 537.72         | 740.86         |
| <b>Total</b>   |   | <b>872.31</b>  | <b>1075.43</b> | <b>1736.46</b> |
| <b>3. Deposits and Advances</b>                            |   | <b>6.13</b>    | <b>9.49</b>    | <b>11.24</b>   |
| <b>4. Other Receipts</b>                                   |   | <b>132.05</b>  | <b>133.20</b>  | <b>274.68</b>  |
| <b>TOTAL</b>   |   | <b>1220.29</b> | <b>1406.16</b> | <b>2527.99</b> |
| <b>Mandal Parishads</b>                                    |   |                |                |                |
| <b>5.Grants and other receipts including fund accounts</b> |   |                |                |                |
| a.   | General Fund (per capita grants, seinorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.) | 110.48         | 102.48         | 104.17         |
| b.   | Social Welfare  | 16.76          | 19.44          | 16.84          |
| c.   | Minor Irrigation and rural water supply   | 1.28           | 1.59           | 1.92           |
| d.   | Roads and bridges maintenance   | 2.33           | 4.18           | 2.92           |
| e.   | Education   | 2132.72        | 2381.49        | 2085.41        |
| f.   | SGRY  | 4.04           | 31.49          | 25.18          |
| g.   | EFC   | 0              | 0              | 1.72           |
| h.   | Others (Building grant, natural calamity grant, NABARD, MPLADS, Pension grants, etc)  | 72.21          | 35.66          | 62.64          |
| I.   | Deposits, Advances and Loans  | 33.95          | 32.47          | 16.68          |
| <b>TOTAL</b>   |   | <b>2373.77</b> | <b>2608.80</b> | <b>2317.48</b> |
| <b>Zilla Parishads</b>                                     |   |                |                |                |
| <b>6.Grants and other receipts including fund accounts</b> |   |                |                |                |
| a.   | General Fund (per capita grants, seinorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.) | 175.21         | 115.92         | 122.42         |
| b.   | Social Welfare  | 37.90          | 21.06          | 27.92          |
| c.   | Minor Irrigation and rural water supply   | 91.70          | 133.15         | 148.53         |
| d.   | Roads and bridges maintenance   | 143.94         | 236.47         | 131.57         |
| e.   | Education   | 1154.60        | 1307.28        | 1099.14        |
| f.   | SGRY  | 188.29         | 380.45         | 318.26         |
| g.   | EFC   | 1.05           | 9.46           | 17.07          |
| h.   | Minimum Needs Programme (MNP)   | 3.84           | 4.66           | 3.07           |
| I.   | NABARD  | 18.28          | 31.36          | 6.50           |
| j.   | Others (Building grant, natural calamity grant, MPLADS, Pension grants, etc)  | 394.95         | 331.45         | 206.61         |
| k.   | Deposits, Advances and Loans  | 328.33         | 199.90         | 245.88         |
| <b>TOTAL</b>   |   | <b>2538.09</b> | <b>2771.16</b> | <b>2326.97</b> |
| <b>GRAND TOTAL (GP, MP &amp; ZP)</b>                       |   | <b>6132.15</b> | <b>6786.12</b> | <b>7172.44</b> |

The total receipts of PRIs increased from Rs 6132.15 crore in 2002-03 to Rs 7172.44 crore in 2004-05 i.e. by 16.96 per cent. This was mainly due to increase in collection of tax and non-tax revenue by GPs in 2004-05 compared to the previous years. There was also a significant inflow of funds through EFC grants and assistance under centrally sponsored schemes. Despite the increase in collection of taxes, it was observed from the Demand, Collection and Balance particulars furnished by the Commissioner, PR, that there were huge arrears in collection of tax and non-tax revenue by the GPs. As of March 2006, Rs 109.63 crore was in arrears on these accounts. Recovery of tax arrears was poor in the districts of Karimnagar, Nizamabad, Krishna and Warangal<sup>2</sup> where the outstanding amounts were to the tune of Rs 29.1 crore. Similarly, recovery of non-tax arrears was poor in the districts of Karimnagar, Krishna, East Godavari, West Godavari and Warangal<sup>3</sup> where the outstanding amounts were to the tune of Rs 17.4 crore.

### Application of funds:

The major expenditure of PRIs is on providing and maintaining civic amenities such as roads, sanitation, water supply, lighting, etc. The expenditure includes both recurring expenditure on maintenance and non-recurring expenditure on creation of capital assets. The sector-wise expenditure and expenditure incurred from the scheme funds such as SGRY, EFC, etc. were not available with the Commissioner PR. However, based on the data made available by the Director of State Audit, the expenditure incurred by PRIs from 2002-03 to 2004-05, is depicted below:

(Rupees in crore)

| Application of Funds           |   | 2002-03        | 2003-04        | 2004-05        |
|--------------------------------|---|----------------|----------------|----------------|
| <b>Gram Panchayats</b>         |   |                |                |                |
| <b>Expenditure particulars</b> |   |                |                |                |
| a.                             | Salary  | 136.48         | 135.92         | 194.01         |
| b.                             | Works expenditure from grants received under SGRY, EFC, SFC, etc.                     | 812.04         | 866.09         | 1306.15        |
| c.                             | Maintenance Expenditure   | 119.54         | 133.90         | 266.04         |
| d.                             | Deposits and Advances   | 7.24           | 13.29          | 17.85          |
| e.                             | Other administrative expenditure  | 102.51         | 128.33         | 244.58         |
| <b>Total</b>                   |   | <b>1177.81</b> | <b>1277.53</b> | <b>2028.63</b> |
| <b>Mandal Parishads</b>        |   |                |                |                |
| <b>Expenditure particulars</b> |   |                |                |                |
| a.                             | Education   | 2145.85        | 2389.29        | 2046.66        |
| b.                             | Social Welfare  | 11.49          | 15.22          | 16.12          |
| c.                             | Minor Irrigation and rural water supply   | 2.61           | 2.64           | 1.33           |
| d.                             | Roads and bridges maintenance   | 2.50           | 3.83           | 4.35           |
| e.                             | Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure. | 66.04          | 56.75          | 68.63          |
| f.                             | Expenditure from general funds account  | 100.60         | 108.97         | 105.34         |
| g.                             | Deposits, Advances and Loans  | 22.94          | 30.74          | 14.31          |
| h.                             | Other expenditure   | 8.20           | 8.76           | 5.23           |
| <b>Total</b>                   |   | <b>2360.23</b> | <b>2616.20</b> | <b>2261.97</b> |

<sup>2</sup> Karimnagar: Rs 7.9 crore, Nizamabad: Rs 6.5 crore, Krishna: Rs 5.5 crore and Warangal: Rs 9.2 crore

<sup>3</sup> Karimnagar: Rs 2.8 crore, Krishna: Rs 2.1 crore, Warangal: Rs 2.2 crore, East Godavari: Rs 2.3 crore, West Godavari: Rs 8 crore

| Application of Funds                 |   | 2002-03        | 2003-04        | 2004-05        |
|--------------------------------------|---|----------------|----------------|----------------|
| <b>Zilla Parishads</b>               |   |                |                |                |
| <b>Expenditure particulars</b>       |   |                |                |                |
| a.                                   | Education   | 1260.46        | 1290.06        | 1095.55        |
| b.                                   | Social Welfare  | 35.41          | 17.61          | 13.70          |
| c.                                   | Minor Irrigation and rural water supply   | 92.75          | 132.90         | 131.06         |
| d.                                   | Roads and bridges maintenance   | 166.22         | 243.57         | 95.99          |
| e.                                   | Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure. | 532.58         | 759.68         | 486.42         |
| f.                                   | Expenditure from general funds account  | 113.64         | 134.11         | 132.23         |
| g.                                   | Deposits, Advances and Loans  | 240.85         | 193.32         | 154.16         |
| h.                                   | Other expenditure   | 119.05         | 70.94          | 287.43         |
| <b>Total</b>                         |   | <b>2560.96</b> | <b>2842.19</b> | <b>2396.54</b> |
| <b>GRAND TOTAL (GP, MP &amp; ZP)</b> |   | <b>6099.00</b> | <b>6735.92</b> | <b>6687.14</b> |

The expenditure incurred on works was 64 per cent to 69 per cent during the year 2002-03 to 2004-05 in Gram panchayats and more than 90 per cent of the funds were utilised for the Education sector in Mandal Parishads. In Zilla Parishads, the expenditure on the Education sector showed a declining trend i.e. from 49 per cent to 46 per cent during 2002-03 to 2004-05

#### **1.1.4 Accounting arrangements**

The PRIs maintain accounts on cash basis. In May 2005, Government of AP adopted the Budget and Accounting formats prescribed by the C&AG, based on the EFC's recommendations. While these formats have been implemented in ZPs, they have not been implemented in the other two tiers.

#### **1.1.5 Creation of Data base of PRIs**

EFC allocated grants of Rs 18.26 crore, for creation of database on finances of PRIs and as of March 2005, Rs 17.85 crore had been utilized. The work was entrusted to National Informatics Centre (NIC) by the Commissioner, PR and is in progress.

#### **1.1.6 Audit arrangements**

Director, State Audit is the statutory auditor for PRIs under the A.P. State Audit Act 1989. C&AG conducts audit of PRIs under Section 14 of C&AG's (DPC), Act, 1971. Further, based on the recommendations of EFC, the State Government entrusted the C&AG with the responsibility of providing Technical Guidance and Supervision under Section 20 (1) of C&AG (DPC) Act, for the proper maintenance of accounts and audit of Local Bodies. While there were no arrears in audit conducted by Director, State Audit in respect of ZPs, marginal arrears existed in respect of MPs. However, there were huge arrears in the case of GPs. As of March 2006, audit of 6987 GPs was in arrears. Out of these, audit of only 71 GPs had been completed by December

2006. The Director, State Audit had so far prepared Consolidated State Audit and Review Reports for the years 1998-99 to 2003-04 and had submitted them to the Finance Department. Though the State Audit Act prescribes that the reports should be laid on the table of the Legislative Assembly, the same had not been done so far by the Government. Some of the major findings by Director, State Audit related to excess/non-utilization/diversion/mis-utilization of grants, non-collection of dues, advances pending adjustments, violation of rules, wasteful expenditure, etc.

### 1.1.7 District Planning Committees

In terms of Article 243-ZD of the Constitution, District Planning Committees (DPCs) are to be constituted by the State Governments so as to consolidate the development plans formulated by the local bodies based on planning at the grass roots level. However, DPCs were not constituted in the State and the ZPs and MPs were submitting proposals to the Government thereby defeating the objective of preparing a consolidated development plan. Further, the implementation was also not reviewed and monitored at the District level. In the absence of a DPC, there was no formal mechanism to make recommendations to the Government for the integrated development of the districts.

### 1.1.8 Finance Commissions

Eleventh Finance Commission: The EFC had recommended grants amounting to Rs 8000 crore to PRIs. The position of grants released under EFC during 2000-2005 in the State was as follows:

|  | (Rupees in lakh) |
|--|------------------|
| 1. Grants released from the Centre       | 68421.72         |
| 2. Matching contribution provided by     |                  |
| a) Local Bodies                          | 8489.72          |
| b) State Government                      | 10125.00         |
| 3. <b>Total (1+2)</b>                    | <b>87036.44</b>  |
| 4. Grants released to Local Bodies       | 78546.72         |
| 5. Utilization of grants by Local Bodies |                  |
| a) Maintenance of Accounts               | 1322.04          |
| b) For creation of data base             | 1785.20          |
| c) For maintenance of Civic Services     | 83929.20         |

As per the EFC guidelines, the grants had to be utilized for maintenance of civic services and the projects should normally have been those that were not covered under any other schemes of GOI/State Government. The utilization of EFC grants was test checked in three districts<sup>4</sup> covering three ZPs, three DPOs and Engineering divisions and 16 GPs to whom the funds were released. The following points were noticed.

<sup>4</sup> Kurnool, East Godavari and Ranga Reddy districts

- In four GPs<sup>5</sup>, out of EFC grant of Rs 36.93 lakh, Rs 6.65 lakh was diverted for construction of GP office and market buildings in violation of the guidelines.
- Similarly, out of Rs 13.55 lakh given to Executive Engineer (EE), Kurnool, Rs 5.86 lakh was diverted for purchase of stationery. The EE, further released Rs 37.20 lakh to District Primary Education Project (DPEP) for construction of Upper Primary and High Schools, although the guidelines stipulated that funds should be released only for primary schools.
- In three GPs<sup>6</sup>, Rs 6.45 lakh out of total release of Rs 50.47 lakh lapsed due to non-utilization of the amounts within the stipulated time. Similarly, in three engineering divisions<sup>7</sup> Rs 80.27 lakh out of Rs 1.48 crore lapsed.
- As per the guidelines, the EFC grants had to be released to the PRIs within three months of their release to Government of Andhra Pradesh (GOAP). However, it was observed that DPO, Kurnool released funds to GPs after a delay of seven months.
- GOAP released Rs 4.68 crore (February 2005) and 2.18 crore (July 2005) to District Panchayat Officer, Ranga Reddy (RR) district, who, in turn, released the same to 705 GPs in the district for execution of development activities. Utilisation Certificates for the second instalment of Rs 2.18 crore are yet to be obtained (April 2007).
- An amount of Rs 10.25 crore out of total grant of Rs 111.40 crore received by ZP, RR district was kept in fixed deposits from March 2003, thereby depriving the targeted rural population of the intended benefits.
- Similarly, out of Rs 12.80 crore placed with ZP, RR district for computerization of GPs (March 2004), Rs 6.08 crore was released (Rs 4.18 crore for procurement of hardware and installation to GPs and Rs 1.90 crore was placed with NIC for creation of data base) in August 2004 and the remaining amount of Rs 6.72 crore was kept in fixed deposits from March 2004 onwards and is yet to be utilized.

### **Twelfth Finance Commission:**

As per paragraph 6.4 of TFC guidelines, the funds that were released by GOI have to be transferred to the PRIs within 15 days. In case of delayed transfer beyond the specified period of 15 days, the State Government should allow interest at a rate equal to the RBI interest rate, along with the transfer of grants to the PRIs. During audit of release and utilization of TFC grants, it was observed that there were delays ranging between 39 and 110 days, in transfer from Government to the lowest tier in case of three districts test checked. However, interest was given by the GOAP only for 21 days. Though the interest on delayed transfers was required to be transferred along with the release of grants to the PRIs, the interest portion was actually released after a delay of 44 days in respect of the 1<sup>st</sup> installment and 121 days in respect of the 2<sup>nd</sup> installment. Further, there were inordinate delays in transfer of funds to the

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<sup>5</sup> Golla mamidi, Neelapalli, Annavaram and Kowthalam Gram panchayats

<sup>6</sup> Dowaleswaram, Golla Mamidi, Neelapalli GPs

<sup>7</sup> EEs, RWS, Kurnool, Adoni and Nandyal



MPs and GPs ranging between 11 to 47 days. While the delay in transferring the interest portion by ZP ranged between 36 to 215 days, in Mahboobnagar ZP, the interest portion pertaining to Gram Panchayats had not been released so far.

### **State Finance Commission:**

The First State Finance Commission (SFC) was constituted during 1994. The Second SFC started functioning from December 1998 and its Report (2001-05) was placed in the legislative assembly in August 2002. While reviewing the implementation of the recommendations of the First SFC, the Second SFC pointed out that 34.5 percent of the recommendations relating to Local Bodies were not accepted or accepted partially and several recommendations, though accepted, were not implemented by GOAP.

Out of 63 recommendations made by the Second SFC, 18 recommendations viz., maintenance of minor irrigation, abolition of land cess, additional grants to small panchayats, creation of additional posts in Mandal Parishads, etc., were deferred and 12 recommendations viz., levy of surcharge on market cess, adjustment of profession tax, taxes on village products like sugar cane, coffee, black pepper and special grants for maintenance of civic services, etc., were pending for further examination. The Second SFC also recommended immediate transfer of all the functions enlisted in the Eleventh Schedule of the Constitution to the PRIs. The status of transfer of functions is detailed in paragraph 1.1.9. The Third State Finance Commission was constituted in January 2003 and its report is awaited. Test check of utilization of SFC grants in Zilla Parishad, Nellore and Mandal Parishad Development Office, Dattirajeru revealed that an amount of Rs 42.69 lakh (ZP, Nellore : Rs 40.64 lakh and MPDO, Dattirajeru : Rs 2.05 lakh) released during 2003-2005 was neither utilized nor remitted back to Government Account and was lying in savings bank accounts (February 2007).

### **1.1.9 Devolution of funds, functions and functionaries to PRIs**

The 73<sup>rd</sup> Amendment of the Constitution identified 29 functions to be devolved to the Panchayat Raj Institutions (PRIs) and the same were incorporated in the Eleventh Schedule of the Constitution. All the 29 functions listed under the Eleventh Schedule of the Constitution were provided in the Andhra Pradesh Panchayat Raj (APPR) Act<sup>8</sup> 1994. However, the envisaged functions, functionaries and funds were not devolved to PRIs even after a decade of issue of the APPR Act 1994. The Second Finance Commission (SFC) observed that some of the 17 functions devolved from time to time (June 1998 to November 2000) were actually partial transfers without corresponding functionaries and the funds being transferred. SFC also recommended (from June 1998 to November 2000) immediate transfer of the remaining functions along with funds and functionaries. However, most of these transfers were only on paper as functionaries and funds had not been actually

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<sup>8</sup> Amendment Act No. 5 of 1995 Schedule 1 read with Sections 46, 161 and 192

transferred along with the functions even as of January 2007 as per the status indicated in *Appendix- 1*.

A task force constituted by the Union Ministry of Rural Development had suggested (August 2001), an Activity Mapping Matrix for effective devolution of functions to PRIs. This involves identification of activities related to devolved functions and assignment of appropriate activity to the appropriate level of PRI. Activity Mapping is being done only in respect of 10 out of the 29 matters listed in the Eleventh Schedule of the Constitution. Government Orders for operationalizing Activity Mapping in respect of these 10 matters<sup>9</sup> have been prepared.

Andhra Pradesh has undertaken to complete Activity Mapping and issue necessary notifications transferring schemes based on Activity Mapping, during the first half of the financial year 2006-07. It is expected that Andhra Pradesh will commence Activity Mapping in respect of the remaining 19 matters during the next financial year. The Joint Secretary, Panchayat Raj and Rural Development Department stated (January 2007), that the devolution of funds, functions and functionaries to the PRIs in Andhra Pradesh, was patterned on the activity mapping. The effective devolution of powers to PRIs had been achieved by linking Functions, Functionaries and Funds and that the prioritization of nine important subjects for devolution was under active consideration of the Government.

#### **Non-release of funds through PRIs:**

As per Para 6.2 of the Eleventh Finance Commission guidelines issued by the Ministry of Finance, GOI, budget estimates of the State Government (Demand 31) pertaining to Panchayat Raj, under Major Head 2515 - Other Rural Development Programmes and other related Major Heads, (as well as provisions for release of funds), were to be made as grants-in-aid under Minor Head 196 – Assistance to Zilla Parishads for schemes, minor works, work charges, maintenance of rural roads, RWS and other schemes. Similarly, assistance to Mandal Parishads and Gram Panchayats was to be shown under Minor Heads 197 and 198 respectively. Although the State Government's budget depicts the release of funds as assistance to PRIs under these designated Minor Heads, not all the funds are directly released to the PRI concerned. This was seen in case of schemes like ARWS, PMGSY, PWS, RIDF<sup>10</sup>, etc., where the funds were being released to Executive Engineers concerned through PAO by LOC system. The Executive Engineers of PR Engineering and RWS divisions were in turn accountable to Engineer-in-Chief, PR, who is the administrative authority for EEs and hence PRIs do not have any effective control over execution of works.

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<sup>9</sup> Agriculture, Animal Husbandry, Social welfare, Fisheries, Backward classes welfare, Health, Rural development, Tribal Welfare, Rural Water supply, Women and Child welfare.

<sup>10</sup> Rural Infrastructure Development Fund (RIDF).

### **1.1.10 Conclusion:**

The Commissioner, Panchayat Raj did not consolidate the receipts and expenditure accounts of PRIs reflecting poor monitoring of finances. Recovery of tax and non-tax arrears was poor in GPs. The Budget and Accounts formats for PRIs were implemented only in ZPs. These were implemented partially in Mandals and were yet to be implemented in GPs. District Planning Committees were not constituted in the State. Several deviations from the guidelines and diversion of funds were noticed in utilization of Eleventh and Twelfth Finance Commission grants. The State Finance Commission's recommendations were either not implemented or were partially implemented. Although, the EFC had recommended devolution of 29 functions to PRIs, only 17 functions were devolved from time to time without corresponding transfer of functionaries and funds.

### **1.1.11 Recommendations:**

- The PRIs should make efforts to improve performance of collection of arrear taxes and non-taxes and also utilize the available funds in a time bound manner.
- The Audit Reports of Director, State Audit need to be laid on the table of the Legislature as stipulated in the Act.
- District Planning Committees need to be set up without delay. Grants should be utilized within a stipulated time to avoid lapse of funds.
- New accounting formats should be implemented at MPs & GPs level at an early date.
- The State Government should expedite devolution of the three 'Fs' i.e. Functions, Functionaries and Funds in respect of all the 29 subjects listed in the Eleventh Schedule/Schedule I of APPR Act, 1994, for achieving the objective of decentralization and grass-roots democracy in rural areas, as laid down in the Constitution.
- To exercise effective control over execution of works, etc. by the PR Engineering and RWS divisions, all the allocated funds should be routed through PRIs.
- The recommendations of the State Finance Commissions should be implemented.

## 1.2 URBAN LOCAL BODIES

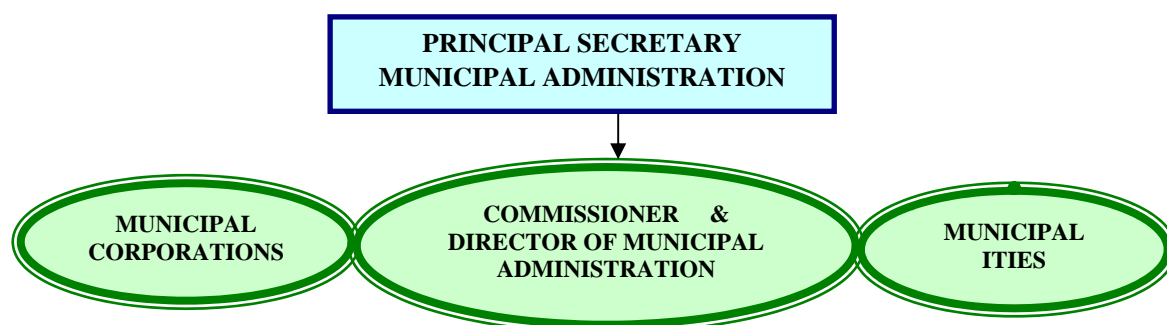
### 1.2.1 Introduction

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

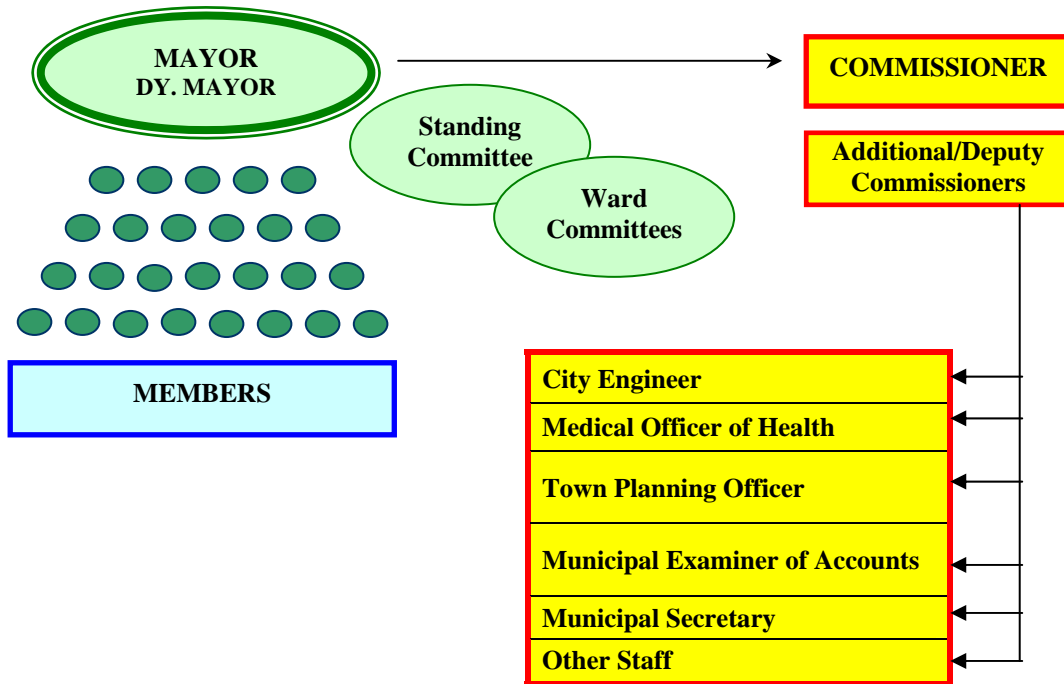
As per the 2001 census, the total population of Andhra Pradesh was 7.57 crore, of which 2.05 crore reside in urban areas (27.08 per cent). As on 31 March 2006, 134 Urban Local Bodies (ULBs) existed in the State. Out of these, 120 were Municipalities and 14 were Municipal Corporations. The State Election Commission conducted elections to the ULBs in the month of September 2005.

### 1.2.2 Organizational set-up

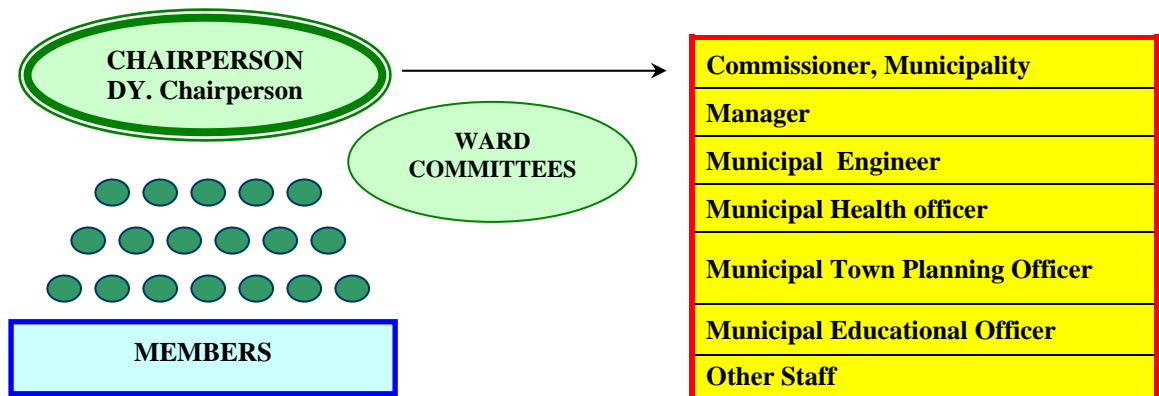
All the ULBs consist of such number of elected members (Corporators/Councilors) as may be notified from time to time by the Government. The Municipal Council in respect of Municipalities is headed by the Chairperson and by Mayor in Corporations. The organizational setup of ULBs in the state is depicted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



**MUNICIPAL CORPORATION**



**MUNICIPAL COUNCIL**



The Municipal Council and the Corporations transact their business as per the provisions of the Act concerned. There is a Standing Committee consisting of the Chairpersons of all the Ward Committees in a Corporation. There are Ward Committees in Municipalities. The Standings Committees and Ward Committees shall meet for the transaction of business in the Corporation/Municipalities from time to time; make such regulations with respect to such meetings and with respect to the scrutiny of the municipal accounts. The functions of the ward committee include maintenance of sanitation, water supply and drainage, street lighting, roads, market places and play grounds and school buildings and review of the revenue collections, preparation of the Annual Budget and forwarding of the same to the Municipal Council and sanctioning of works and schemes. The day-to-day administration

rests with the Commissioner and his/her staff. Below the Commissioner there are Additional/Deputy/Assistant Commissioners, Municipal Engineer, Medical Officer, Examiner of Accounts, Town Planning Officer and other staff.

### 1.2.3 Funding of ULBs:

#### *Resources by volume and sources*

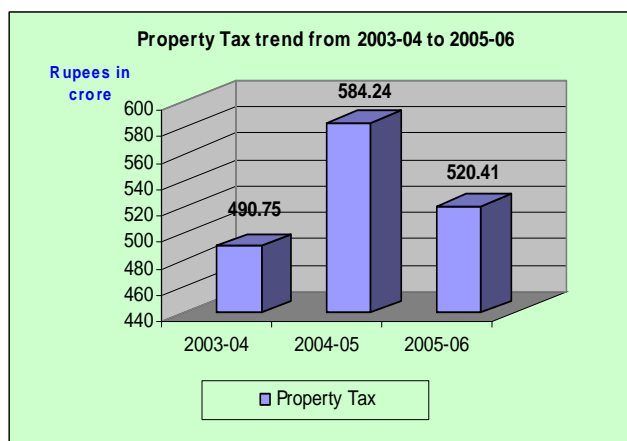
The resources of ULBs consist of grants and assistance from Government of India (GOI) and State Government under various schemes, loans from Financial Institutions (HUDCO etc.,) and own revenue generated through various tax and non-tax collections. The tax revenue mainly accrues from property tax and taxes on advertisement, while non-tax revenue comes from water charges, encroachment fee, developmental charges, buildings fee, etc. Figures given in the following tables furnished by Commissioner and Director of Municipal Administration (CDMA), are not certified figures, as the audit of ULBs is in arrears ranging up to 20 years of accounts in most of the ULBs as detailed in para 1.2.5

Position of overall receipts during 2003-06 is depicted below:

(Rupees in crore)

| Source of Funds               |   | 2003-04        | 2004-05        | 2005-06        |
|-------------------------------|---|----------------|----------------|----------------|
| <b>Own Revenues</b>           |   |                |                |                |
| <b>a.</b>                     | <b>Taxes</b>  |                |                |                |
| i)                            | Property tax  | 490.75         | 584.24         | 520.41         |
| ii)                           | Other Tax revenue (Advertisement tax, taxes on animals and taxes on carriages and carts)              | 13.60          | 18.07          | 20.03          |
| <b>Total Tax revenue</b>      |   | <b>504.35</b>  | <b>602.31</b>  | <b>540.44</b>  |
| <b>b.</b>                     | <b>Non-Taxes</b>  |                |                |                |
| i)                            | Water charges   | 104.15         | 104.69         | 119.91         |
| ii)                           | Encroachment fee  | 24.17          | 1.65           | 84.90          |
| iii)                          | Betterment/Development charges  | 40.52          | 50.46          | 59.83          |
| iv)                           | Building license fee  | 32.38          | 37.04          | 42.73          |
| v)                            | Others (Water supply donations, market fee, slaughter house fee, shops rent, trade license fee, etc.) | 70.36          | 92.35          | 107.78         |
| <b>Total Non-Tax revenue</b>  |   | <b>271.58</b>  | <b>286.19</b>  | <b>415.15</b>  |
| <b>Assigned Revenue</b>       |   |                |                |                |
| i)                            | Entertainment tax   | 63.98          | 61.72          | 46.52          |
| ii)                           | Surcharge on stamp duty   | 266.76         | 292.30         | 282.83         |
| iii)                          | Profession tax  | 89.53          | 91.07          | 111.65         |
| <b>Total Assigned Revenue</b> |   | <b>420.27</b>  | <b>445.09</b>  | <b>441.00</b>  |
| <b>Non-Plan Grants</b>        |   | <b>291.63</b>  | <b>201.95</b>  | <b>198.99</b>  |
| <b>Plan Grants</b>            |   | <b>188.64</b>  | <b>138.03</b>  | <b>120.28</b>  |
| <b>Loans</b>                  |   | <b>46.11</b>   | <b>54.14</b>   | <b>10.99</b>   |
| <b>Other Income</b>           |   | <b>407.12</b>  | <b>293.02</b>  | <b>290.65</b>  |
| <b>Grand Total</b>            |   | <b>2129.70</b> | <b>2020.73</b> | <b>2017.50</b> |

The tax revenue comprising mainly of property tax increased sharply from Rs 504.35 crore in 2003-04 to Rs 602.31 crore in 2004-05. This was due to the Government's decision (October 2004) to waive interest on payment of arrears of property tax. The non-tax revenue increased from Rs 271.58 crore in 2003-04 to Rs



415.15 crore in 2005-06. Water charges (Rs 119.91 crore) and encroachment fee (Rs 84.90 crore) were the major contributors to non-tax revenue. As of March 2006, the tax and non-tax revenue pending collection amounted to Rs 284.85 crore and Rs 208.00 crore respectively.

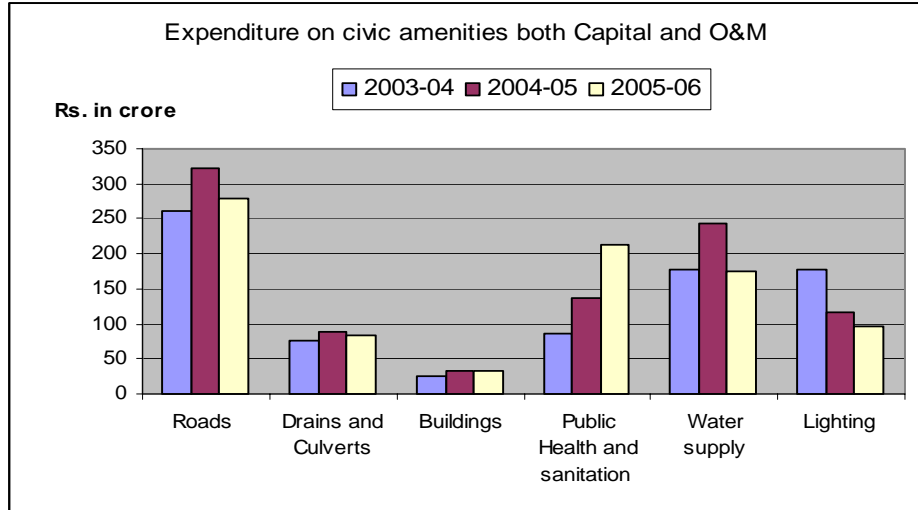
### Application of funds

The expenditure of ULBs comprises recurring expenditure like pay and allowances to staff maintenance of capital assets etc., and non-recurring expenditure like creation of capital assets. There was a decline of 9.78 per cent in the total expenditure during 2005-06 (Rs 2037.91 crore) over the previous year (Rs 2258.71 crore). The details of expenditure by ULBs in the past three years as furnished by CDMA are depicted below:

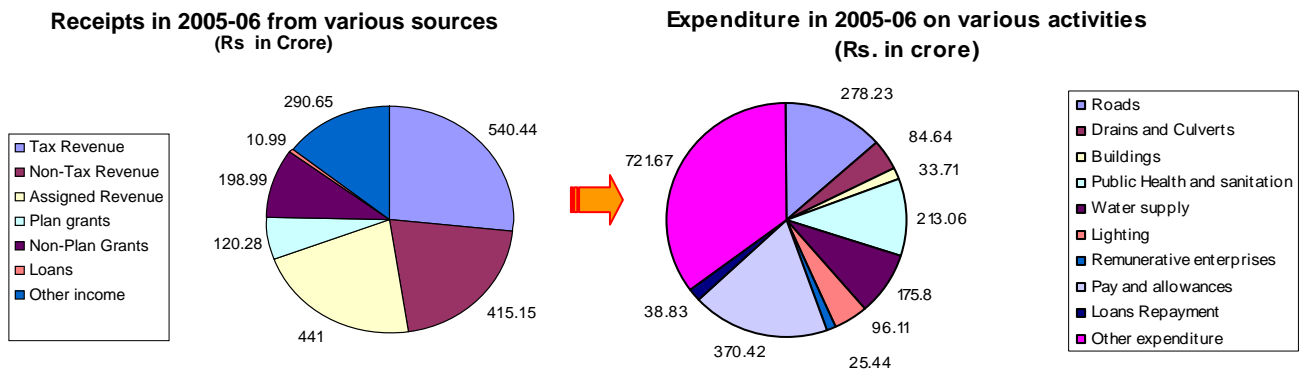
(Rupees in crore)

| Application of Funds |   | 2003-04       |                |                | 2004-05       |                |                | 2005-06       |                |                |
|----------------------|---|---------------|----------------|----------------|---------------|----------------|----------------|---------------|----------------|----------------|
|                      |   | Non-Recurring | Recurring      | Total          | Non-Recurring | Recurring      | Total          | Non-Recurring | Recurring      | Total          |
| a.                   | Roads   | 207.98        | 52.24          | 260.22         | 257.51        | 63.80          | 321.31         | 208.08        | 70.15          | 278.23         |
| b.                   | Drains and Culverts   | 65.38         | 11.69          | 77.07          | 76.50         | 12.36          | 88.86          | 71.75         | 12.89          | 84.64          |
| c.                   | Buildings   | 19.24         | 5.93           | 25.17          | 26.16         | 7.67           | 33.83          | 26.97         | 6.74           | 33.71          |
| d.                   | Public Health and sanitation  | 22.23         | 63.69          | 85.92          | 21.70         | 114.40         | 136.10         | 17.17         | 195.89         | 213.06         |
| e.                   | Water supply  | 76.57         | 100.30         | 176.87         | 153.46        | 89.71          | 243.17         | 94.48         | 81.32          | 175.80         |
| f.                   | Lighting  | 36.66         | 142.06         | 178.72         | 27.29         | 89.74          | 117.03         | 27.51         | 68.60          | 96.11          |
| g.                   | Remunerative enterprises  | 12.27         | 4.97           | 17.24          | 13.63         | 7.36           | 20.99          | 17.70         | 7.74           | 25.44          |
|                      | <b>Total</b>  | <b>440.33</b> | <b>380.88</b>  | <b>821.21</b>  | <b>576.25</b> | <b>385.04</b>  | <b>961.29</b>  | <b>463.66</b> | <b>443.33</b>  | <b>906.99</b>  |
| h.                   | Pay and allowances  |               | 383.01         | 383.01         |               | 370.47         | 370.47         |               | 370.42         | 370.42         |
| i.                   | Loans Repayment   |               | 58.50          | 58.50          |               | 65.89          | 65.89          |               | 38.83          | 38.83          |
| j.                   | Other expenditure (town planning, land acquisition management expenses, etc.) |               | 424.16         | 424.16         |               | 861.06         | 861.06         |               | 721.67         | 721.67         |
|                      | <b>Total</b>  |               | <b>865.67</b>  | <b>865.67</b>  |               | <b>1297.42</b> | <b>1297.42</b> |               | <b>1130.92</b> | <b>1130.92</b> |
|                      | <b>GRAND TOTAL</b>  | <b>440.33</b> | <b>1246.55</b> | <b>1686.88</b> | <b>576.25</b> | <b>1682.46</b> | <b>2258.71</b> | <b>463.66</b> | <b>1574.25</b> | <b>2037.91</b> |

Expenditure on pay and allowance during 2005-06 was 18.36 per cent of total receipts and 18.18 per cent of total expenditure. The expenditure on Public Health and Sanitation showed an increasing trend from 2004-05 to 2005-06. The expenditure on various civic amenities in the last three years is depicted below:



Based on the details of sources and application of funds over three years, it was noticed that the percentage of recurring expenditure to that of receipts increased from 58.53 percent in 2003-04 to 78.03 percent in 2005-06. The comparison of receipts and expenditure for 2005-06 is depicted through pie charts below.



### 1.2.4 Accounting arrangements

Accounts of ULBs are being maintained on cash basis. However, Municipal Corporation of Hyderabad had adopted the double entry system for maintaining its accounts since 2002-03. Compilations of accounts by ULBs are in arrears since 1986. Therefore, the Director of State Audit could not carry out audit and certify the accounts in time. Ministry of Urban Development and Poverty Alleviation, GOI and C&AG had formulated a



National Municipal Accounts Manual (NMAM) with double entry system, for greater transparency and control over finances, and requested the States to adopt the same with appropriate modifications to meet States specific requirements. Accordingly, a Steering Committee was constituted by GOAP and the Andhra Pradesh Municipal Accounts Manual (APMAM) was developed during 2006-07. The APMAM is now being implemented by the State Government.

### **1.2.5 Audit**

Director, State Audit is the statutory auditor for ULBs under the A.P. State Audit Act 1989. C&AG conducts audit of the ULBs under Section 14 of C&AG's (DPC) Act, 1971. Based on the recommendations of EFC, GOAP entrusted the C&AG with provisions of technical guidance and supervision for audit and accounts of Local Bodies under Section 20(1) of C&AG (DPC), Act.

Though, Director, State Audit conducts audit periodically, the audit of accounts of ULBs for the past several years was pending, as the accounts were yet to be compiled by the ULBs. The arrears ranged up to 20 years in some Municipal Corporations<sup>11</sup>. The District wise arrears position in respect of Municipalities furnished by Director, State Audit ranged between four to 42 years. The Director, State Audit had, so far, submitted the Consolidated State Audit and Review Reports for the years 1998-99 to 2003-04 to the Finance department. Though the State Audit Act prescribes that the reports should be laid on the table of the Legislative Assembly, the same was not done by GOAP. Some of the major areas commented on by Director, State Audit are excess/non-utilization/diversion/mis-utilization of grants, non-collection of dues, advances pending adjustments, violation of rules, wasteful expenditure, etc.

### **1.2.6 District Planning Committees**

District Planning Committees are to be constituted in terms of Article 243-ZD of Constitution of India to discharge the functions of the State Government as detailed in para 1.1.7. However, due to non-constitution of the District Planning Committees as commented upon earlier, the objective of preparation of a consolidated development plan for integrated development of the district was not achieved.

### **1.2.7 Finance Commissions**

#### **Eleventh Finance Commission:**

The EFC had recommended Grants amounting to Rs 2000 crore to ULBs. The position of grants released under EFC during 2000-2005 in the State is as follows:

<sup>11</sup> Vishakhapatnam: 20 years, Hyderabad: 12 years, Rajahmundry: seven years, Kurnool: six years

(Rupees in lakh)

|  |                 |
|--|-----------------|
| 1. Grants released from the Centre             | 16465.70        |
| 2. Matching contribution provided by           |                 |
| a) Urban Local Bodies                          | 7126.16         |
| b) State Government                            | --              |
| 3. Total (1+2)                                 | 23591.86        |
| 4. Grants released to Urban Local Bodies       | <b>16465.00</b> |
| 5. Utilization of grants by Urban Local Bodies |                 |
| a) Maintenance of Accounts                     | 0               |
| b) For creation of data base                   | 21.86           |
| c) For maintenance of Civic Services           | 23570.00        |

As per the EFC guidelines, the grants had to be utilized for maintenance of civic services. However, it was observed that out of EFC grants of Rs 164.65 crore, Rs 54.41 crore (33.05 *per cent*) was utilized for payment of outstanding electricity consumption dues in violation of the guidelines. Rs 29.91 crore was utilized in 2001-02 itself for payment of outstanding dues of previous years. As per the guidelines, the funds were not permitted to be diverted for any other purpose than for which released. However, the GOAP adjusted the pending electricity charges of the ULBs directly, while releasing the grant by settling with APTRANSCO. The guidelines also stipulated that only works not covered under other schemes of GOI/State Government could be taken up. However, GOAP released Rs 14.09 crore to ULBs for 'Chief Minister's Assurances' scheme. In Chittoor Municipality, an amount of Rs 1.95 crore intended for improvement of water supply was diverted for payment of salaries, office expenses, etc. Instances of parking of funds in fixed deposits were also noticed in Kurnool Municipal Corporation which have been highlighted separately in Para 3.2.5 of this Report.

#### **Twelfth Finance Commission:**

As per TFC guidelines, the funds released by the GOI have to be transferred to the ULBs within 15 days. However, there were delays ranging from 41 days to 94 days in transferring the TFC funds to ULBs. Further, the delay was calculated only up to the date on which the CDMA issued proceedings transferring the funds, instead of taking the actual date of receipt by the ULBs. The interest on delayed transfers was released after a delay of another 110 days in respect of 1<sup>st</sup> installment and the amounts were still lying (January 2007) with the CDMA and were yet to be transferred to ULBs. The interest portion for the second installment was yet to be released by GOAP. Moreover, GOAP was yet to make available (January 2007), the records and information to take up audit of utilization of TFC grants.

#### **State Finance Commissions:**

The Second SFC had made 39 recommendations pertaining to financial devolutions and structural reforms covering nine major sectors in ULBs. Out of these, 14 recommendations such as providing additional amounts to

Municipalities for civic amenities, grants linked to the performance of Local Bodies and transfer of schools to Municipalities/Corporation in Urban areas of Telangana Region, etc., were pending further examination. The Third SFC was constituted in January 2003; its report is awaited.

### **1.2.8 Conclusion**

The collection of property tax, which is the major source of tax revenue in ULBs, revealed fluctuations. There were substantial amounts of tax and non-tax revenue pending collection in ULBs. The Andhra Pradesh Municipal Accounts Manual adopted by the State Government is yet to be implemented. There were huge arrears in audit of ULBs by the Director, State Audit, primarily due to non-compilation of accounts. District Planning Committees have not been constituted so far in the State. Several deviations to the prescribed guidelines and diversion of funds were noticed in utilization of Eleventh and Twelfth Finance Commission grants.

### **1.2.9 Recommendations**

- The ULBs should take steps to improve collection of arrear tax and non-tax revenue.
- ULBs should compile annual accounts that are in arrears in order to enable audit by Director, State Audit and thereby ensure greater transparency and accountability. As stipulated in the Act, Government should place the Audit Reports of the Director, State Audit in the Legislature.
- Government should ensure that District Planning Committees are set up at the earliest to ensure that district plans are approved only after proper appraisal by the DPCs.
- Diversion of grants should be avoided and timely release of grants to the ULBs be ensured for utilization for the purposes for which released. The recommendations of State Finance Commissions need to be implemented in time.

## CHAPTER II

### PERFORMANCE AUDIT REVIEWS

#### 2.1 Andhra Pradesh Urban Services for the Poor

##### Highlights

*The State Government launched (April 2000) the Andhra Pradesh Urban Services for the Poor (APUSP) project for achieving sustained reduction in poverty and vulnerability of urban areas in 42 class I towns of the State. The project estimated to cost Rs 1407.47 crore was to be aided through a grant of Rs 747.21 crore from Department for International Development (DFID). The Project comprised of three linked and complementary components viz., municipal reforms, environmental infrastructure and strengthening of civil society. Although, adequate funds were placed at the disposal of the Andhra Pradesh Urban Finance and Infrastructure Development Corporation (APUFIDC), bankers for APUSP, except for implementation of the environmental infrastructure works, the municipalities failed to bring about municipal reforms and strengthen civil society as intended. As of March 2006, only 49 per cent of the total grant of DFID had been utilized by the municipalities/APUSP and, at this pace of implementation, utilisation of full grant before closure of the project by March 2008 is doubtful. Audit scrutiny revealed unfruitful expenditure on water supply works, excess payments, losses, non-accountal of funds, parking of funds in fixed deposits, etc. in 10 test checked municipalities/Project Coordinator (PC), APUSP alone. Monitoring was inadequate both at the level of PC, APUSP and at municipalities.*

**Though the municipalities have carried out project formulation as stipulated and evolved comprehensive municipal action plans for poverty reduction, certain vital proposals such as System Improvement Plan, Finance and Operation Plan, Operation and Maintenance Plan and General Town Plans were either altogether left out or not implemented. Preparation/approval of Basic Municipal Action Plan for Poverty Reduction (BMAPPs) was delayed by majority of the municipalities.**

*[Paragraphs 2.1.7.1 and 2.1.7.2]*

**The State Government budgeted and released funds to AP Urban Finance and Infrastructure Development Corporation (APUFIDC) without any correlation to the actual expenditure. As a result, 30 per cent of funds are lying unutilized in the Corporation's Personal Deposit Account as of March 2006.**

*[Paragraph 2.1.8.2]*

**Though the project had commenced in 2000, the expenditure incurred during the six-year period 2000-06 at Rs 363.36 crore amounted to only 49 per cent of the total DFID grant of Rs 747.21 crore. Since the project is to be wound up by March 2008, utilization of the remaining grant before closure of the project is doubtful.**

*[Paragraphs 2.1.8.2 and 2.1.8.4]*

**Though all the three components of the project are linked and complementary to each other, only the 'Environmental Services for the**

**poor (C2)' component was concentrated upon. 'Municipal reforms' and 'strengthening civil society organizations' (C1 and C3) components were neglected.**

*[Paragraph 2.1.8.4]*

**The Commissioners of six (out of ten) municipalities had invested Rs 4.95 crore of the project funds in fixed deposits contrary to guidelines.**

*[Paragraph 2.1.8.5]*

**There were inordinate delays in implementation of proposals under the C1 component. None of the 122 proposals (BMAPPs) costing Rs 12.80 crore taken up in the 10 test checked municipalities had been completed, rendering the expenditure of Rs 2.29 crore so far incurred largely unfruitful.**

*[Paragraph 2.1.9.1]*

**Under 'Environmental Infrastructure' for sustainability component (C2) too 652 out of 2495 works sanctioned in different MAPPs had remained incomplete. Expenditure of Rs 5.40 crore that was incurred on 13 water supply, drainage and road-cum-drainage works in six (out of 10) test-checked municipalities without proper planning and survey was unfruitful.**

*[Paragraph 2.1.10]*

**Though the activities of formation, training and bank linkages to Self Help Groups (SHGs) and creation of livelihood were successfully carried out, none of the 382 proposals costing Rs 34.02 crore in the areas of education, health and vulnerability were implemented in the municipalities test checked. Thus, the performance of 'Strengthening of civil society' (C3) component is far from satisfactory, even after six years of launching the project.**

*[Paragraph 2.1.11]*

**Monitoring was poor both at Project Coordinator, APUSP level and at municipalities adversely affecting the pace of progress in implementation of the project as a whole, resulting in the intended benefits to the targeted population.**

*[Paragraph 2.1.12.1]*

### **2.1.1 Introduction**

Andhra Pradesh has been witnessing rapid urbanization over the past two decades. As per the census of 2001, 27 per cent of the total population of the State lives in urban areas. Further, majority of the urban population (75 percent) inhabits class one towns, i.e. towns with more than one lakh population. Launched in the year 2000, Andhra Pradesh Urban Services for the Poor (APUSP), is a partnership project between the Government of Andhra Pradesh and the Department for International Development (DFID), Government of United Kingdom with the aim of achieving sustained reduction in the vulnerability and poverty of the urban poor in the State. The seven-year project covering 32 class I municipalities with a population exceeding one lakh was targeted to benefit approximately 2.8 million slum dwellers. The project was later extended to 10 more class I towns in 2004. The APUSP

project comprises of the following three linked and complementary components, which form part of the Basic Municipal Action Plan for Poverty Reduction (BMAPP) or Comprehensive Municipal Action Plan for Poverty Reduction (CMAPP), as the case may be.

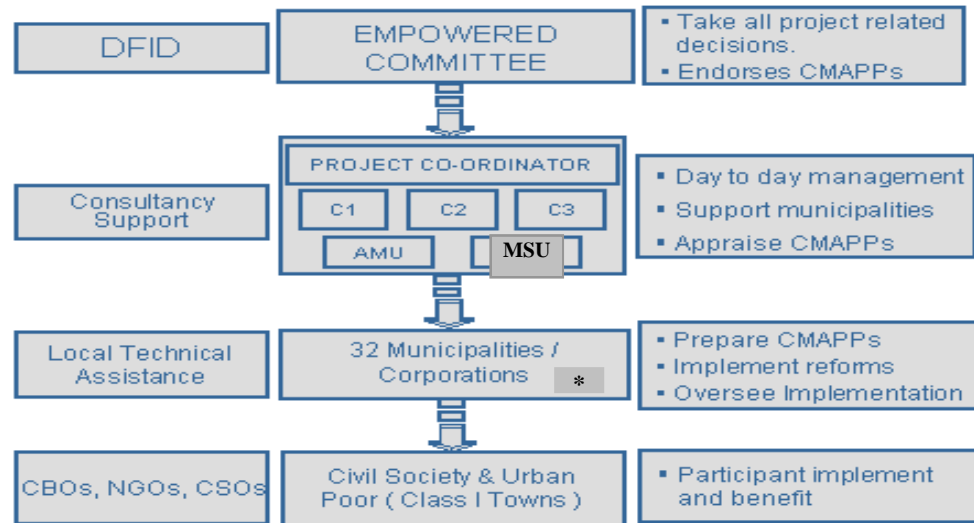
|  |  |
|--|--|
| <b>C1. Reforms leading to improved municipal performance</b> | Focuses on municipal reforms, aims to improve the performance of municipalities and contribute to the development of pro-poor policy through initiatives that strengthen municipal finance, municipal accounting, improve planning, operation and maintenance practices and train staff in identified areas.   |
| <b>C2. Environmental services for the poor</b>               | Aims at environmental infrastructure improvement for sustainable provision and delivery of urban basic services to the poor. This includes improvements in water supply, sanitation, solid waste management, drainage, roads, footpaths and street lighting. Off-site infrastructure is also provided to link existing trunk infrastructure to poor settlements where necessary. |
| <b>C3. Strengthening civil society organisations</b>         | Aims at strengthening civil society to build their capacity to voice the needs of the urban poor and advocate for an improved range and quality of service delivery at the local level.  |

BMAPP is the action plan containing the Municipality's strategy, proposals and implementation plan for Municipal Reforms (C1) and Environmental Infrastructure (C2). The time frame fixed for BMAPP is 1 - 2 years. After meeting the Minimum Performance Criteria (MPC) and demonstrated commitment to reforms planned in BMAPP, a Project Town shall graduate to the next stage of action plan called CMAPP to be completed in 3 - 5 years. It contains three separate plans each representing the three different components of the project viz., Municipal Reforms Action Plan, Municipal Infrastructure Action Plan and Social Development Action Plan.

### 2.1.2 Organizational set-up

Strategic oversight of APUSP was undertaken by an Empowered Committee (EC), chaired by the Principal Secretary to Government of Andhra Pradesh, Department of Municipal Administration and Urban Development (MA&UD). Implementation of the project with regard to the Action Plans (whether BMAPP or CMAPP as the case may be) was primarily the responsibility of the respective municipalities headed by the Commissioners and monitored by the Project Coordinator, APUSP. The EC would endorse the Action Plans prepared by the concerned municipalities, approved by their Council and vetted by the Project Coordinator, APUSP. Two separate units, the Municipal Strengthening Unit (MSU) and the Appraisal and Monitoring Unit (AMU) had been established in the office of the Commissioner and Director of Municipal Administration (CDMA) for the monitoring of the project. The EC would take all project related policy decisions. The project structure is depicted as below:

## Project Structure



\* 42 with effect from 2004

### 2.1.3 Audit Objectives

The objectives of the review were to ascertain whether:

- the process of preparation of BMAPP and CMAPP was carried out as envisaged, for planning various interventions.
- the financial management was effective in achieving the desired objectives.
- the environmental interventions under C2 were carried out with due regard to envisaged outputs.
- the municipal reforms were carried out effectively under C1 and the extent to which civil society was strengthened under C3.
- the programme management, including monitoring and evaluation, was effective.

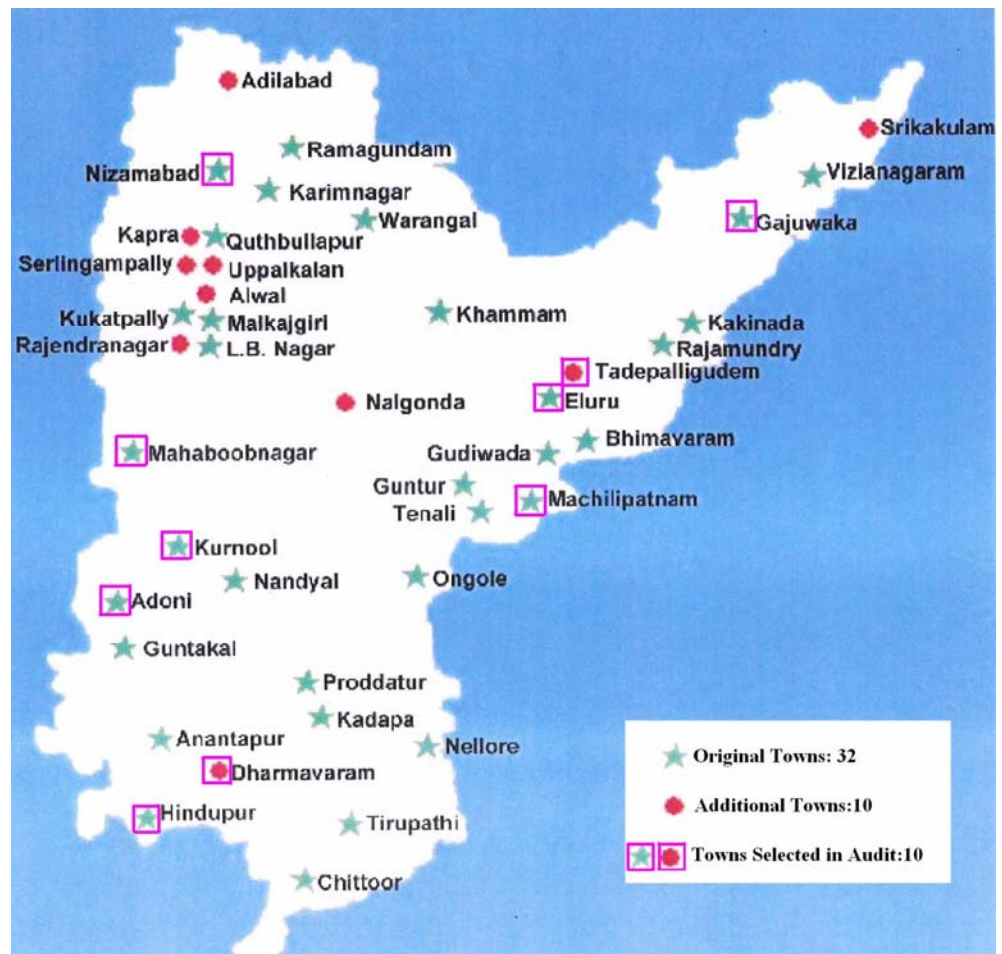
### 2.1.4 Audit criteria

The Audit criteria adopted were:

- objectives as set out in the project document and guidelines of BMAPP and CMAPP
- prescribed norms for utilization of APUSP funds by municipalities.
- guidelines detailed in the project document for preparation of various plans for improving municipal performance.

### 2.1.5 Scope and methodology of audit

During the period from 2001-02 to 2005-06, the APUSP was targeted in 42 Class I towns. Stratified random sampling technique through computer generated random sample was adopted by grouping the project towns into Stratum I consisting of 32 towns (taken up initially) and Stratum two consisting of 10 new towns. Stratum one was further categorized into Municipal corporations and Municipalities. Records relating to implementation of the scheme in twenty five *per cent* (10) of the towns<sup>1</sup> were test-checked by Audit besides test-check of records of the office of the Project Coordinator, APUSP. An 'entry conference' was held in September 2006 with the active participation of Secretary to Government, Project Coordinator and Commissioners of the selected municipalities for the performance audit.



In addition to scrutiny of records, physical verification, photographs, etc. were also resorted to wherever necessary. The audit observations were discussed with each auditor unit and their views obtained/considered before arriving at the audit conclusions. The draft report was discussed with the Project Coordinator, APUSP and the Commissioners of the municipalities concerned in the exit meeting conducted in January 2007.

<sup>1</sup> Adoni, Dharmavaram, Eluru, Gajuwaka, Hindupur, Kurnool, Machilipatnam, Mahaboobnagar, Nizamabad, and Tadepalligudem.



## 2.1.6 Audit Findings

The Audit findings are discussed under the sub-headings project formulation, financial arrangements, municipal reforms (C1), environment infrastructure for sustainability (C2), strengthening of civil society (C3) and project monitoring and evaluation.

### 2.1.7 Project formulation.

#### 2.1.7.1 Non-implementation of certain vital areas

Certain vital proposals were left out in all the test-checked municipalities while carrying out Project formulation

The success of the project implementation of APUSP depended on the process formulation and preparation of Action Plans. As per the APUSP guidelines, each municipality was to prepare an Action Plan defining how it would achieve the three linked objectives in the context of local priorities. The AMU would subject every draft document to desk appraisal. After satisfying itself about the quality of the document and eligibility of the town, the Action Plans of the concerned Project Towns would be placed before the EC for endorsement and funding. All the funds released under the project were to be based on performance and achievement of minimum performance levels by the municipalities. In turn, the municipalities would submit utilization certificates for amounts received. The effective implementation of action plans by the project towns would be gauged by the extent to which they had met the prescribed MPC detailed in *Appendix 2*.

Audit scrutiny in the test checked municipalities revealed that though the project formulation was by and large sound, several vital areas viz., System Improvement Plan (SIP), Finance and Operation Plan (FOP), Operation and Maintenance Plan (O&MP) were left out in all the test checked ULBs. Due to non preparation of these plans, the municipal reforms, as envisaged could not be achieved.

#### 2.1.7.2 Preparation of matrix of poor settlements

Preparation/ approval of BMAPPs was delayed in almost all the municipalities

One of the major components of the BMAPP is the preparation of a matrix of 'poor' settlements in the town. The 'poor' settlements are placed in a 3X3 matrix based on poverty incidence and environmental infrastructure deficiency and funds are to be provided on this basis. It was, however, observed that although the project was conceived in the year 2000; the BMAPPs including Matrix of Poor Settlements were prepared and got approved only by 2002 by the municipalities. This resulted in over all delay in implementation of the project as detailed in paragraph 2.1.8.3. All the municipalities test checked except one i.e. Dharmavaram (Anantapur District) had taken up the works under C2 component covering the poor settlements as per the matrix design. In Dharmavaram Municipality, although 27 poor settlements were identified and the matrix prepared, only one slum (poor settlement) was taken up for development of infrastructure reportedly with an intention to take up the remaining poor settlements during subsequent cycles. However, it was observed that the development of infrastructure in this slum was slow as only

four out of 11 approved works (Feb 2005) were taken up for execution as of October 2006. The reason attributed was encroachment, necessitating recasting of the estimates, causing considerable delay.

### 2.1.7.3 Implementation of CMAPP

All the 32 towns initially selected were moved to the next cycle of CMAPP based on the performance criteria. Subsequently, 10 more towns were allowed to move to the CMAPP directly.

### 2.1.7.4 General Town Plan not yet formulated

General Town Plan was not yet formulated by any municipality

The project also envisaged General Town Plan (GTP) for providing spatial framework for achieving economic and environmental objectives, target-planning efforts, creating transparency in terms of development, etc. It involved preparation of base map, based on Geological Information Systems (GIS) survey, property survey and utility mapping by contact survey and development and customization of GIS software and integration with Municipal Management Information System (MIS). This had the potential for enhancing municipal revenues by improving the available information system about properties within municipal limits. It was observed that though base maps were prepared, the GTP was yet to be formulated. The Commissioners of the test checked municipalities stated in the exit meeting that the preparation of GTP had been taken up.

## 2.1.8 Financial Arrangement

### 2.1.8.1. Funding Pattern

Different funding was adopted for the components C1, C2 and C3

The total project cost of Rs 1407.47 crore was to be funded by DFID (Rs 747.21 crore) and State Government (Rs 660.26 crore under C2 component only). The component-wise DFID allocations are as follows:

| Component    | Allocation<br>(Rupees in crore) |
|--------------|---------------------------------|
| C1           | 121.13                          |
| C2           | 525.33                          |
| C3           | 100.75                          |
| <b>Total</b> | <b>747.21</b>                   |

DFID had been providing funds (through GOI) as a grant, by way of reimbursement of eligible expenditure initially incurred by the municipalities from out of the State budget. DFID funds are budgeted at 50 *per cent of total cost of the project* assuming that additional finance would be available from the State Government/municipality revenues. Funds were released by the State Government for credit to PD account of Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (APUFIDC), which acted as a fund-channelising agency (banker). Based on the advice of the Project

Coordinator, APUSP, the APUFIDC disbursed the funds in advance to the implementing agencies (municipalities) for execution of works under the C2-component. The municipalities were to submit the utilisation certificates after incurring expenditure. However, for implementing the components C1 and C3, the municipalities were to meet the expenditure initially from their general funds and obtain reimbursement or direct payment to third parties arranged by APUSP itself, on receipt of goods/services from them.

### 2.1.8.2 Releases and expenditure

**Government budgeted/released funds to APUFIDC without any correlation to actual expenditure**

Funds provided by the State Government against DFID's assistance to APUFIDC (through APUSP) and the expenditure incurred by the municipalities during the six year period 2000-06 as furnished by the Project Coordinator, APUSP were as follows:

(Rupees in crore)

| Year         | Budget Provision | Government releases to APUFIDC under C2 | Releases by APUFIDC to APUSP/Municipalities under C2 | Expenditure under C2 | Amount unutilized lying in PD A/c of APUFIDC | Expenditure under C1 and C3 |
|--------------|------------------|---|--|----------------------|--|-----------------------------|
| 2000-01      | 10.00            | 10.00                                   | 10.00  | 0.00                 | 10.00  | 7.20                        |
| 2001-02      | -----            |   | ----   | 10.00                |  | 14.06                       |
| 2002-03      | 30.00            | 30.00                                   | 19.93  | 19.29                | 10.07  | 14.30                       |
| 2003-04      | 88.63            | 88.63                                   | 84.28  | 77.89                | 14.42  | 15.61                       |
| 2004-05      | 175.00           | 175.00                                  | 96.56  | 90.85                | 92.86  | 4.80                        |
| 2005-06      | 165.00           | 152.76                                  | 110.19   | 101.74               | 135.43                                       | 7.62                        |
| <b>Total</b> | <b>468.63</b>    | <b>456.39</b>                           | <b>320.96</b>  | <b>299.77</b>        | <b>135.43</b>                                | <b>63.59*</b>               |

\* C1: Rs 51.92 crore; C3: Rs 11.67 crore Of this, DFID itself spent Rs 39.98 crore under C1 and Rs 5.92 crore under C3 components (Total- Rs 45.90) and balance (Rs 17.69 crore) by APUSP/Municipalities

During the period 2000-06, as against the total releases of Rs 456.39 crore by the State Government to APUFIDC under C2 component, APUSP reported an expenditure of Rs 299.77 crore (66 per cent). However, Audit noticed several instances of unfruitful expenditure on incomplete works in the 10 (out of 42) test-checked municipalities as discussed in the subsequent paragraphs. The municipalities had also incurred expenditure of Rs 17.69 crore under the C1 and C3 components reimbursable by DFID besides the expenditure of Rs 45.90 crore incurred directly by DFID under C1 and C3 components. It would be seen from the above, that the municipalities' own contribution towards C1 and C3 components was very low and that they concentrated only on the infrastructure works (C2 component) as detailed in subsequent paragraphs. As of December 2006, APUSP had sent claims for Rs 322.78 crore for reimbursement and DFID had reimbursed Rs 260.44 crore. As of March 2006, 30 per cent (Rs 135.43 crore) of the fund released to APUFIDC was lying unutilised in its PD Account, reportedly due to non-submission of UCs by the municipalities. It was observed, that out of the total expenditure of Rs 299.77 crore incurred under the C2 component, the municipalities had submitted UCs only for an amount of Rs 221.57 crore as of March 2006. This

indicated that advance of funds to APUFIDC by Government during 2004-05 and 2005-06 was without any correlation to the actual expenditure.

The project guidelines envisaged that 50 *per cent* of the total cost of in-slum infrastructure (C2 component) was to be borne by the GOAP/municipalities. However, details of contribution of GOAPs share were not available. In reply to an audit query, the Project Coordinator stated that contribution of the GOAP to the project was through various schemes and projects for poverty alleviation and other ongoing grants and devolution of funds to the urban local bodies. Therefore, the Project Coordinator, APUSP contended that the contribution of GOAP was largely met.

However, in the absence of GOAPs share to APUSP being distinctly accounted for or identified, Audit could not ascertain the actual position in this regard. Accordingly, the performance review was confined to the financial appraisal of the project concerning allocations made out of GOAPs budgetary provision against DFID's assistance.

*The following other points were also noticed in audit:*

### **2.1.8.3 Slow Progress in utilisation of project funds**

**Only 49 *per cent* of the total grant was spent in six years. Utilisation of full grant before March 2008 was thus doubtful**

As per the project guidelines, the releases for subsequent cycles of Action Plans depended on the municipalities attaining the Minimum Performance Criteria (MPC). It was observed that there were inordinate delays on the part of municipalities (8 towns had taken more than 24 months in moving from BMAPP to CMAPP and 13 towns had taken more than 24 months from CMAPP to CMAPP 1<sup>st</sup> cycle) in achieving the milestones to become eligible for graduating to subsequent cycle of funding, thereby failing to utilize funds provided in the earlier cycles. This led to the extension of the project up to March 2008 from March 2006. During the exit conference, Project coordinator, APUSP attributed (January 2007) the delay in progressing from once cycle to the next, to some field level problems, lack of consensus in council and consequent delay in attaining the Minimum Performance Criteria (MPC) set for entry into subsequent MAPPs.

The expenditure of Rs 363.36 crore incurred by the project towns on all the three components (including that incurred by DFID directly under C1 and C3) constituted only 49 *per cent* of the total grant of DFID, indicating tardy implementation of the project. Though the utilisation of funds in BMAPP was more than 90 *per cent* in all the test checked municipalities, the performance of utilisation and submission of UCs in CMAPP was not satisfactory in Dharmavaram and Tadepalligudem municipalities (Nil), Adoni (47 *per cent*), Nizamabad (51 *per cent*), Gajuwaka (56 *per cent*) and Machilipatnam (59 *per cent*). With the present pace of implementation, utilisation of the remaining 51 *per cent* (Rs 383.85 crore) of the DFID grant in the remaining two years of the project period is doubtful. The Project Coordinator assured in the exit meeting that all steps would be taken to utilize the funds in time.

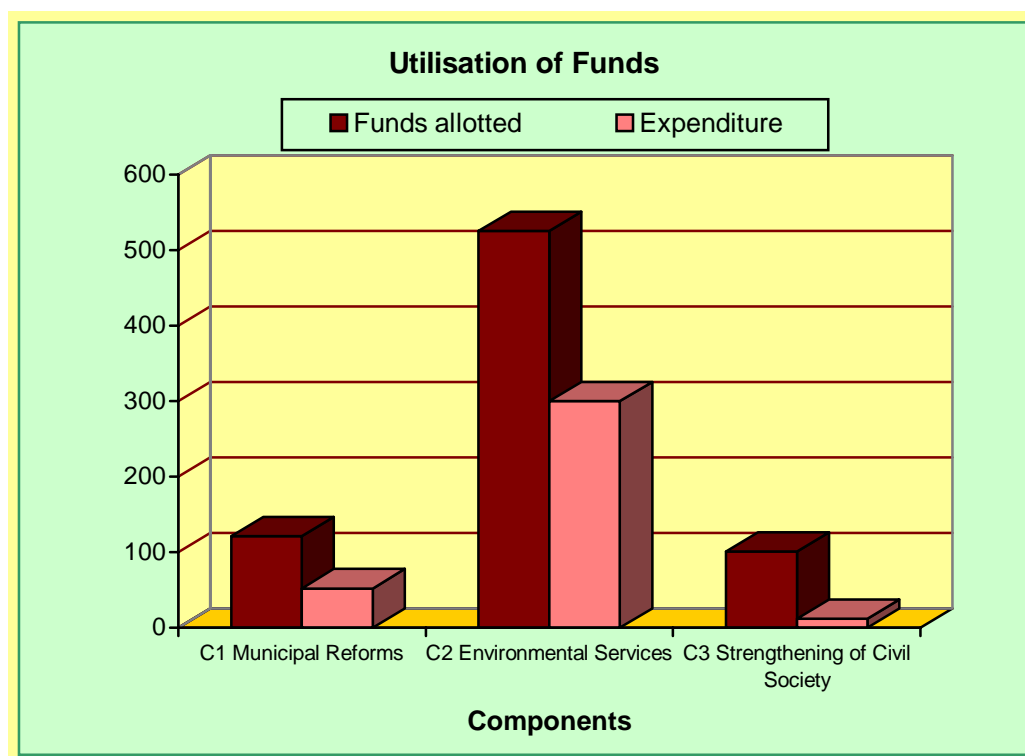
Focus was only on C2 component. The other two components C1 and C3 were neglected

### 2.1.8.4 Infrastructure works only focused

The three components of the project are linked and complement to each other, and the project implementation should cover all the three components for overall achievement of its objectives. It was, however, observed that the implementation of the project was skewed towards C2 component consisting of infrastructure works, ignoring C1 and C3 components as shown below, adversely affecting the overall objectives and sustainability of the project.

(Rupees in crore)

| Component                         | Project Allotment | Approved allocation | Expenditure (Percentage) |
|-----------------------------------|-------------------|---------------------|--------------------------|
| C1 Municipal Reforms              | 121.13            | 109.90              | 51.92 (43)               |
| C2 Environmental services         | 525.33            | 548.31              | 299.77 (57)              |
| C3 Strengthening of Civil Society | 100.75            | 50.68               | 11.67 (12)               |
| <b>Total</b>                      | <b>747.21</b>     | <b>708.89</b>       | <b>363.36</b>            |



Performance of BMAPP was precariously low in Eluru, Adoni, Nizamabad, Gajuwaka and Mahboobnagar

Although the C1 and C3 components were proposed and approved by the respective municipal councils in the Action Plans, these components did not receive the desired attention. In spite of the fact that over all utilization of fund under BMAPP was more than 90 per cent in all the test-checked municipalities as stated in paragraph 2.1.8.3, the performance of C1 component under BMAPP was abysmally low in Eluru (12 per cent), Adoni (13 per cent), Nizamabad (16 per cent) Gajuwaka (15 per cent) and Mahboobnagar (17 per cent) (Appendix 3a). Further C1 and C3 components of CMAPP (both cycles)

were altogether neglected in all the test-checked municipalities and only three municipalities could graduate to CMAPP second cycle. Audit examination revealed that non-provision of funds in advance as in the case of the C2 component was one of the main reasons for the poor performance of the municipalities' vis-à-vis the C1 and C3 components. While accepting this, the Project Coordinator, APUSP stated that the recommendation of Audit would be implemented and that the same had already been approved by the EC.

#### 2.1.8.5 Parking of funds in Fixed Deposits

**Commissioners of six (out of ten) test-checked municipalities invested Rs 4.95 crore of project funds in fixed deposits contrary to guidelines**

While releasing funds to the municipalities, instructions were issued from time to time by the Project Coordinator, APUSP that no part of the funds should be invested in any form of fixed deposits under any circumstances. It was, however, observed that in six<sup>2</sup> out of ten municipalities test checked, the Commissioners had invested (2002-06) Rs 4.95 crore in fixed deposits for varying periods. Of this, an amount of Rs 20 lakh was lying in fixed deposits since September 2002, Rs 1.05 crore since 2004, Rs 1.75 crore since 2005 and Rs 1.75 crore since 2006 (as of September 2006).

The amounts kept in fixed deposits for 4-5 years constituted about 10 *per cent* of the total releases, reflecting inadequate financial control both at the Project Coordinator and Commissioner's level. Due to parking of funds in fixed deposits, works identified in the Action Plans could not be completed, effecting the implementation of the project and the eligibility of the municipalities to graduate to the subsequent cycles of Action Plans. The Project Coordinator, APUSP stated in the exit meeting that immediate action was taken to withdraw the funds from fixed deposits in all the municipalities except Gajuwaka municipality after this was pointed out by Audit. Similar action needs also to be taken in other project towns, which were not covered in Audit.

#### 2.1.8.6 Diversion of funds

**Four (out of ten) municipalities diverted Rs 33.03 lakh of project funds towards salaries, etc.**

Four out of 10 municipalities test checked had diverted the project funds of Rs 33.03 lakh<sup>3</sup> (2003-06) to general funds and utilised these for payment of salaries. The Commissioners stated (October/November 2006) that the amounts would be reimbursed to APUSP account in due course.

### 2.1.9 Municipal Reforms (C1)

As of 31 March 2006, the total expenditure under the C1 component at Rs 51.92 crore was 43 *per cent* of the total project allotment of DFID towards this component and constituted 14 *per cent* of the total expenditure incurred on the project by APUSP/municipalities. As stated in paragraph 2.1.8.4 utilisation of funds under this component was relatively low as compared to the C2

<sup>2</sup> Eluru (Rs 0.25 crore), Gajuwaka (Rs 1.10 crore), Hindupur (Rs 0.70 crore), Machilipatnam (Rs 1.15 crore), Mahboobnagar (Rs 0.30 crore), Nizamabad (Rs 1.45 crore)

<sup>3</sup> Kurnool (Rs 0.76 lakh), Machilipatnam (Rs 15.00 lakh), Mahboobnagar (Rs 10.00 lakh) and Nizamabad (Rs 7.27 lakh)

component. The project envisaged a range of activities focusing on municipal reforms to achieve improved financial planning and implementation capacities of participating municipalities. Funds under this component were provided on the basis of improvement in performance of activities proposed in the Action Plans. The project envisaged several reforms for enhancing the performance in various spheres for effective delivery of services and to generate more revenue for the municipalities. An important initiative in this regard has been concerted efforts by municipalities towards reduction of electricity consumption. As per the Project Coordinator APUSP, 42 project towns effected a saving of energy bill to the extent of Rs 8.5 crore as of November 2006, without any capital investment by merely analyzing street lighting, consumption of electricity for water pumping and through Contract Minimum Demand (CMD).

While this was very commendable, Audit scrutiny revealed inadequate coverage of the component with inordinate delays in implementation by municipalities as discussed below.

#### **2.1.9.1 Inordinate delay and inadequacy in implementation of municipal reforms**

**Audit noticed inordinate delays in implementation of Municipal Reforms**

The municipal reforms proposed by all the municipalities in their BMAPPs under C1 were under three broad categories viz. Revenue Improvement Action Plan (RIAP-study of revenue improvement, survey of municipal assets, finalisation of accounts and audit, introduction of online payments); Institutional Development Action Plan (IDAP-preparation of base maps and utility mapping, external communication systems; and computerisation of all sections) and C2 related C1 proposals consisting of procurement of equipment of engineering and town planning, solid waste disposal and recycling, drainage studies, etc.

**None of the 122 proposals (BMAPPs) costing Rs 12.72 crore taken up by all the eight test-checked municipalities had been completed. Expenditure of Rs 2.29 crore was unfruitful**

Test check of eight out of 10 municipalities where C1 was implemented revealed that though 122 works in BMAPPs (relating to C1) costing Rs 12.80 crore were taken up in 2002 for completion within one year, none of these had been completed as of November 2006. The expenditure of Rs 2.29 crore incurred so far on these works as detailed in *Appendix 3a* was thus largely unfruitful. Despite this, municipalities had incorporated 223 new proposals costing Rs 16.21 crore in CMAPP (in 2004) and CMAPP second cycle (in 2005), of which 191 works costing Rs 12.82 crore were approved by the Empowered Committee in 2004 and 2005 as detailed in *Appendix 3b*. However, no expenditure had been incurred as of March 2006 by any of the municipalities.

In the four test checked municipalities (Eluru, Hindupur, Machilipatnam, Mahboobnagar), six municipal reforms proposals were outsourced to ORGMARG<sup>4</sup> and ASCI<sup>5</sup> in September 2002 in the areas of Revenue Improvement Study, Asset Management Study, Best Practice Study tours,

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<sup>4</sup> Operations Research Group-ORGMARG

<sup>5</sup> Administrative Staff College of India

update of accounts and audit, Property and utility mapping, Preparation of Base Maps and development of GIS to facilitate smooth, timely and effective implementation of the project. Though scheduled for completion in 18 months, none of these proposals had been completed as of September 2006 except for preparation of base maps.

**Several vital areas of Municipal Reforms were not implemented**

Further, several vital areas envisaged in municipal reforms component of the project were not implemented at all by the municipalities as detailed below:

- Compilation of accounts and audit of the accounts was not carried out or inadequate in seven<sup>6</sup> out of 10 municipalities test checked.
- Despite existence of sanctioned proposals for carrying out reforms in municipal asset management in order to make municipal assets financially viable and improve service delivery, no significant progress in execution of these proposals was made in any of the test-checked municipalities.
- To bring out reforms in property tax collections, the project envisaged survey and detection of under-assessed, un-assessed, misused exemptions, etc. to bring them under tax net. However, cross verification of municipal data with other agencies such as APTRANSCO as well as different sections of the municipality was not carried out by any of the municipalities test checked.
- Unauthorised tap connections, incorrect categorization, lack of metering especially for bulk supplies, etc were not brought under collection net, in all the project towns test checked.
- Studies on solid waste management were not completed. Landfills were not established for disposal of solid waste in any of the project towns test-checked. Only tricycles for door-to-door garbage collection were purchased and were in use.

Thus the envisaged municipal reforms to enhance performance in the areas of finance, planning and management had not been achieved. Release of funds under C1 based on submission of the bills after incurring the expenditure by the municipality (unlike in C2 for which funds are released in advance) was one of the contributing factors for slow progress in implementation as most of the municipalities were starved of funds as stated in paragraph 2.1.8.4.

The Project Coordinator, APUSP stated in the exit meeting that all efforts were being made to implement the vital proposals.

#### **2.1.9.2 Other points of interest.**

**Loss due to non-recovery of cost of training, etc. from the contracted personnel.**

**Cost of training/salary was not recovered from the contracted personnel though stipulated in the agreement**

To provide better interface between the project office and the field agencies and to have an effective feedback mechanism, it was proposed to engage the

<sup>6</sup> Dharmavaram, Hindupur, Kurnool, Machilipatnam, Mahboobnagar, Nizamabad and Tadepalligudem.



services of IT professionals as Municipal Information and Performance Officers (MIPO) for placement in each of the project towns and at the Project Office, for three years on contract basis. As per clause 22 of the agreement, three months salary and training cost would be recovered from the MIPOs who resigned within a year and one-and-a half-month's salary from those who resigned after one year but before three years of service. Though 18 MIPOs had resigned within one year and 14 before completion of three years, the cost of training and salary amounting to Rs 18.70 lakh was not recovered from them. The Project Coordinator, APUSP stated in the exit meeting that so far Rs 3.45 lakh had been recovered and the remaining amount would also be recovered in accordance with the agreement condition.

## 2.1.10 Environmental infrastructure for sustainability (C2)

### 2.1.10.1 Non-completion of works

652 out of 2495 works sanctioned in different MAPPs remained incomplete

The expenditure incurred under the C2 component was 83 *per cent* of the total expenditure incurred on the project. The actual utilization of fund under this component was 57 *per cent* of the total project allocation by DFID for this component. The project envisaged improvement in environmental infrastructure for the poor by taking up on-site infrastructure projects, sub-projects and works in the identified areas of drinking water supply, sewerage and sanitation, roads and footpaths, solid waste management, street lighting, storm water runoff and management of floods, etc under this component.

Out of 2495 works sanctioned under the C2 component during 2001-06, only 1843 works were completed as of March 2006. The MAPP wise details are as follows:

| MAPP                        | Number of works |             |                            |
|-----------------------------|-----------------|-------------|----------------------------|
|                             | Sanctioned      | Completed   | Not completed (Percentage) |
| BMAPP                       | 1249            | 1219        | 30 (02)                    |
| CMAPP                       | 858             | 573         | 285 (33)                   |
| CMAPP 2 <sup>nd</sup> cycle | 388             | 51          | 337 (87)                   |
| <b>Total</b>                | <b>2495</b>     | <b>1843</b> | <b>652</b>                 |

In Tadepalligudem municipality, of the 25 works taken up, only three were completed. This was attributed to delay in technical sanction and execution. Similarly, improper planning and survey before conceiving the proposals/awarding contracts resulted in unfruitful expenditure of Rs 5.40 crore incurred on 13 water supply, drainage and road-cum drainage works in six (out of 10) test checked municipalities, as pointed in subsequent paras from 2.1.10.3 to 2.1.10.5.

The Project Coordinator, APUSP stated in the exit meeting that efforts were on to complete the works, and in respect of BMAPP only 13 works were yet to be completed.

The following points were also noticed in audit.

### 2.1.10.2 Delay in execution of works

**Delays in execution of works ranged from two to twelve months**

Though all 269 works taken up under BMAPP were completed in eight out of ten municipalities test-checked, there were delays ranging from two to twelve months in respect of 40 works. The progress of execution of works taken up under CMAPP and CMAPP second cycle has also been very slow. Out of 207 works proposed during 2003-05 under CMAPP in the 10 municipalities test checked, 55 works were yet to be completed as detailed in **Appendix 4**. Even in the case of completed works, there were delays ranging up to six months in 36 works. Out of 113 works taken up in three municipalities (Eluru, Hindupur and Kurnool) test-checked under CMAPP second cycle, only 42 works were completed as of September 2006.

APUSP released an amount of Rs 30 lakh in December 2004 and Rs 20 lakh in January 2006 to Dharmavaram municipality for taking up 11 water supply related works and drain works at a total cost of Rs 3.22 crore. It was, however, observed that despite issue of work orders for 10 works in April 2006, seven works had not been taken up so far (October 2006). The reasons attributed for such delays were encroachment, want of no-objection certificate from concerned authorities and lack of timely action to resolve the issues/bottlenecks by the municipalities.

### 2.1.10.3 Unfruitful expenditure on water supply works.

#### Gajuwaka Municipality:

**Expenditure of Rs 1.72 crore on water supply works in Gajuwaka municipality and Nizamabad Municipal Corporation remained unfruitful**

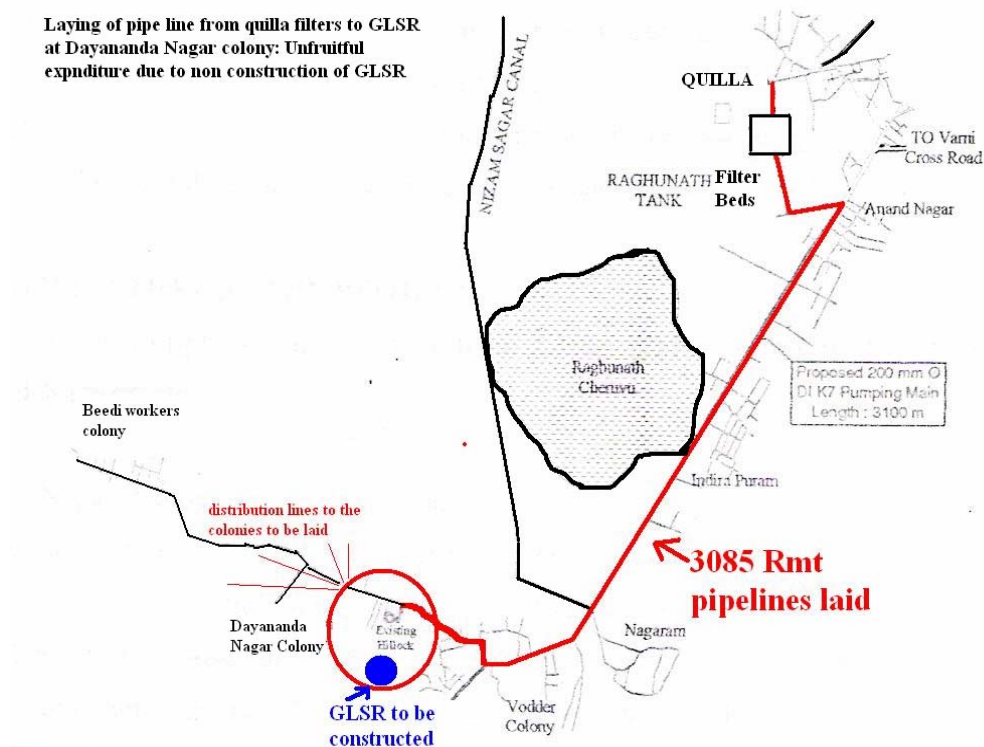
The municipality took up the work for 'providing pumping main from sump well to 500 KL Ground Level Storage Reservoir (GLSR)' in January 2004 at Dasarikonda, at an estimated cost of Rs 73.24 lakh. Although the work was commenced, the construction of GLSR was still to be taken up (as of November 2006). The municipality had laid the pipelines on land belonging to the National Highway Authority of India (NHAI) without obtaining permission and was therefore forced to realign the work. This resulted in uprooting the pipeline already laid and laying of additional length of 465 metres. Even after the lapse of more than two years, the municipality had not taken up the construction of GLSR without which the water could not be supplied. Thus, improper planning and survey, led to the expenditure of Rs 44.52 lakh already incurred on laying pipelines and other works, remaining unfruitful.

In an agreement entered into in March 2005, the municipality had taken up another work of 'providing water supply facilities to Tunglam', Gudivada Appanna colony and Kalikamba', at an estimated cost of Rs 1.19 crore. The work was scheduled to be completed in three months. Though the land identified for construction of GLSR belonged to the Endowments department, the municipality designed the work and awarded (March 2005) the contract

without obtaining the permission from the Endowment department. Even after the lapse of more than 18 months, the municipality had not taken up construction of the GLSR without which, water cannot be supplied. On this being pointed out, Commissioner replied that permission had been sought for from the Endowment department and the work would be started as soon as this was obtained. The expenditure of Rs 78.61 lakh incurred so far on laying pipelines and other works, thus, remained unfruitful.

#### Nizamabad Municipal Corporation:

The work of 'laying of pipeline from quilla filters to GLSR at Dayananda Nagar colony' was taken up at an estimated cost of Rs 44.37 lakh in March 2006. Though the work relating to pumping main was taken up in March 2006 and 90 per cent of the pipe line work (3100 Rmt) was completed, the other works viz., construction of GLSR and laying of distribution main from GLSR were yet to commence (December 2006), rendering the expenditure of Rs 37.91 lakh incurred so far on laying of pipelines, unfruitful. No specific reasons were furnished by the Commissioner for delay in completion of works.



The Municipal Corporation had taken up another work of 'providing a water supply distribution line to the beedi workers colony', etc at an estimated cost of Rs 24.26 lakh and an agreement was entered into with the contractor in May 2006 for completion in three months. However, it was observed that except for procurement of pipes at a cost of Rs 10.92 lakh, there was no progress in laying the pipes as of December 2006. Non-completion of envisaged water supply works in the above Municipality/Municipal Corporation rendered the expenditure of Rs 1.72 crore unfruitful. The intended

objective of providing drinking water to the targeted population had not also been achieved.

#### 2.1.10.4 Unfruitful expenditure on drainage works

##### Eluru Municipal Corporation:

**Expenditure of Rs 1.36 crore on drainage works in Eluru Municipal Corporation and Machilipatnam Municipality proved to be unfruitful**

Two works 'construction of outfall drain in Chintalapudi road' and 'construction of outfall drain in Jangareddygudem road' were taken up at an estimated cost of Rs 47.64 lakh and Rs 45.34 lakh respectively and agreement entered into with a contractor in January 2005 for completion in three months. Although an expenditure of Rs 58.84 lakh was incurred for construction of the outfall drain in Chaintalapudi road, work on a length of 25 meters was held up due to encroachments en-route. The encroachers had approached the court and obtained stay orders for not executing the work. As of September 2006, the municipality had not explored the feasibility of re-aligning the outfall drain and linking it to the main drain flow, duly by passing the encroachments. Similarly, the work of construction of outfall drain in Jangareddygudem road was also not completed after incurring expenditure of Rs 48.79 lakh due to encroachment. Thus, the total expenditure of Rs 1.08 crore incurred on these two drainage works remained unfruitful.



##### Machilipatnam Municipality:

Construction of Fathullabad outfall drain was taken up at an estimated cost of Rs 44.76 lakh and an agreement entered into in July 2005 for completion in four months. The work could not be completed as of September 2006 due to encroachments in some parts of the drainage track. Expenditure of Rs 28.37 lakh incurred so far has been unfruitful.

Thus, the entire expenditure of Rs 1.36 crore incurred on drainage works remained unproductive.



#### 2.1.10.5 Unproductive expenditure on road cum drainage works

##### Adoni Municipality:

An agreement was concluded in August 2005 at a total value of Rs 2.04 crore for laying of CC road-cum-drainage works in six poor settlements by

**Expenditure of Rs 2.32 crore on Road-cum-drainage works remained unfruitful in three municipalities/ corporation**

December 2005. However, none of the works were completed due to encroachments. Commencement of works without proper preliminary survey regarding availability of site etc. rendered the expenditure of Rs 1.71 crore already incurred so far unfruitful. Road cum drainage work taken up in another poor settlement in the year 2003/2004 at a cost of Rs 19.90 lakh could also not be completed as of October 2006 due to encroachments rendering the expenditure of Rs 16.73 lakh incurred so far unfruitful.

#### **Gajuwaka Municipality:**

The work of laying of CC road-cum-drainage work was taken up in Yarada settlement and agreement entered in March 2005 for completion in three months. However, the work could not be completed owing to construction of drain without proper survey/design rendering the expenditure of Rs 14.48 lakh already incurred unfruitful.



#### **Kurnool Municipal Corporation:**

Road-cum-drainage works were taken up (2004) in the Leprosy colony. However, after incurring an expenditure of Rs 4.87 lakh, the work was stopped as the contractor failed to execute the work. The reasons for non-completion of the work by the contractor were not furnished by the department. Thus, the expenditure of Rs 4.87 lakh (November 2006) remained unfruitful. Another road-cum-drainage work taken up (November 2005) in weaker section colony-3 was also not completed due to non-laying of pipelines, rendering the expenditure of Rs 25.10 lakh unfruitful.

Thus, in the above Municipal Corporation/municipalities, expenditure of Rs 2.32 crore incurred on five road cum drainage works remained unfruitful due to improper planning and commencement of works without preliminary survey.

#### **2.1.10.6 Liquidated damages not levied**

**Liquidated damages of Rs 48.81 lakh were not recovered though there were delays in executing the contracts**

As per the provisions of AP Public Works Departmental Code ('D' code), liquidated damages would be imposed on the contractors for delay in reaching milestones/completion of the work. However, in six<sup>7</sup> out of the ten municipalities test checked, it was observed that although there were delays in completion of the works/reaching milestones on the part of the contractors, the municipalities had not levied liquidated damages in respect of 13 works amounting to Rs 48.81 lakh. The Commissioners of the municipalities assured (October/November 2006) that liquidated damages would be recovered from the contractors in due course.

<sup>7</sup> Adoni (2 works/Rs 22.36 lakh), Eluru (3 works/Rs 8.73 lakh), Hindupur (2 works/ Rs 3.20 lakh), Kurnool (2 works/Rs 2.75 lakh), Machilipatnam (2 works/Rs 7.29 lakh) and Nizamabad (2 works/Rs 4.48 lakh)

### 2.1.11 Strengthening of Civil Society (C3)

As of March 2006, the total expenditure under C3 component at Rs 11.67 crore was 12 *per cent* of the total project allotment of DFID towards this component and constituted only three *per cent* of the total expenditure incurred on the project by APUSP/municipalities. As stated in paragraph 2.1.8.4, utilization of funds under this component was relatively low as compared to the C2 component. The C3 component of the project was intended to strengthen the civil society through intervention in key areas such as education, health, livelihood, formation of Self Help Groups (SHG), vulnerability reduction, strengthening of Community Based Organizations (CBO), capacity building programmes, training, etc. However, adequate attention was not given to implement this component as discussed in the subsequent paragraphs.

#### 2.1.11.1 Inadequate implementation of C3 proposals

**Implementation of the 'Strengthening of Civil Society' was inadequate**

Initially the activities of C3 component were directly dealt with by DFID, and in October 2003 the APUSP took over the execution of C3 component. All the municipalities had incorporated specific proposals in their CMAPPs (There is no C3 component in BMAPP) to bring out envisaged strengthening of civil society through key areas. In the ten test checked municipalities, 382 proposals costing Rs 34.02 crore were incorporated under the C3 component in CMAPPs in the areas of education, health, livelihood, SHGs, vulnerability, training, etc. as detailed in *Appendix 5*. During the exit conference, Project Coordinator informed that out of 383 proposals incorporated under the C3 component in the 10 test checked ULBs, only 169 proposals had been implemented. As in the case of the C1 component, the releases under C3 component were also based on submission of bills by the municipality after incurring the expenditure. This was one of the contributing factors for non-implementation of C3 proposals by the municipalities.

#### 2.1.11.2 Several vital areas of C3 component not implemented

**Several vital areas of C3 component in education and health sectors were not implemented**

The APUSP succeeded in the implementation of SHG sub-component in all the project towns by setting up 41750 SHGs. Bank linkages amounting to Rs 117.12 crore was organized for 27812 SHGs with a satisfactory rate of recovery. Similarly, under the livelihood sub-component also, the project could provide training to 17608 candidates against the target of 21000 and placements for 12057 candidates under Phases I and II of the programme.

However, Audit noticed that some of the vital sub components in the areas of education, health, etc., were not implemented at all by any of the test checked municipalities, even though specific proposals were incorporated in CMAPPs and approved by the Empowered Committee, as discussed below:

- **Education:** Early Child Development Centers, DPEP schools, Adult Education Centers, providing basic infrastructure to schools, enrollment campaigns, were not implemented.



- **Health:** School health programmes, health check up camps, hygiene promotion and awareness programmes in AIDS, Leprosy, sanitation, family planning, formation of ECO clubs, training to ANMs, infrastructure for Urban Health Centers and Maternity Centers, were not implemented.
- **Vulnerability:** Assistance for rehabilitation of old age homes, assistance to disabled for purchase of aids, assistance to destitute, early intervention programmes, rehabilitation of commercial sex workers, were not implemented.

### 2.1.11.3 Extra burden on APUSP under “UPADHI”

**Audit noticed excess payment of Rs 1.45 crore under ‘UPADHI’**

Under livelihood advancement of the poor, the Project coordinator, APUSP in collaboration with Dr. Reddy’s Foundation (DRF) and American India Foundation (AIF) launched a programme called UPADHI (Urban Programme for Advancement of Household Income). As per the Memorandum of Understanding, the share of APUSP in Phase I was Rs 86.47 lakh for 7100 candidates in all the project towns @ Rs 1218 per candidate trained, whereas an amount of Rs 1.26 crore was released to DRF resulting in excess payment of Rs 39.53 lakh. It was noticed that the excess payment was due to payment of municipal share of Rs 500 per candidate and beneficiary share of Rs 100 per candidate over and above the share of APUSP. Similarly, an excess payment of Rs 1.05 crore was also made to DRF under Phase-II. As per the statement of Project Coordinator, APUSP, these excess payments would be borne by the project towns concerned.

### 2.1.12 Project monitoring, evaluation

#### 2.1.12.1 Monitoring needs strengthening

**Monitoring was poor both at PC level and at municipalities**

The Project Coordinator, had not initiated effective steps in the early stages, for speeding up of the implementation of the project in municipalities where there had been slow progress. Similarly, the Appraisal and Monitoring Unit functioning under CDMA had not taken steps to pull up the sluggish municipalities for speedy completion of proposals under various components. Thus, ineffective monitoring at all levels resulted in envisaged municipal reforms in the areas of planning, finance management and strengthening of civil society not being achieved as planned. The environmental infrastructure interventions viz., C2 component were also marked by inadequacies as highlighted in paragraph 2.1.10.

Though Project impact and monitoring system was reportedly set up in the office of APUSP for refining ‘Objectivity Verification Indicator (OVI)’, quantifying their base line values and for improving and acting on recommendations arising there from, the Project Coordinator, APUSP had no information on these activities.

As per the Project Document, a Participatory Annual Evaluation Study (PAES) was to be undertaken by independent consultants to consider participation/inclusion by poor and vulnerable groups; primary and secondary

stakeholders perceptions and progress in terms of each component as well as of the project as a whole. Output to Purpose Reviews was also to be conducted at the end of three/five years. It was, however, observed that PAES was not carried out by any independent consultants. Planning and performance reviews were also not integrated in the municipalities. The Project Coordinator, APUSP stated in the exit meeting that rigorous monitoring had now been initiated and assured better implementation through regular monitoring.

### **2.1.13 Conclusion**

APUSP is a well-conceived, innovative programme for the urban poor with the objective of bringing overall municipal reforms and strengthening of civil society in addition to creation of regular infrastructure. Though the three components were complementary to each other and adequate proposals and action plans under all the components were evolved and incorporated in MAPPs, the municipalities concentrated primarily on execution of works under the C2 component relating to creation of improved environmental infrastructure. There was also slackness in implementation. Accordingly, in all the test checked municipalities, there were delays in implementation of C2 works/proposals. Due to inadequate monitoring of implementation, Minimum Performance Criteria (MPC) were not attained within the stipulated time, resulting in non-achievement of project objectives. Audit noticed several irregularities in implementation like unfruitful expenditure on incomplete water supply works, etc. in the 10 (out of 42) test-checked municipalities. Although the project was launched in the year 2000 and was to have been completed by March 2006 (extended up to March 2008), the utilization of grant (DFID) as of March 2006 was only 49 *per cent*. Given the present pace of implementation, any productive utilization of the funds provided by DFID in full by the envisaged date of closure of the Project in March 2008, is doubtful.

### **2.1.14 Recommendations**

- Municipalities should ensure quick completion of all the ongoing proposals under all the three components and take up new proposals at an early date so as to utilise the grants fully before the closure of the project (March 2008).
- Adequate planning and survey need to be carried out before taking up proposals/works to avoid unfruitful and wasteful expenditure.
- Release of funds to APUFIDC (through APUSP) should be strictly in accordance with actual requirements.
- The 'funding in advance' pattern adopted for C2 should be considered for the other two components, C1 and C3 also for speedy implementation of the proposals.
- All Municipalities should adhere to the stipulated financial norms and avoid parking of funds in fixed deposits.



## MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT

### 2.2 Information Technology Audit of Soukaryam – an e-Governance initiative of Greater Visakhapatnam Municipal Corporation

#### Highlights

*Greater Visakhapatnam Municipal Corporation (GVMC) implemented ‘Soukaryam’ (meaning facility), an e-Governance project to provide civic services to the citizens in a speedy and transparent manner. IT audit of the implementation of Soukaryam revealed inadequate efforts in project planning, application development, back up recovery/ disaster recovery plans, absence of controls, logs and policies resulting in breach of security and integrity of data, exposing the system to possible manipulation. Inadequacy of an audit trail made it difficult to identify and fix responsibility in the event of unauthorized access and subsequent manipulation of data/application. Irregularities in data were noticed during data analysis. GVMC still depends on manual procedures to a significant extent and hence was not deriving full benefits of the IT application.*

**System Requirement Specification (SRS) was prepared five years after the implementation of Soukaryam defeating the very purpose.**

*[Paragraph 2.2.5.2]*

**Soukaryam did not have a built in module for an audit trail, and the logs maintained were incomplete thereby exposing the system to inadequate accountability.**

*[Paragraph 2.2.7.3]*

**Most of the Bulk/ Semi-bulk water meter readings were not fed to the computer database, indicating deficiencies in implementation.**

*[Paragraph 2.2.8.2]*

**Annual budget figures of GVMC did not tally with the computer database figures, depicting inconsistencies.**

*[Paragraph 2.2.9.4]*

**Revenue collections such as property tax, water charges and lease charges amounting to Rs 1.85 crore were not accounted for.**

*[Paragraph 2.2.9.5]*

**e-Procurement facility was not utilised in order to take benefits of competitive prices, etc.**

*[Paragraph 2.2.10.2]*

**‘Redressal of citizens’ complaints through website based complaints module was ineffective.**

*[Paragraph 2.2.12.1]*

### 2.2.1 Introduction

Greater Visakhapatnam Municipal Corporation (GVMC)<sup>8</sup> is responsible for discharging civic functions like town planning and provision of water supply, sewerage, roads, slum improvement, public health etc. GVMC fixes and collects property tax, water charges, advertisement tax, etc.

GVMC launched an e-Governance project - 'SOUKARYAM' (meaning facility) in 2000, for delivering civic services on-line. Soukaryam provides access to citizens through its web site<sup>9</sup> for information on various services offered by GVMC, details of tax dues/ payments and for making payments and lodging complaints. Soukaryam consists of modules such as Revenue, Accounts, Engineering, Public Health, Planning, General and Human Resource covering functions of tax collections, accounting, web application for public use etc. Some of the banks, eSeva centres and the City Civic Centre have been put on the network for accepting payments online. A Local Area Network (LAN) of the GVMC forms the backbone to this network.

On an average, expenditure on providing services through Soukaryam was Rs 30 lakh per year. The IT wing of GVMC was headed by an Officer on Special Duty assisted by a Jr. Assistant and group of technical personnel drawn from a private firm for developing, implementing and maintaining the IT applications/software/ hardware.

### 2.2.2 Audit objectives

The IT audit of GVMC was conducted with the following objectives:

- evaluating the achievements of the project vis-à-vis the goals set.
- analyzing the data for completeness, integrity, reliability, accuracy and security.
- examining the adequacy of general and environmental controls and IT application controls in Soukaryam project.

### 2.2.3 Audit criteria

The audit criteria adopted were:

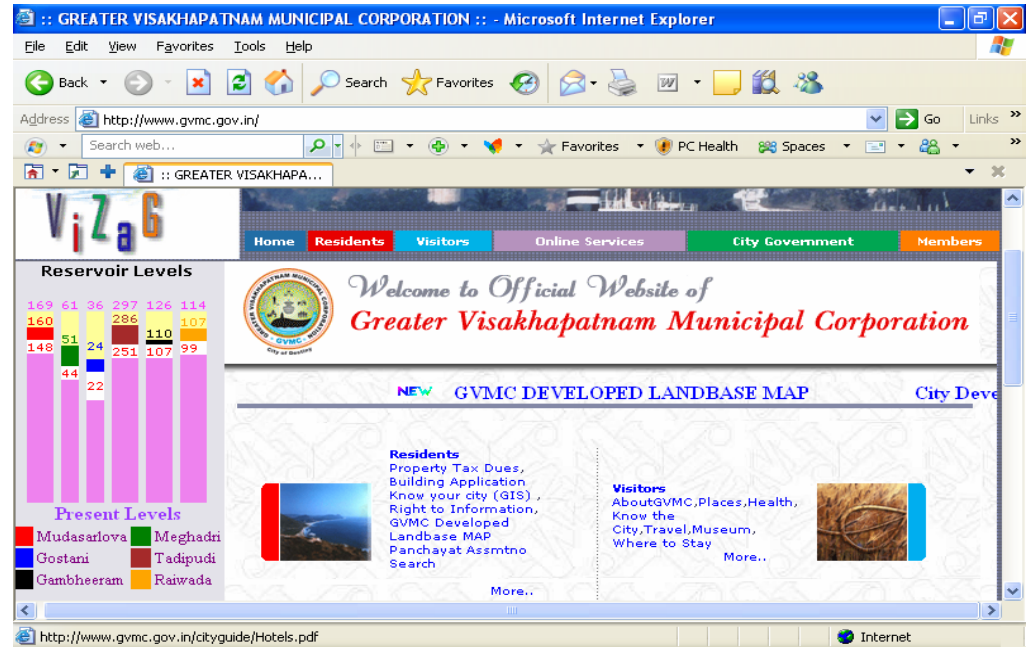
- Rules and provisions under the Hyderabad Municipal Corporation (HMC) Act, 1955.
- Instructions issued by the Government of India and Government of Andhra Pradesh.
- Instructions issued and rates adopted by the GVMC.
- Best practices for a computerized system.

<sup>8</sup> Became 'Greater' in 2005, covering 540 Sq. Km areas with 14.5 lakh population

<sup>9</sup> <http://www.gvmc.gov.in>

## 2.2.4 Scope and Methodology of Audit

IT Audit was conducted by examining the controls and through a review of an IT related practices. Data was analysed for the period 2001-07 (as of November 2006) using a computer assisted audit technique, IDEA<sup>10</sup>.



## Audit findings

Important points noticed in audit are summarized in the succeeding paragraphs.

### 2.2.5 Design and development of application

#### 2.2.5.1 Inadequate efforts in planning and development of the system

**Adhoc approach in development of the application resulted in unreliable system**

Audit examination revealed that the efforts in planning and development of a critical IT application like Soukaryam were inadequate as evident from the following:

- No feasibility study was conducted.
- There was no record of existence of any oversight mechanism in the development process in the form of minutes of the steering committee, review meetings to support the development etc.
- Adhoc and undocumented practices coupled with weaknesses in controls and irregularities were noticed, in the context of which no reliance could be placed on accuracy of data and adequacy of processes in the Soukaryam project.

<sup>10</sup> Interactive Data Extraction and Analysis

### 2.2.5.2 Preparation of System Requirement Specifications (SRS) five years after the implementation of Soukaryam rendered it purposeless

SRS was prepared much after project implementation

SRS forms the basis for designing any system and its development. While, Soukaryam was implemented in 2000, SRS was prepared only in 2005, five years after implementation of the software. The work of preparation of SRS was outsourced to Andhra University (while the application was developed in-house) at a cost of Rs 1.80 lakh. Obtaining a document, which should ideally have proceeded, the design work, five years after development of the software served little purpose. GVMC also paid (2005-06) an amount of Rs 0.22 lakh to a private firm for guiding and obtaining the Standardization Testing & Quality Certification (STQC) for its software. However, Soukaryam project was not STQC certified till date.

### 2.2.5.3 Lack of integration of modules

Data could not be effectively used due to lack of integration of different modules

There was no integration of the different modules in GVMC. For example, while raising initial demand for trade licenses (in Public Health module), there was no provision to check if the property tax dues were paid for the premises at prescribed rates though the data was available in the same database. Similarly, while registering applications for approval of building plans (under Planning module), no programmed check was available with reference to existing data of the applicant either in the property tax or in the vacant land of the Revenue module to check that no dues were outstanding.

## 2.2.6 General Controls

### 2.2.6.1 Authorization controls

Multiple logins and access to ex-users to the application

User account management had deficiencies. Users who were no longer authorised to access continued to have access to the system. It was also observed in a particular e-Seva centre<sup>11</sup> that one user could login on any number of computers for accessing GVMC applications simultaneously, indicating weaknesses in security of data and application. When pointed out in audit, log in from e-Seva centres was restricted to a single system at a time by GVMC.

### 2.2.6.2 Segregation of duties

Lack of segregation of duties and dependence on contract personnel exposed the project to risk of potential misuse of critical data and application

Audit noticed that a group of individuals contracted from outside were performing various roles of DBA, DEO, System Administrator, Hardware engineers without segregation of responsibilities or any agreement to this effect. Apart from crucial jobs like programming, database, network and system administration, even the day-to-day functioning was being handled by contract personnel. In the absence of any form of agreement, the contract personnel could not be held accountable. For example, the contract person in-charge of database administration left without notice in November 2006 exposing the system to vulnerabilities resulting from inadequate DBA function.

<sup>11</sup> at Suryabagh

### 2.2.6.3 Change Management controls

Changes in the application without authorisation from authorities, exposed the application to internal threats like malicious codes, etc.

There was no documented change management policy or accepted procedure for making changes to the software. Frequent and adhoc changes were made exposing the system to manipulation. Though the system generated application logs, these were never reviewed. Audit also noticed gaps in the application logs. In a project where the programmer who developed the application was also responsible for day-to-day operations. A well defined procedure to control the changes made and maintaining logs of such changes was essential to prevent potential frauds, misuse etc. GVMC replied (January 2007) that the changes were made based on the oral orders of higher authorities, indicating poor change management practices.

### 2.2.6.4 Password policy

No specifications existed for password management

There was no password policy for the application, database or the operating system. The password practices indicated that desirable practices of good password management were not implemented. Even retired employees continued to remain enabled to log in from the members tab of the GVMC website.

### 2.2.6.5 Preparedness for adverse circumstances

No plans or resources existed to continue financial transactions in case of failure of server/network

There was no business continuity and disaster recovery plan for continuation of the operations of GVMC in the event of a disaster. Performance was not monitored and server down time report too was not maintained. In case of a disaster taking place there was a likelihood of the computerized system coming to a halt leading to disruption of services, as there were no backup servers, backup routers, fire alarm systems and second line of personnel.

There was no contingency plan for continuing the financial transactions from the various counters of Civic centre/eSeva centres in the event of server/intranet's failure. In all such events, the financial transactions were being stopped causing inconvenience to the public.

## 2.2.7 Application Controls

### 2.2.7.1 Input controls and Master data

Even after computerising the functions GVMC had to depend on manual procedures due to deficiencies in data

It was noticed that input controls were either missing or inadequate at both application and database level. Some instances of inadequate input controls are detailed below:

- In the Human Resource (HR) module, the Basic pay field accepted amounts, which were not in the time-scale and amounts much greater than the maximum of the scale. The application also did not provide date validations in date of birth, date of joining service, date of retirement, etc. Crucial values like Professional tax, Provident fund, etc. were being manually fed.

- In the Birth and Death registration module, the system accepted future dates. In 1742 records, the date of birth was greater than date of registration.
- In the Water charges table there were 1667 records where pay mode was cheque, but no cheque number was recorded.

Further, master data tables were also incomplete as indicated below:

- Of the 5759 records in the employee master table of the HR Module, in 1035 records there was no joining date, in 1006 records date of birth was blank and in 2030 records the category of employee was blank.
- Out of 226743 records in the Property Tax master table of the Revenue Module, parameters like plinth area, tax rate and other details which are essential for assessing the property tax demand were updated in only 79781 cases. It is necessary to update all the records so that in case of revision of tax rate in future, the system would be able to compute tax demand. Further, there were 1994 records where door numbers were not available, 41 records without name of the assessor, and 54842 records with duplicate door numbers.
- In the Water charges table there were 11392 records with duplicate door numbers, 205 records where name of the consumer was not available and 33745 records without 'Type of connection' details.

#### 2.2.7.2 Error handling

**Improper management of errors made the application cumbersome**

There was no documented error handling procedure and thus *ad hoc* measures were resorted to, rendering it impossible to verify whether all the errors had been adequately rectified or not. It was also observed that whenever an error had occurred, the operators were forced to exit the application and re-login resulting in increased response time apart from the abrupt termination of the task.

#### 2.2.7.3 Audit trail

**Application log suffers from deficiencies**

The application did not have a built in module for an audit trail. Payments made to the GVMC through the Revenue module could not be traced in the Accounts Module due to incomplete capture of challan numbers and dates and the fact that the field pertaining to transaction ID was not available.

Application log maintained in the Revenue module also suffered from deficiencies. There were no values in key fields like 'Type of transaction' and 'Remarks' column (in 210208 out of 239963 log records, both the values were blank).

Thus, due to non-availability of a proper Audit trail in the application, there was no way for fixing responsibility in cases where security of the data was infringed.

The Commissioner while accepting the audit observation assured (January 2007) those necessary precautions would henceforth be taken.

## 2.2.8 Revenue Module

### 2.2.8.1 Assessment key not codified properly

Assessment key is a unique code for the property and facilitates identifying the locality (ward/ circle) in which the property lies. It was observed that the 16 digit assessment key was not designed properly and properties could not be located easily using it. The Commissioner replied (January 2007) that the Assessment key would be codified so as to identify the location by seeing the number.

### 2.2.8.2 Irregular generation of water bills

In July 2006, hand held meter reading devices were introduced for 1271 bulk and semi-bulk water connections ('M' series). However, it was observed that very few meter readings were being recorded monthly. From July 2006 to November 2006, the number of readings ranged between 45 and 610.

On this being pointed out, GVMC replied that 'when the consumption was less than 60 per cent of the agreement quantity, the meter reading was not fed in the computer'. The reply is not tenable. Data should be fed in the application and minimum demand raised even in cases where the water consumption was below 60 per cent of agreed quantity. Leaving the decision to meter readers to decide whether the meter reading was less than or above 60 per cent could lead to misuse.

### 2.2.8.3 Transfer of collection from e-Seva not traced in GVMC account

A test-check of the Bank scrolls (of ICICI) with the invoices issued by the Administrative Officer, e-Seva, transferring the amounts to GVMC account, revealed that the following amounts had not actually been transferred to GVMC account.

| Sl. No. | Proceeding No.                            | Amount Rs             |
|---------|---|-----------------------|
| 1.      | Rc.no. 1310/2004/A1 dated 02 January 2006 | 71,49,285.90          |
| 2.      | Rc.no. 1310/2004/A1 dated 02 January 2006 | 1,45,08,746.00        |
| 3.      | Advice dated 15 June 2006                 | 3,14,342.00           |
| 4.      | Advice dated 26 September 2006            | 23,19,473.00          |
|         | <b>Total</b>                              | <b>2,42,91,846.90</b> |

The Commissioner admitted (March 2007) that the amounts had not been received as of March 2007. This indicated that apart from being unaware of the non-receipt of amounts till it was pointed out by Audit, GVMC had also been losing interest on this amount.

All the water charge meter readings were not being fed to the database leading to deficient data giving scope to misuse

GVMC was unaware of the amounts to be received from e-Seva towards its revenues

#### 2.2.8.4 No action on bounced cheques

No action was taken by GVMC against cheque bounce cases

There was no evidence of any action being initiated/contemplated by GVMC against the consumers whose cheques had bounced, even though the list of bounced cheques was available on the intranet. GVMC under the provisions of the Negotiable Instruments Act, 1881, had been sending notices and collecting Rs 75 towards legal fees in addition to the demand in such cases. Audit noticed in 61 cases (pertaining to property tax collections) that the assessee's cheques had bounced 10 times or more, and yet no action had been taken by GVMC. During the period 2003-06 there were 668 bounced cheques valuing Rs 1.31 crore.

### 2.2.9 Accounts Module

#### 2.2.9.1 Misclassification of revenue collections/ expenditure

Misclassifications and failure to take rectificatory action

Test-check of the data relating to remittances of tax collections, etc., pertaining to four days<sup>12</sup>, revealed that there were instances of some tax collections being remitted into the non-tax account while the non-tax collections were remitted into the tax account due to inadequate input control validations. There was also no evidence of misclassifications being rectified promptly and on a regular basis. Thus, the collections shown under tax and non-tax heads cannot be considered to be accurate. The Commissioner admitted (January 2007) that misclassifications were due to data entry mistakes.

#### 2.2.9.2 Spill over of unspent (budgeted) amounts to subsequent years

Unspent amounts were allowed to be carried over for several financial years

The Hyderabad Municipal Corporation (HMC) Act, 1955 was extended to GVMC. As per Rule 11 of HMC Budget Estimates Rules 1968, all allotments made in the budget shall lapse at the end of the financial year, subject to provisions of Section 190 of the Act, wherein the approval of the Standing Committee is essential for carrying forward of unspent amounts for a period of two years for completion according to the original intention of sanction. The amount proposed to be carried forward should be taken as the opening balance of the Municipal Fund for that year. Contrary to these provisions, the sanctioned amounts pertaining to budget years from 1996 were carried forward even up to the financial year 2006-07. Indefinite carrying forward of the sanctioned amounts would result in the amount not being utilized while not being available for any other purpose either.

#### 2.2.9.3 Duplicate Examiner of Account numbers

System allowed duplicate EA numbers leading to risk of double payments not being detected

To ensure that each voucher has been pre-audited by the Examiner of Accounts, a unique Examiner of Accounts number (EA number) was to be generated for every voucher. However, during 2002-06, 7 duplicate EA numbers were generated. Due to duplicate EA numbers double payments if any, could not be identified nor could the cent per cent scrutiny of all vouchers

<sup>12</sup> Third November 2005, 3 January 2006, 14 February 2006 and 17 February 2006



by EA section be ensured. While accepting the audit observations, the Commissioner stated (January 2007) that it was due to a programming bug and that it would be rectified in the software.

#### 2.2.9.4 Unreliable system providing inconsistent data

**Different sources like Accounts and Revenue modules of database etc., did not tally and no reconciliation existed**

GVMC was totally dependant on computerized data for receipts and payments reports since inception of the project. All collections were made online and GVMC was not maintaining the cash book for its receipts, thus making it impossible to ascertain the correctness of the tax collections as the computerized data showed incompleteness and variations between modules. The various sources for tax collections for the years 2004-05 and 2005-06 showed different figures, indicating huge variations as detailed below:

| Item                           | Final figure (actuals) shown in Budget document<br>Rs | Figures on the intranet<br>Rs | Figures from Revenue module in database*<br>Rs | Figures from Accounts modules in database**<br>Rs |
|--------------------------------|---|-------------------------------|--|---|
| <b>2004-05</b>                 |   |                               |  |   |
| Water Charges                  | 2,71,33,000   | 2,71,32,754                   | 2,71,63,404                                    | 2,71,65,835                                       |
| Lease                          | 2,90,30,000   | 1,73,22,986                   | 1,85,89,511                                    | 1,62,67,919                                       |
| Property tax                   | 33,72,10,000  | 34,38,51,314                  | 33,79,52,274*                                  | 28,85,85,176                                      |
| Semi bulk – bulk water charges | 42,88,81,000  | 41,92,70,079                  | 41,44,66,234                                   | 41,44,66,234                                      |
| <b>2005-06</b>                 |   |                               |  |   |
| Water Charges                  | 3,27,16,564   | 3,27,16,564                   | 3,27,09,274                                    | 3,26,96,254                                       |
| Lease                          | 1,68,00,115   | 1,68,00,115                   | 2,02,03,445                                    | 1,62,62,198                                       |
| Property tax                   | 36,05,97,000  | 29,63,53,907                  | 29,83,64,310*                                  | 28,89,13,841                                      |
| Semi bulk – bulk water charges | 43,00,03,064  | 43,00,03,064                  | 46,49,92,810                                   | 46,49,92,810                                      |

\* Total transactions recorded against individual tax payer. \*\* The figures included offline transactions also.

Thus the data available in the database in different modules (Revenue and Accounts) did not match, indicating lack of referential integrity and the fact that relationships and constraints in the database were not defined properly. These could render the modules unreliable.

#### Red flags to indicate areas susceptible to fraud

#### 2.2.9.5 Cash transactions not accounted for in the accounts

**Revenue collections such as property tax, water charges and lease charge amounting to Rs 1.85 crore were not accounted for; suspicion of fraud not ruled out**

All cash transactions of Tax and Non-tax revenue were received only through counters of e-Seva and City civic centre. All such transactions were accounted for in the Accounts apart from the demand, collection and balance of the concerned receipts in Revenue module. It should be possible to track every transaction of revenue in the Accounts module (either in table which records online transactions or in a table which records offline transactions). However, the transactions in the Transaction table (Revenue module) could not be traced to either of the other tables of Accounts module. These have been indicated as red flags (areas susceptible to fraud) and discussed below:

**Property Tax:** Cash transactions through the application could be carried out by either e-Seva or City civic centre. The only other entity that had access to the database was the GVMC computer centre (manned by contract personnel). In the Revenue module, during the period April 2003 – November 2006, there were a total of 13,97,546 transactions dealing with property tax. Of these, in 997 cash transactions<sup>13</sup> (made by 19 User IDs) amounting to Rs 88.26 lakh, the demand amounts were collected at neither e-Seva nor at the City civic centre. This indicated that these transactions were made by the computer centre from the back end in the database and not through the application. Of these 997 transactions, only 114 transactions amounting to Rs 1.03 lakh were accounted for in the accounts module (bank\_trans table) while 883 transactions amounting Rs 87.23 lakh were not accounted for.

Further in 1821 (out of 1825 records<sup>14</sup>) records, there were no details of the challan no., receipt no. or even the Bank ID. As credits from e-Seva and City civic centre were made to GVMC only from the day-wise and head-wise scrolls, lack of payment/ receipt details, could have resulted in these amounts not figuring in the scrolls sent to the banks by the collection centres indicating possibility of fraud in the GVMC computer centre.

**Water charges:** Similarly, in 482 cases of day-wise totals (up to November 2006), an amount of Rs 45.66 lakh relating to water charges collection had not been accounted for in the Accounts module (bank\_trans table). The Commissioner admitted (January 2007) that there were certain loopholes in the system and these would be rectified soon.

**Lease charges:** An amount of Rs 51.65 lakh pertaining to 3560 cash transactions (up to November 2006) had also not been accounted for in the Accounts module (bank\_trans table).

In all the above cases, possibility of fraud could not be ruled out. The Commissioner, assured (April 2007) that the matter would be got investigated.

#### 2.2.9.6 Cheques not accounted for

Same cheques had been accounted for more than once

In the Revenue module for property tax, it was observed that in case of 1600 assesses, payments were made by cheque as per the Transaction table, but there was no corresponding entries in either the Bank transaction table of the accounts module or in the Counter master table (for cheques received by post) of Accounts module.

Test-check also disclosed that, in one case, a single cheque was used for more than one transaction. The cheque dated 06 October 2003 for Rs 8501 deposited by an assessor (no.1788) was used several times as detailed below:

<sup>13</sup> excluding Gajuwaka – 828 records amounting to Rs 5.83 lakh

<sup>14</sup> 997 (vmc) + 828 (Gajuwaka) records

|                  | Assessment No. | Cheque No. | Amount (Rs) | Date       | Year part               |
|------------------|----------------|------------|-------------|------------|-------------------------|
| Original payment | 1788           | 807886     | 8501        | 6.10.2003  | 2003-04 1 <sup>st</sup> |
| Fraud payment    |                |            | 4250        | 28.10.2003 | 2001-02 1 <sup>st</sup> |
|                  |                |            | 467         | 27.10.2003 | 2001-02 1 <sup>st</sup> |
|                  |                |            | 4250        | 28.10.2003 | 2001-02 2 <sup>nd</sup> |
|                  |                |            | 467         | 27.10.2003 | 2001-02 2 <sup>nd</sup> |

It was also not known how the payment was allowed to be made for a later period when dues for the earlier period were yet to be cleared.

The Commissioner assured (April 2007) that an enquiry would be conducted into the matter soon.

## 2.2.10 Engineering module

### 2.2.10.1 Incomplete Contractors' database

Deficiencies in data and improper design of the application made contractors' database ineffective

In the contractors' table each contractor was allotted a code with details of the contractor. Subsequent transactions of the contractor are monitored with the code allotted. It was, however, observed that when a contractor's class was upgraded, a new code was allotted. As a result, details of works allotted/completed, abandoned, pending (in the old code no. of the same contractor) could not be monitored through the system. Further, the table did not contain contractor's information like Bank account number, PAN number, e-mail address, which are useful for various purposes.

Thus, the contractors' database was not comprehensive and as a result, the desired information was not available. The Commissioner replied (January 2007) that the database would be modified in due course.

### 2.2.10.2 e-Procurement not adopted for tenders

GVMC could not derive the advantage of 'e-Procurement'

The State Government had taken up 'e-Procurement' as one of the core IT initiatives of e-Governance. All tenders above Rs 1 lakh were to be processed through e-Procurement alone. It was, however, seen that out of a total of 3,196 contracts (Rs 488 crore) awarded by GVMC during 2004-07 (November 2006), only three tenders (0.1 per cent) were initiated through e-Procurement and even these three tenders were actually processed manually. On the other hand, an amount of Rs 87 lakh (approximately) was spent on publication of tender notices in different newspapers during May 2005 to November 2006 alone, which would have been much lower under e-Procurement. Further, non-adherence to Government orders defeated the objectives of e-Governance which were transparency, competitive prices, global bidding, expertise etc.

The Commissioner, while accepting the audit observation, stated (April 2007) that GVMC had started using e-Procurement now.

## 2.2.11 Planning Module

### 2.2.11.1 Improper application controls

Building plan applications were processed through the Planning module and approvals accorded. It was observed that the application allowed the user to modify the data pertaining to the buildings, the plan of which has already been approved, thus making room for improper modifications to the data subsequently. The Commissioner agreed (January 2007) to incorporate changes in the application to this extent.

## 2.2.12 General Module

### 2.2.12.1 Ineffective monitoring of Website Complaints module

GVMC provides a facility for the citizens to register complaints online through its website. The complaints were to be attended by the authorities concerned of GVMC. The status of the registered complaints is also displayed on the website. It was, however, observed that:

- key fields like applicant name, applicant address, ward no. were not mandatory.
- unlike a call center system (through telephone), there was no automatic escalation to higher officials.
- in 2005 and 2006, out of a total of 3,803 registered complaints, only 787 complaints had been disposed off leaving 3,016 complaints (79 per cent) pending (November 2006).

The above points indicated ineffective monitoring of the 'Complaints module' at all levels in GVMC.

## 2.2.13 HR Module

### 2.2.13.1 Mandatory subscription towards Provident Fund not enforced from staff of GVMC

**Mandatory Provident fund deduction was not enforced through the application**

As per the provisions of the MCH Act, 1955, made applicable to GVMC, Provident fund deduction was to be made from employee's salary mandatorily at the rate of six per cent of basic pay. It was, however, observed that all PF deductions were entered manually instead of an enforced six per cent deduction by the system. The employees subscribing to less than six per cent ranged from 85 to 91 per cent during 2002-06. Non-enforcement of the mandatory deduction has resulted in the short recovery of PF from the staff of GVMC to the extent of about Rs 2.93 crore during the five year period 2002-06 alone. The Commissioner replied (March 2007) that the PF would henceforth be deducted at a minimum of six per cent of the basic pay by modifying the HR module.

#### **2.2.14 Conclusion**

Soukaryam was conceived as a path breaking e-Governance initiative to deliver civic services online in a user-friendly format using Information and Communications Technology (ICT). The project had the potential to transform existing processes to bring in transparency and accountability while improving the speed and quality of delivery of services to citizens. However, Soukaryam suffered from many deficiencies primarily due to poor planning, design and implementation. Integration of various modules was not ensured. Dependency on contract personnel exposed the data and applications to serious risks especially in the absence of proper password management, change management and segregation of duties. Design of the application did not provide for an Audit trail. GVMC continues to depend on manual procedures and hence could not derive the full benefits of the IT application.

#### **2.2.15 Recommendations**

Soukaryam project can redefine the quality of service delivery to citizens and facilitate good governance in the jurisdiction of the civic body. The limitations/ observations reported in this review can be overcome by concerted efforts by the project implementation team. To facilitate the strengthening of Soukaryam project, the following recommendations are made:

- Scientifically designed codification has to be devised for identifying properties.
- Adequate input controls should be enforced at application and database level.
- Unique transaction ID has to be devised with proper audit trail.
- Figures of all revenue collections from Revenue and Accounts modules should be reconciled immediately to rule out the possibility of frauds. Non-accountals of revenue collections should be got investigated immediately.
- There is an urgent need for establishing an appropriate business continuity plan and a disaster recovery plan.
- Training should be imparted to the employees of GVMC so as to decrease the level of dependency on the contract employees.
- Web based complaint monitoring system should have an automated escalation and redressed procedure for time bound complaint redressal.

The points mentioned above were discussed (March 2007) with the Additional Commissioner and officers of the GVMC. The Additional Commissioner accepted the audit points and assured that suitable changes/modifications would be carried out/ incorporated in the system.

## CHAPTER III

### AUDIT OF TRANSACTIONS

#### 3.1 Panchayat Raj Institutions

##### 3.1.1 Non-recovery of House Building Advance

**Laxity of Chief Executive Office, Zilla Parishad, Warangal in monitoring the recovery of House Building Advances led to non-recovery of Rs 86.95 lakh besides Rs 15.49 lakh is a loss to Government.**

Grant of House Building Advance (HBA) to the employees of Local Bodies is governed by the HBA rules of the State Government and the orders issued thereon from time to time. According to these rules, recovery of HBA shall invariably be affected 19 months from the drawal of first installment or the month following completion of the house, whichever is earlier. The balance advance due at the time of retirement shall be recovered from the retirement benefits of the employee.

Audit scrutiny of records of the Chief Executive Officer (CEO), Zilla Parishad (ZP), Warangal disclosed that out of 248 sanctions made during 1991-2004, recovery of HBA amounting to Rs 1.02 crore was not affected from 191 employees. Of these, 23 employees from whom HBA recovery amounting to Rs 10.42 lakh was due had already retired and 11 employees with HBA liability of Rs 5.07 lakh had died.

It was also noticed that the conditions prescribed for release of HBA, viz., adherence to the schedule of payment of installments of HBA, insuring the house at the cost of loanee, obtaining mortgage deeds, recovery of Penal interest (at the rate of one and half *per cent*) in case of failure to meet the prescribed conditions by the loanee, etc., were not being followed in the Zilla Parishad. The Zilla Parishad also did not ensure recovery of the balance HBA from the retirement benefits of the retiring employees. This reflects laxity in internal control and weak financial management. On this being pointed out (October 2005), the Chief Executive Officer accepted these facts and assured that necessary action would be taken to recover the outstanding HBA from the concerned employees. However, no recovery details were furnished to Audit as of November 2006.


Thus, failure of the CEO to monitor the recoveries of HBA resulted in non-recovery of Rs 86.95 lakh, besides Rs 15.49 lakh has become a loss as the officials from whom this amount is due have either retired or expired. The matter was referred to Government in November 2006. Government replied that necessary instructions have been issued to CEO/ZP to affect the recoveries promptly. In case of deceased employees, proposals for waiving the amounts due were under scrutiny. However, no reply was given with regard to retired employees and how recoveries can be affected from them.


### 3.1.2 Unfruitful expenditure and cost escalation on MPP Buildings

**Failure of the CEOs, Zilla Parishad, Nellore and Chittoor to effectively monitor the progress of the MPP building works led to expenditure of Rs 32.73 lakh remaining unproductive for periods ranging from three to 20 years besides cost escalation of Rs 41.65 lakh.**

The State Government releases funds from time to time to Panchayat Raj Institutions for construction of Mandal Parishad Office (MPP) buildings under State Finance Commission (SFC), Mandal Parishad Buildings grant, etc. The funds are kept at the disposal of the Executive Engineers of the divisions concerned and the Chief Executive Officers (CEOs) of Zilla Parishads monitor the completion of building works.

Audit scrutiny of records of the divisions in Nellore and Chittoor Districts revealed that construction of some of the MPP buildings sanctioned between 1987 to 2004, had not been completed as of January 2007 despite availability of funds, as discussed below:

| District/ Name of the MPP Building | Month of sanction | Estimated cost of the building (Rs in lakh) | Expenditure incurred till Jan 2007 (Rs in lakh) | Audit findings/Remarks   |
|------------------------------------|-------------------|---|---|--|
| Nellore :<br>Ananthasagaram        | October 2003      | 25.00                                       | 3.96  |  <p>The agreement concluded with first contractor was terminated (August 2004) at his cost duly forfeiting deposits, as the work had not been taken up. Immediate action was, however, not initiated to entrust the work to another contractor. After a delay of 18 months, the work was entrusted (Feb. 2006) to another contractor. This resulted in cost escalation of Rs 5.43 lakh. As of January 2007, the work was completed only up to lintel level. Total delay in this case so far is over three years.</p> |
| Marripadu                          | June 2003         | 25.00                                       | 19.90   | <p>The agreement concluded with first contractor was terminated (August 2004) due to ill health of the contractor. Immediate action was, however, not initiated to entrust the work to another contractor. It was only after a delay of 18 months that the work was entrusted (Feb. 2006) to another contractor, which resulted in cost escalation of Rs 12.45 lakh. The construction work was completed only by January 2007 and the building is yet to be put to use. Total delay in this case was over three years.</p>   |

|                                |            |       |      |   |
|--------------------------------|------------|-------|------|---|
| Vidavalur                      | 1987       | 6.00  | 8.87 |  <p>After execution of work valued at Rs 2.38 lakh, it was abandoned for eight to nine years for no specific reasons on record. The estimate was then revised to Rs 10 lakh and the work was re-entrusted to another contractor (June 1997). The work was, however, abandoned by the Contractor (November 2003). Later S.V. University of Engineering advised (July 2005) revision in the structure and suggested modifications to improve the quality of the old building. Accordingly, the estimates were revised to Rs 22 lakh. This has resulted in escalation of Rs 18.77 lakh (compared to the first estimated contract value of Rs3.23 lakh). As per the CEO, ZP, Nellore, as of January 2007, the building had been completed only up to roof level, leaving various other works yet to be completed. Total delay in this case so far is 20 years.</p> |
| <b>Chittoor:</b><br>Y.V. Palem | March 1999 | 19.00 | ---  | <p>The Mandal Parishad Development Officer (MPDO) did not pursue with Revenue authorities about taking over possession of land till July 2003. The delay in handing over of the site has resulted in revision of cost from Rs 19 lakh to Rs 24 lakh as per SSR 2003-04. The work had not commenced as of January 2007. Total delay in this case so far is over seven years.</p>   |

Thus, failure of the CEOs in Nellore and Chittoor Districts to effectively monitor the progress of the above works resulted in necessary infrastructure for the Mandal Parishad offices not being provided for periods ranging between three to 20 years. It had also resulted in unproductive expenditure of Rs 32.73 lakh (excluding ZP/Chittoor), besides increased costs amounting to Rs 41.65 lakh.

The matter was referred to Government in December 2006; their reply is awaited.



### 3.1.3. Non-transfer of earmarked funds by PRIs

**Earmarked funds aggregating Rs 11.75 crore either remained unutilised or were not transferred to the respective Finance Corporations of the SC/ST community and Women and Child Welfare in four Zilla Parishads and 17 Mandal Parishads depriving the targeted communities of the intended benefits.**

According to the provisions of Andhra Pradesh Panchayat Raj Act<sup>1</sup>, Zilla Parishad (ZP)/Mandal Parishad shall earmark 15 percent of their General fund for the welfare of the SC community and six *per cent* for the ST community. Out of the amounts so earmarked, one-third of the amount shall be transferred to the Finance Corporations of the respective communities and balance utilized by the ZP/MP for the benefit of SC/ST communities. Similarly, 15 *per cent* of the General fund shall also be earmarked for the welfare of women and children and the unspent balances transferred to AP Women and Child Welfare Finance Corporation Limited (APWCWFC). The unspent balances available at the end of each financial year from out of two-thirds share shall also be made over to the respective Finance Corporations.

Audit scrutiny of records of four ZPs and 14 MPs for the period 2005-06 revealed that funds amounting to Rs 2.23 crore, being the earmarked funds for the welfare of the SC and ST communities, had not been transferred to the respective Finance Corporations as of January 2007 (*Appendix-6*). Similarly, four ZPs and 17 Mandals had not transferred unutilized funds totaling Rs 3.36 crore for the period 2005-06 (*Appendix -7*). Similarly, the unspent balances of Rs 6.16 crore, earmarked for women and child welfare during 1997-98 to 2005-06 were also not transferred to the APWCWFC (*Appendix-8*). It was stated by two MPDOs<sup>2</sup> that due to administrative reasons, the earmarked funds were not utilised. The CEO of ZP Ananthapur replied that the earmarked funds were utilized towards payment of pensions to non-provincials.

Thus, in all, earmarked funds amounting to Rs 11.75 crore either remained unutilized or were not transferred to the respective agencies depriving the targeted communities of the intended socio economic benefits.

The matter was referred to Government in January 2007; reply is awaited.

### 3.1.4 Diversion of scheme funds

**Scheme funds amounting to Rs 3.09 crore were diverted by two Zilla Parishads and three Mandal Parishads in violation of the scheme guidelines.**

Government of India (GOI) and the State Government have been releasing funds to Panchayat Raj Institutions (PRIs) from time to time for implementing various schemes. The guidelines of all the schemes invariably require that the

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<sup>1</sup> Sub-section (1) of Section 197 and sub-section (1) of Section of 268 of Andhra Pradesh Panchayat Raj Act, 1994

<sup>2</sup> Yadagirigutta, Narayanpur

funds released be utilized only for the purpose specified and not be diverted for other purposes.

Test-check of two Zilla Parishads (ZP) and three Mandal Parishad Development offices revealed that funds amounting to Rs 3.09 crore were diverted for other purposes in violation of respective scheme guidelines.

| Name of the office | Year in which diverted | Name of the scheme/Fund from which funds were diverted | Amount (Rs in lakh) | Purpose for which the funds were diverted               |
|--------------------|------------------------|--|---------------------|---|
| ZP, Adilabad       | 2002-03                | SGRY <sup>3</sup>                                      | 124.24              | Laying of CC roads and side drains                      |
| ZP, Adilabad       | 2002-03 and 2003-04    | SGRY   | 43.00               | Laying of BT roads and bridges                          |
| ZP, RR Dist.       | 2001-02 to 2004-05     | Statutory recoveries                                   | 133.06              | Work bills  |
| MPDO, Narayanpur   | 1998-99 to 2000-01     | Education funds  | 3.39                | Staff salaries  |
| MPDO, Maddur,      | 2003-04 to 2005-06     | SFC <sup>4</sup>                                       | 0.97                | Construction of ZP compound wall                        |
| MPDO, Ghatkesar    | 2002-03 to 2005-06     | SGRY stream I  | 4.08                | Construction of DWCRA buildings and veterinary hospital |
| <b>Total</b>       |                        |  | <b>308.74</b>       |   |

Under SGRY, works viz., laying of CC Roads, BT roads, construction of office buildings were explicitly prohibited as they involve inadequate labor component and would defeat the very objective of the scheme. Thus, the diversion of Rs 1.71 crore under SGRY deprived the rural poor of the intended benefits of the schemes. The statutory recoveries deducted from the work bills, instead of being remitted to the respective heads of accounts (IT, Seigniorage charges, etc.,) were diverted for payment of other works bills thereby accumulating the arrears of dues of the Zilla Parishad.

The matter was referred to Government in January 2007; reply is awaited.

### 3.1.5 Unfruitful expenditure of Protected Water Supply Schemes

**The ineffective monitoring of works by the Village Water and Sanitation Committees of Raparthy and Doruvulapalem Gram Panchayats resulted in the Protected Water Supply schemes remaining incomplete, even three and a half years after commencement. This had rendered the expenditure of Rs 49.65 lakh incurred on the projects, unproductive.**

Protected Water Supply schemes to Raparthy Village of East Godavari District and Doruvulapalem village of Nellore district were sanctioned in April 2003 and August 2003 under Swajaladhara Project (with 10 *per cent* matching share by the Gram Panchayat). The schemes were expected to cost Rs 49 lakh and

<sup>3</sup> SGRY: Sampurna Grameena Rozgar Yojana

<sup>4</sup> SFC: State Finance Commission

Rs 45 lakh respectively. Despite availability of funds, both the schemes were incomplete as of April 2007 as discussed below.

**PWS scheme to Raparthy:**

The East Godavari District Water and Sanitation Committee entrusted the work to Village Water and Sanitation Committee (VWSC) in July 2003 on nomination basis without, however, stipulating the date of completion. An amount of Rs 32.29 lakh<sup>5</sup> was placed in the savings bank account of the VWSC between November 2002 and February 2003. However, though the work was commenced in October 2003, VWSC could complete works<sup>6</sup> to the extent of Rs 26.05 lakh only as of January 2007 leaving the balance works<sup>7</sup> valued Rs 13.10 lakh yet to be carried out.

The Executive Engineer, Rural Water Supply, in his reply stated that the original site for laying the pumping main line was found to be unsuitable and had to be relocated. The new site was identified only in June 2006.

**PWS scheme to Dorvulapalem:**

The Nellore District Water and Sanitation Committee (NDWSC) entrusted the work (August 2003) to the Village Water and Sanitation Committee (VWSC) on nomination basis, with a stipulation to complete it by February 2004. Though funds amounting to Rs 16.65 lakh<sup>8</sup> were placed with the VWSC in August 2003, the VWSC executed works<sup>9</sup> valued at Rs 9.60 lakh as of November 2004 and thereafter the work was abandoned (May 2005). The VWSC had misused Rs 7.40 lakh<sup>10</sup> and had not remitted the balance amount. Though the District Collector had started recovery proceedings, the amount could not be recovered as of January 2007 as the Hon'ble High Court (December 2005), stayed the proceedings. The District Collector entrusted (October 2006) the balance works as per the current SSRs (value assessed at Rs 24.91 lakh) to the new VWSC. The VWSC executed only works valuing Rs 14 lakh, without taking up construction of two lakh liters overhead storage reservoir (OHSR) (1) and 90000 liters OHSR (1), distribution system and other miscellaneous items of work (January 2007).

Thus, the ineffective monitoring of works by the Village Water and Sanitation Committees of Raparthy and Dorvulapalem Gram Panchayats resulted in the Protected Water Supply schemes remaining incomplete, even three and a half years after commencement. This had rendered the expenditure of Rs 49.65

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<sup>5</sup> Release by GOI Rs 29.64 lakh, contribution by GP: Rs 2.65 lakh

<sup>6</sup> Construction of sump at OHSR, drilling of two borewells at source, and some works at pumping main

<sup>7</sup> Distribution system to village, supply and erection of submersible and related motors staircase and required accessories to OHSR

<sup>8</sup> GOIs first installment release of Rs 12.15 lakh and GPs contribution of Rs 4.5 lakh

<sup>9</sup> partly completed the construction works of two lakh liters OHSR and 90000 liters OHSR

<sup>10</sup> Rs 2.90 lakh being the GOI share and the entire GP contribution: Rs 4.5 lakh

lakh incurred on the projects, unproductive, and had also resulted in denial of drinking water to 8235 inhabitants of the respective villages.

### 3.1.6 Ineffective functioning of Gram Panchayats

**Scrutiny of records of 479 Gram Panchayats during regular audit revealed huge arrears in collection of tax and non tax revenues, diversion of scheme grants, non-accountal of stock, non-maintenance of vital records/registers and poor accounting arrangements.**

During October 2005-March 2006, 479 Gram Panchayats (GP) constituting about 2.2 *per cent* of the 21943 GPs in the State, were randomly selected and audited for measuring economy, efficiency and effectiveness of their operations. Tax and non-tax levies account for the major portion of the revenues of GPs. Their regular collection is essential to finance developmental activities and to provide infrastructural facilities so that the benefits of economic progress are assured to the rural poor. Similarly, efficient and effective functioning lies in ensuring that grants released to GPs for implementation of various schemes are fully utilized for the purpose they are released. Audit scrutiny of the records of the 479 GPs, inter alia revealed the following:

(i) **Collection of taxes:** House tax followed by water tax account for the major share of the tax collection, with lighting tax and drainage tax being the other taxes collected. It was noticed that in 407 GPs, the collection of taxes was in arrears. As against the demand of Rs 41.94 crore in 479 GPs, only Rs 18.27 crore was collected leaving a balance Rs 23.67 crore (56 *per cent*) in arrears as of March 2006 as detailed in *Appendix-9*.

(ii) **Collection of Non-taxes:** The GPs generate revenue through various non-taxes receipts also such as library cess, rentals, tap fee, cattle auctions, markets, etc. As against the demand of Rs 6.21 crore, only Rs 3.13 crore was collected leaving a balance of Rs 3.08 crore (50 *per cent*) in arrears as of March 2006. The details are given in *Appendix-10*.

**Utilisation of grants:** Grants released to GPs for implementation of various schemes were not fully utilized by GPs as shown below:

(Rupees in crore)

| Nature of grant/scheme           | Amount of grant received | Amount of Grant un-utilized | Amount of grant diverted |
|----------------------------------|--------------------------|-----------------------------|--------------------------|
| Sampoorna Grameena Rozgar Yojana | 10.74                    | 2.44                        | 0.02                     |
| Eleventh Finance Commission      | 11.34                    | 5.37                        | 0.03                     |
| State Finance Commission         | 5.47                     | 2.43                        | 0.01                     |
| <b>Total</b>                     | <b>27.55</b>             | <b>10.24 (37 per cent)</b>  | <b>0.06</b>              |

Year wise details of grants released and utilized were not available with the GPs. Thus, it is evident that the GPs failed to utilize the scheme funds

provided by GOI, in full, thereby, adversely affecting their implementation and denying the beneficiaries of the intended benefits.

**(iv) Purchase of Material:** As per codal provisions, purchases should be made duly following the prescribed procedures after obtaining competitive prices, by calling for quotations. Stock registers are required to be maintained to watch proper accounting of stocks procured and their legitimate utilization. However, it was observed that in 99 GPs, (out of 479 audited) sanitary/electrical items worth Rs 3.24 crore were purchased without obtaining quotations, thereby, losing the advantage of competitive prices. The details are given in **Appendix-11**. Further, in 92 Gram Panchayats, material worth Rs 2.59 crore was not recorded in stock registers at all, indicating absence control over availability/utilization of stocks. The possibility of misuse of government money can also not be ruled out. The matter needs investigation, and review in all the GPs in the State.

**(v) Preparation of Budget:** According to the provisions of AP Panchayat Raj Act, 1994, every Gram Panchayat should prepare budget estimates for a financial year before December of the preceding financial year and obtain approval of the Divisional Panchayat Officer under Section 77 (2) of the Act. However, it was seen that 138 out of 479 test checked GPs (29 per cent) had not prepared budget estimates for the year 2004-05. In the absence of budgets, the GPs lost the opportunity of receiving the allocation of funds based on their estimated requirements.

**(vi) Reconciliation:** As per the provisions of the Budget Manual, all GPs are required to carry out reconciliation of cash book figures with treasury balances every month. The purpose of reconciliation of Treasury Personal Deposit accounts and bank accounts is to watch whether remittances made into the accounts and the booking of sanctioned expenditure are correct and also to certify the genuineness of remittances made through challans. However, it was observed that 300 out of 479 GPs (63 per cent) audited had not conducted reconciliation with the treasury. As a result, possible misuse of government money in the form of fictitious drawals/remittances and irregular booking of expenditure under various heads of account/ scheme/ programmes would remain unearthed. The matter needs immediate attention for rectificatory action.

**(vii) Maintenance of vital Records:** Vital records such as Asset Register, Works Register, DCB Register, Stock Register, Challan Register, Register of Estimates/Agreements and Furniture Register were not maintained in as many as 415 out of 479 GPs test checked (87 per cent) though stipulated in (Para13.1 to 13.30) GP Accounts Manual of Panchayat Raj & Rural Development Department, reflecting inadequate accounting arrangements in the GPs. Non/improper maintenance of the aforementioned records may lead to mis-utilization/ mis-appropriation of funds, since proper utilization of stocks procured in implementation of various schemes cannot be verified. The matter needs immediate attention for rectificatory action.

**(viii) Recovery of Standard Deductions from Work Bills:** Recoveries towards income tax, seigniorage charges, turnover tax, etc., are to be recovered from

work bills as per the provisions of respective Acts. It was, however, noticed that the following deductions were not effected from the work bills of contractors.

(Rupees in lakh)

| Nature of deduction | Amount to be deducted |
|---------------------|-----------------------|
| Income tax          | 6.85                  |
| Seigniorage Charges | 3.16                  |
| Turnover tax / VAT  | 1.11                  |
| Building Fund       | 0.88                  |
| <b>Total</b>        | <b>12.00</b>          |

(ix) **Conduct of Gram Sabhas, etc:** In addition, there were also instances of Gramsabhas, not being conducted<sup>11</sup>, execution of works without approval of Gram Sabha<sup>12</sup>, non-obtaining of approval for budget proposals<sup>13</sup>, etc., in some of the GPs. The audit of 479 Gram Panchayats (GP), revealed serious shortcomings in the functioning of GPs. It was seen inter alia, that there was non-compliance with rules, manuals and codes in general, poor financial discipline and budget preparation, as well as weak expenditure controls. There is thus an urgent need for a instituting proper internal control system in the GPs for protecting resources from waste, loss, theft, misuse or mismanagement.

Towards this end, it is also essential that the arrears in audit of GPs by Director, State Audit as mentioned in Para 1.1.6 be cleared on a priority basis. Failure to do so can have an adverse effect on the implementation of various developmental schemes meant for the rural population.

## 3.2 URBAN LOCAL BODIES

### 3.2.1 Non-commissioning of Solid Waste Management Project

**The systematic disposal of Municipal Solid Waste in Guntur Municipal Corporation had not been achieved even five years after concluding an agreement with a company. Due to the inaction of the Commissioner, the uncontrolled and unscientific dumping of waste continues, creating an environmental health hazard for the residents. It has also led to avoidable expenditure of Rs 10.97 lakh on provision of infrastructural facilities besides loss of revenue of Rs 29.52 lakh and non-recovery of penal interest of Rs 10.38 lakh.**

Unscientific handling, storage, collection and disposal of Solid Waste is fraught with the risk of becoming an environmental and public health hazard as some waste can be extremely toxic and infectious. Uncontrolled and unscientific dumping of such waste is hazardous to human health, especially through contamination of surface and ground water.

<sup>11</sup> Damaramadugu of Nellore District

<sup>12</sup> Chebrolu, Prathipadu of Guntur district

<sup>13</sup> Gouravaram, Naidupalem, Valimeraka, Rajullatamma valasa, Revikamatham of VSP Dist

The Municipal Solid Waste (M&H) Rules 2000 issued by Government of India seek to regulate for the management of Solid Waste by Urban Local Bodies. Municipal Solid Waste (MSW) in Guntur Municipal Corporation (GMC) has traditionally been disposed of unscientifically and in an unorganized manner. The GMC generates 350 MTs of Municipal Solid Waste (MSW) per day, out of which 35.45 MTs is agro waste from vegetable markets and 31.15 MTs is industrial waste and the remaining 283.40 MTs include domestic and other solid waste.

To encourage its systematic disposal, GMC proposed to manufacture 'Refused Derived Pellets' utilizing the garbage as raw material for production of power. In this connection, GMC entered into an agreement with a company<sup>14</sup> in February 2001 for manufacturing Refuse Derived Fuel (RDF) Pellets and co-products.

The agreement *inter alia* included that (a) the company would pay annual lease rent equivalent to five *per cent* of the prevailing registration value of the land for each quarter and penal interest of 18 *per cent* on belated payments (b) the Company would take 270 MTs of MSW to the proposed site every day and would pay royalty of Rs 10 per MT of garbage and lift 10 *per cent* of garbage on their own and (c) required infrastructural facilities would be arranged by the company including clearance from A.P. Pollution Control Board for setting up the plant.

Although the land was handed over to the company in February 2001, with a stipulation to set up the plant within 18 months from the date of the site being handed over, the plant was not set up even as of December 2006. Though GMC issued show cause notices to the company in October 2001 and January 2002 for not setting up the Solid Waste Treatment Plant, it entered into a supplementary agreement with the company in December 2004 with regard to lifting of garbage. No works had, however, been commenced by the company even as of December 2006.

It was also observed that the company was not paying the lease rent (worked out to Rs 29.52 lakh as of December 2006) to GMC though agreed to. The penal interest leviable up to December 2006 amounted to Rs 10.38 lakh<sup>15</sup>. As the company had not started lifting garbage, GMC had also to forgo expected royalty of Rs 42 lakh (up to December 2006). Further, though the agreement stipulated arrangement of all infrastructural facilities by the Company, GMC itself expended (October 2005 and January 2006) Rs 10.97 lakh, on construction of CC platform and laying of (WBM) road to the compost yard.

The inaction of the Commissioner, GMC, in getting the works executed had thus resulted in the objective of efficient disposal of MSW not being realized even after five years of concluding an agreement with the company. The delay in putting in place a systematic garbage disposal plant in the face of increased population in Guntur town constituted an environmental hazard and posed a threat to human health. Further, apart from incurring avoidable expenditure of Rs 10.97 lakh on road works, etc., it had also resulted in loss of potential lease

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<sup>14</sup> M/s Shri Ram Energy Systems Private Limited

<sup>15</sup> Vide separate **Appendix-12**

rent for over five years of Rs 29.52 lakh and non-recovery of penal interest of Rs 10.38 lakh.

The matter was referred to Government in December 2006; reply is awaited.

### 3.2.2 Undue benefit to a bidder in award of Advertisement Tax collection rights

**Guntur Municipal Corporation failed to get competitive rates in awarding advertisement tax collection rights. It extended undue financial benefit to a particular bidder by relaxing the tender/agreement conditions thereby losing revenue of Rs 44.49 lakh.**

For the period 2002-07, the Guntur Municipal Corporation (GMC) proposed to outsource the Advertisement Tax collection rights excluding cable networks and Unipoles. The reserve price was fixed at Rs 55 lakh per annum.

Though tenders were floated in February 2002 and in April 2002, they were cancelled by the GMC for non-compliance of the requirements by the bidders. Subsequently, another tender-cum-auction notice was issued in June 2002 and in response, two tenderers 'A'<sup>16</sup> and 'B'<sup>17</sup> responded. In the open auction, M/s 'A' and an auctioneer 'C'<sup>18</sup> quoted Rs 99 lakh and Rupees one crore respectively. The contract was offered to M/s 'C', being the highest bidder and he was asked to make 50 *per cent* of the bid amount as an advance by July 2002, as per one of the tender conditions. However, the agency 'C' did not pay the amount within the due date, despite repeated reminders and the tender was finally cancelled in November 2002 and the EMD forfeited. Thereafter, GMC, instead of negotiating with 'A', the second highest bidder, negotiated once again with M/s 'C', the agency which had defaulted, and awarded (January 2003) the contract to them for Rs 76 lakh, as against the one crore initially offered. It was replied by the Commissioner that since M/s 'A' had no reputation in the advertising field, it was not offered the contract. The contention is not acceptable since M/s 'A' had been qualified and was allowed to compete in the open auction held in March 2002 and June 2002, despite his stated lack of experience.

Further, it was also observed that though all the three tender notifications excluded the tax collection rights in respect of 'Unipoles', the agreement finally entered into with M/s 'C' included advertisement tax collection rights of 'Unipoles' also. Consequently, GMC sustained loss of revenue of Rs 44.49 lakh on this account for the five-year period 2002-07. Further, although the tender conditions prescribed that 50 *per cent* of the bid amount was payable by the bidder as advance, the bidder 'C' who was awarded the contract, was directed to remit only 25 *per cent*. Thus, that bidder 'C' had been extended undue financial benefit at the cost of GMC which not only failed to get competitive rates in awarding advertisement tax collection rights but also

<sup>16</sup> M/s Ad-Games

<sup>17</sup> M/s Harsha Digital Sign Boards

<sup>18</sup> M/s Guntur Outdoor Advertisers Association



sustained loss of revenue at least to the extent of Rs 44.49 lakh as a consequence.

The matter was referred to Government in December 2006; reply is awaited.

### **3.2.3 Unfruitful expenditure on a shopping complex**

**Failure of the Commissioner, Wanaparthy Municipality to rectify defects in design of a shopping complex for over three years, resulted in the municipality foregoing potential revenue of Rs 11.46 lakh towards rent, etc., besides rendering the entire expenditure of Rs 23.60 lakh unfruitful.**

To promote resource generation and to improve the overall financial position of the municipality, Government sanctioned (May 1993) construction of a shopping complex at Lingareddy Kunta of Wanaparthy Municipality at a cost of Rs 52.60 lakh. The funds were made available by the Central Government (Rs 18.94 lakh), State Government (Rs 12.62 lakh) and the balance (Rs 21.04 lakh) was raised by way of loan<sup>19</sup> from financial institutions. The shopping complex consisting of 17 shops in the cellar portion in addition to the ground and first floor was completed in August 2003 at a total cost of Rs 71.24 lakh<sup>20</sup>.

It was observed during audit (March 2006) that the cellar portion, though completed in August 2003, had not been let out even as of December 2006 due to lack of facility to drain rain water from the cellar. The Commissioner attributed this to defective design. However, no remedial action had been taken by the Commissioner for over three years in order to let out the shops in the basement. It was only after this was pointed out in audit, that the municipality proposed to construct a storm water drain at a cost of Rupees three lakh for flushing out rainwater.

Thus, the failure of the Commissioner to take remedial measures for rectifying the defects of the design for over three years after completion of the building in August 2003, not only rendered the expenditure of Rs 23.60 lakh<sup>21</sup> incurred on the cellar portion of the complex unfruitful, but also resulted in the municipality forgoing potential revenue of Rs 11.46 lakh on rent<sup>22</sup> including initial deposits<sup>23</sup> realizable from the lessees. Moreover, since the work was yet to be taken up (December 2006), there was a continuing loss in revenue.

The matter was referred to Government in December 2006; reply is awaited.

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<sup>19</sup> interest at 17 per cent per annum

<sup>20</sup> information regarding the source of funding the balance cost over and above that initially mobilized, awaited from the municipality

<sup>21</sup> Apportioned amount of the cost of the building with cellar plus two

<sup>22</sup> at the rate of Rs 1000 per month per shop during August 2003 –March 2006 and thereafter Rs 600 per month

<sup>23</sup> in the form of goodwill fixed @ Rs 30000 per shop

### 3.2.4 Unproductive expenditure on construction of shopping complexes

**Failure of the Commissioner, Bobbili Municipality to effectively monitor the progress of works, resulted in construction work of four shopping complexes remaining incomplete even eight years after commencement. This has resulted in the expenditure of Rs 54.47 lakh incurred so far being unproductive besides loss of potential revenue in the form of rent and deposits from the buildings.**

With a view to augmenting the financial resources of Bobbili Municipality, Government sanctioned (April 1997) the construction of four shopping complexes comprising 164 shops<sup>24</sup> in all, at an estimated cost of Rs 1.42 crore under the IDSMT programme. Necessary funds<sup>25</sup> were kept (between October 1997 and June 2002) with Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (APUFIDC), the funding agency for the scheme. Based on the instructions of Government, Director Town and Country Planning (DTCP) entrusted the works to National Building Construction Corporation (NBCC) through MOU entered into in March 1999 along with the other projects taken up under the scheme in the State. The sites for the proposed complexes were handed over during January-December 1999. The works were stipulated to be completed between November 1999 and 2000.

An amount of Rs 17.88 lakh representing the mobilization advance and interest thereon (Rs 14.94 lakh) and a Special advance (Rs 2.94 lakh) was paid to NBCC towards execution. After execution of works<sup>26</sup> valued at Rs 34.11 lakh (payment made: Rs 12.50 lakh), Government issued orders (in May 2002) to terminate the contract with NBCC on account of their slow progress.

After a delay of about three years, during April-August 2005, the balance works were entrusted to sub-contractors of NBCC by the Commissioner, Bobbili Municipality duly restricting the number of shops to 134 as against 164 initially sanctioned at a contract value of Rs 86.74 lakh. Although the balance works were to be completed within three months i.e. by July-November 2005, the works had not been completed even as of January 2007 with works<sup>27</sup> valued at Rs 47.51 lakh only being executed (Payment made: Rs 41.97 lakh). The overall delay in the execution of the project was clearly attributable to poor monitoring at the Commissioner's level.

The Commissioner, however, sought to justify the delay by quoting labour problem and shortage of sand. The Commissioner's contention (February 2007) that the delay in entrusting the work was on account of late receipt of funds for the balance works is untenable since the necessary funds were already available with the APUFIDC.

<sup>24</sup> Forty two shops at Medara banda, 34 at Municipal office, 52 at market yard and 36 at old bus stand

<sup>25</sup> Central Government share of Rs 63.94 lakh and State Government share of Rs 42.62 lakh

<sup>26</sup> slab works completed in respect of three complexes and in other case, work was completed up to lintel level only

<sup>27</sup> Civil works completed, electrification and water supply works remained in respect of three complexes and shutters work was going on in other case

Thus, the failure of the Commissioner to effectively monitor the progress of works, led to the delay of more than eight years in completion of the shopping complexes. As a result, the intended objective of improving the financial position of the municipality from the revenue to be realized from rentals/deposits of the shops in the four complexes remains unfulfilled. Moreover, the expenditure of Rs 54.47 lakh incurred so far has been unproductive.

The matter was referred to Government in December 2006; reply is awaited.

### **3.2.5 Parking of schemes funds in fixed deposits**

**Schemes funds amounting to Rs 4.89 crore were kept in fixed deposits by the Kurnool Municipal Corporation and three other municipalities, contrary to the schemes guidelines, adversely affecting the implementation of the schemes**

Government of India and the State Government provide funds to Urban Local Bodies (ULBs) for implementation of various Centrally/State sponsored schemes for economic and social development of the population below the poverty line. Guidelines of the schemes stipulated that the respective scheme fund should be kept with nationalized banks or in a post office in an exclusive and separate bank account and should be utilised only for the intended purpose and not be invested in fixed deposits. The interest accrued should also be credited to the concerned scheme funds. Audit scrutiny revealed that Kurnool Municipal Corporation (KMC) and three municipalities<sup>28</sup> had, in clear violation of the guidelines, kept scheme funds aggregating Rs 4.89 crore in fixed deposits and the amounts were lying unutilized as shown below:

| <b>Name of the Scheme</b>                        | <b>Year in which amount deposited and lying unutilised</b> | <b>Amount (Rs in lakh)</b> |
|--|--|----------------------------|
| Low Cost Sanitation fund                         | 1994-95  | 21.09                      |
| National Slum Development Programme              | 2002-05  | 167.84                     |
| Swarna Jayanthi Sampoorna Rozgar Yozana          | 2003-05  | 100.99                     |
| Greater Hyderabad Environmental Programme        | 2004-05  | 50.00                      |
| AP Urban Services for Poor                       | 2004-05  | 40.00                      |
| Integrated Development of Small and Medium Towns | 2004-05  | 25.00                      |
| Eleventh Finance Commission                      | 2003-04  | 80.00                      |
| MPLADs   | 2004-05  | 4.00                       |
| <b>Total</b>                                     |  | <b>488.92</b>              |

Keeping the scheme funds in fixed deposits was irregular and reduced the availability of funds to that extent for various socio-economic development

<sup>28</sup> Uppal Kalan , Kukatpalli in Ranga Reddy District and Parvathipuram in Vizianagaram District

schemes. The impact of such unutilized amounts lying in fixed deposits resulting in non-implementation of action plans in the context of Andhra Pradesh Urban Services for the Poor has already been highlighted in Para 2.1.8.5 of this Report. Commissioners of KMC and the test checked municipalities did not furnish specific reasons for keeping funds in contravention of scheme guidelines in fixed deposits for several years without utilisation.

The matter was referred to Government in January 2007; reply is awaited.

### **3.2.6 Cost escalation due to defective survey, inordinate delay in recasting estimates and calling of fresh tenders**

**Defective survey for selection of site for construction of Vegetable Market and shops and the inordinate delay in recasting the estimates and calling of fresh tenders, resulted in the vegetable market, sanctioned in August 2003, not being constructed as yet. The delay of more than three years has already led to cost escalation of about rupees one crore.**

To promote resource generation and to improve the overall financial position of Uppal Kalan Municipality, Government sanctioned (August 2003) the construction of a vegetable market with 203 shops at Uppal village at a cost of Rs 2.25 crore, under Integrated Development of Small and Medium Towns (IDSMT) Project. The funds were to be made available by Central Government (Rs 32.40 lakh), State Government (Rs 21.58 lakh) and balance to be raised by way of loans from financial institutions (Rs 1.71 crore).

After tender, the work was awarded in favour of a contractor in February 2004 at 19.40 *per cent* less than the estimated contract value, for Rs 1.60 crore. Based on the requisition of Commissioner, Uppal Municipality, the designs and drawings were prepared by the Director of Town and Country Planning (DTCP) and the same were furnished to the contractor in May 2004. However, the contractor could not commence the work as per the approved plan due to encroachment by authorities of Zilla Parishad School situated adjacent to the proposed land. Following the request (June 2004) of the Commissioner, the plan was revised (July 2004) by the DTCP reducing the number of shops from 203 to 170. The contractor, however, requested (November 2004) for revision of rates as per the latest SSRs which was turned down (March 2005) by the Engineer-in-Chief (PH) with an intention to call for fresh tenders. Although, a revised estimate of Rs 2.53 crore (cost escalation: Rs 93 lakh) was approved by the Council in October 2005 and technically cleared in February 2006, fresh tenders for taking up the works had not been invited even as of December 2006.

Thus, due to the initial defective survey for selection of site, followed by the inordinate delay in obtaining the technical clearance for the revised plan, estimates and calling of fresh tenders, the intended objective of improving the financial position of the municipality remains unachieved even after three years. This has already resulted in unnecessary burden of about Rupees one crore on the municipality due to cost escalation. Fresh tenders have not yet

been called for and there is every likelihood that the cost will further escalate when the work is finally awarded. Meanwhile, potential revenue towards rents and deposits has also been forgone.

The matter was referred to Government in December 2006; reply is awaited.

### **3.2.7 Locking up of funds in Urban Local Bodies (ULBs)**

**Non-utilisation of scheme funds of Rs 5.49 crore by Visakhapatnam Municipal Corporation and five other municipalities resulted in locking up of funds besides depriving the targeted urban population of the benefits of developmental schemes.**

The State Government releases funds to the Urban Local Bodies (ULBs), for implementing various schemes for the development of infrastructure and also for the urbanization of small and medium towns. In the process, the objective is also to generate employment opportunities. It is also obligatory that funds should be utilised scrupulously for the purposes specified. Financial discipline also requires that unutilised funds should be assessed and remitted back in time for necessary re-appropriation/ surrender to Government Account.

Scrutiny of records in Visakhapatnam Municipal Corporation (VMC) and five other municipalities<sup>29</sup> revealed that various scheme funds along with other reserve funds amounting to Rs 5.49 crore were lying unutilized as on January 2007 for several years as detailed below:

| <b>Name of the Municipal Corporation/Municipality</b> | <b>Year from which funds not utilized</b> | <b>Name of the grants/funds</b>           | <b>Amount (Rs in lakh)</b> |
|---|---|---|----------------------------|
| Greater Visakhapatnam Municipal Corporation           | 2003-04                                   | Tree Guard charges                        | 86.74                      |
| Pungarnur Municipality                                | 1995-05                                   | Scheme funds <sup>30</sup>                | 22.52                      |
|   | 2003-05                                   | Building fund                             | 90.00                      |
| Wanaparthy Municipality                               | 2003-05                                   | Building fund                             | 80.00                      |
|   | 2002-03                                   | ILCS-Stage-II                             | 76.60                      |
| Narayanpet Municipality                               | 2005-06                                   | Development of parks and play ground fund | 30.00                      |
|   | 2001-02                                   | LCSP funds                                | 16.33                      |
|   | 2003-04                                   | Building fund                             | 19.58                      |
| Kukatpally Municipality                               | 2001-02                                   | ECO funds                                 | 10.35                      |
|   | 2004-05                                   | Scheme funds <sup>31</sup>                | 105.21                     |
| Bobbili Municipality                                  | 2003-05                                   | NSDP                                      | 11.67                      |
| <b>Total</b>  |   |   | <b>549.00</b>              |

<sup>29</sup> Pungarnur Municipality, Wanaparthy Municipality, Narayanpet Municipality, Kukatpally Municipality and Bobbili Municipality

<sup>30</sup> Integrated Low Cost Sanitation (ILCS), NRY, DWACRA, Janmabhoomi, Park Improvement Scheme etc.

<sup>31</sup> Mega City Project

Retention of scheme funds and other reserve funds, by the Commissioners of these ULBs for over one to 11 years not only resulted in locking up of Rs 5.49 crore with the Municipal Corporation/Municipalities but also deprived the urban population of the improved infrastructure to that extent. It also denied Government the opportunity to re-appropriate the funds for other development purposes. Since huge balances are lying unutilized, Government has to ensure utilisation of funds already placed before releasing funds during subsequent years.

The matter was referred to Government in January 2007; reply is awaited.

**Hyderabad**  
**The**

**(S. B. PILLAY)**  
**Principal Accountant General (Civil Audit)**  
**Andhra Pradesh**

**Countersigned**

**New Delhi**  
**The**

**(VIJAYENDRA N. KAUL)**  
**Comptroller and Auditor General of India**

**Appendix-1**  
(Reference to paragraph 1.1.9 page 11)

**Statement showing list of Funds, Functions and Functionaries devolved to PRIs**

| <i>List of functions transferred to PRIs</i>  | <b>Status</b>  |
|---|--|
| Agriculture, including Agriculture Extension  | The devolution is confined to selection of beneficiaries for supplying farm equipment and on-farm demonstrations, survey and enumeration of damages to crops during natural calamities, selection of farmers for trainings, etc. The funds and functionaries have so far not been transferred.   |
| Social forestry and farm forestry and fuel and fodder                               | The scope is restricted to plantations raised outside the forest area. The PRIs have refused to take over the plantations for want of funds for their maintenance  |
| Khadi, Village and Cottage industries   | Only selection of beneficiaries for subsidy and margin money is carried out by the PRIs  |
| Drinking water  | Although as per the APPR Act, the function of providing drinking water rests with the PRIs, this has not been fully devolved to PRIs and is limited to operation and maintenance. All the Rural Water Supply Schemes are still being executed by the Panchayat Raj Engineering divisions which are outside the control of PRIs and funds were also routed directly to these divisions. |
| Roads, culverts, bridges, ferries, waterways and other means of communication       | Only the ferries have been transferred so far to the PRIs. Execution of rural roads including roads under PMGSY <sup>1</sup> still vests directly with Panchayat Raj Engineering divisions and only funds for rural road maintenance were routed through PRIs  |
| Non-conventional energy sources   | Limited to selection of beneficiaries for supply of smokeless chullas, bio-gas, etc  |
| Education, including primary and secondary schools                                  | These are under the control of PRIs  |
| Adult and non-formal education  | Not yet entrusted though GO has been issued  |
| Libraries   | Not yet entrusted though GO has been issued  |
| Cultural Activities   | Not yet entrusted though GO has been issued  |
| Women and Child Development   | Limited to conducting survey of disabled and selection of beneficiaries  |
| Social Welfare, including welfare of the handicapped and mentally retarded          | Limited to tailoring training centres, community halls, etc., and selection of beneficiaries for training  |
| Public Distribution System (PDS)  | Limited to review of implementation of PDS through Food Advisory committees. However, Food Advisory committees are not functioning (January 2007)  |
| Maintenance of community assets   | Role of Gram Panchayats limited only to maintenance of village poramboke lands   |
| Health and sanitation, including hospitals, primary health centres and dispensaries | Limited to review of health programmes and steps taken to prevent outbreak of diseases   |
| Family Welfare  | Limited to review of implementation of family welfare programmes.  |

<sup>1</sup> Pradhan Manthri Grameen Sadak Yojana (PMGSY)

## **Appendix 2** **(Reference to paragraph 2.1.7.1 page 28 )**

### **Minimum Performance Criteria (MPC) for CMAPP 1<sup>st</sup> Cycle and 2<sup>nd</sup> Cycle**

#### **CMAPP 1st Cycle**

##### **Preforms**

- Achievement of minimum *70 per cent* of the targeted revenue increase projected in the simple Revenue Improvement Action Plan (RIAP) of basic MAPP
- Initiation of three simple Institutional Development Action Plan (IDAP) reforms and demonstrated achievement of substantive, identifiable and measurable positive outcomes.

##### ***Environmental Infrastructure***

- At least *40 per cent* achievement of progress by value of combined on-site and off-site works under C2 to APUSP quality standards.
- Submission of utilisation certificates.
- Issue of work orders for at least *70 per cent* by total value of all on-site and off-site works put together.

##### ***Equipment Procurement***

- Successful commission and operationalisation of at least one self-procured equipment package under C1.

#### **CMAPP 2<sup>nd</sup> Cycle**

##### ***Reforms***

- Achievement of at least *50 per cent* of the reform indicators in municipality has proposed in the first cycle of CMAPP.
- Achievements as proposed in the reform sequencing matrix
- Preparation of matrix for non-notified poor settlements
- Preparation of RIAP
- Preparation of CIIP
- Initiation of O & M plan
- Initiation of capacity building plan
- Initiation of systems improvement plan

##### ***Infrastructure***

- Achievement of a minimum of *50 per cent* of the CMAPP works completed and issue of *80 per cent* work orders, both on-site and off-site combined together
- Total completion of Basic MAPP works and submission of *90 per cent* UCs

##### ***Social Development***

- *100 per cent* coverage of poor households in SHGs in at least *10 per cent* poor settlements
- *100 per cent* computerised SHG data base
- *100 per cent* critical rating for the SHGs which have completed 6 months
- Initiation of UPADHI programme in the town
- grounding of at least one proposal under SDAP



**Appendix 3a**  
**IMPLEMENTATION OF BMAPP – C1**  
**(Reference to Paragraphs 2.1.8.4 & 2.1.9.1 pages 32 & 34)**

(Rupees in lakh)

| Sl no | Name of the ULB          | RIAP      |                   | IDAP      |                   | C-2 related C1 |                   | Total      |                   | Expenditure  |              |              |              |               | Percentage of expenditure |
|-------|--------------------------|-----------|-------------------|-----------|-------------------|----------------|-------------------|------------|-------------------|--------------|--------------|--------------|--------------|---------------|---------------------------|
|       |                          | No        | Amount Sanctioned | No        | Amount Sanctioned | No             | Amount Sanctioned | No         | Amount Sanctioned | Equipment    | TA           | e-seva       | Others       | Total         |                           |
| 1     | Gajuwaka                 | 2         | 13.00             | 6         | 68.00             | 5              | 59.40             | 13         | 140.40            | 10.04        | 10.38        | -            | -            | 20.42         | 14.54                     |
| 2     | TP Gudem <sup>1</sup>    | -         | 0                 | -         | -                 | -              | 0                 | -          | -                 | -            | -            | -            | -            | -             |                           |
| 3     | Eluru                    | 5         | 67.60             | 5         | 70.00             | 3              | 44.00             | 13         | 181.60            | 1.18         |              | 10.11        | 9.85         | 21.14         | 11.64                     |
| 4     | Machilipatnam            | 3         | 23.00             | 7         | 73.00             | 5              | 61.50             | 15         | 157.50            | 7.07         | 10.15        | 6.15         | 9.65         | 33.02         | 20.96                     |
| 5     | Hindupur                 | 2         | 13.00             | 10        | 77.00             | 3              | 62.00             | 15         | 152.00            | 8.52         | 5.51         | 18.07        | 14.28        | 46.38         | 30.51                     |
| 6     | Dharmavaram <sup>1</sup> | -         | 0                 | -         | -                 | -              | 0                 | -          | -                 | -            | -            | -            | -            | -             |                           |
| 7     | Adoni                    | 3         | 25.00             | 10        | 102.00            | 4              | 41.00             | 17         | 168.00            | 10.34        | 5.49         | 4.79         | 1.91         | 22.53         | 13.41                     |
| 8     | Kurnool                  | 3         | 53.00             | 7         | 69.00             | 6              | 62.00             | 16         | 184.00            | 9.52         | 12.31        | 13.32        | 1.86         | 37.01         | 20.11                     |
| 9     | Mahboobnagar             | 2         | 17.00             | 10        | 87.00             | 6              | 58.10             | 18         | 162.10            | 10.18        | 6.82         | 8.13         | 2.70         | 27.83         | 17.16                     |
| 10    | Nizamabad                | 6         | 27.00             | 2         | 19.00             | 7              | 88.00             | 15         | 134.00            | 8.68         |              | 9.93         | 2.31         | 20.92         | 15.61                     |
|       | <b>TOTAL</b>             | <b>26</b> | <b>238.60</b>     | <b>57</b> | <b>565.00</b>     | <b>39</b>      | <b>476.00</b>     | <b>122</b> | <b>1279.60</b>    | <b>65.53</b> | <b>50.66</b> | <b>70.50</b> | <b>42.56</b> | <b>229.25</b> |                           |

**Appendix 3b**  
**IMPLEMENTATION OF CMAPP – C1**  
**(Reference to Paragraph 2.1.9.1 page 34)**

(Rupees in lakh)

| Sl no | Name of the ULB | RIAP      |               | IDAP      |               | Perspective Plans |               | Total      |                | Expenditure |
|-------|-----------------|-----------|---------------|-----------|---------------|-------------------|---------------|------------|----------------|-------------|
|       |                 | No        | Amount        | No        | Amount        | No                | Amount        | No         | Amount         |             |
| 1     | Gajuwaka        | 4         | 3.50          | 6         | 76.00         | 5                 | 28.00         | 15         | 107.50         | <b>NIL</b>  |
| 2     | TP Gudem        | 5         | 10.75         | 5         | 50.00         | 9                 | 41.00         | 19         | 101.75         |             |
| 3     | Eluru           | 4         | 11.60         | 11        | 84.80         | 5                 | 23.00         | 20         | 119.40         |             |
| 4     | Machilipatnam   | 4         | 15.00         | 10        | 85.00         | 5                 | 35.00         | 19         | 135.00         |             |
| 5     | Hindupur        | 5         | 100.90        | 7         | 55.80         | 9                 | 51.00         | 21         | 207.70         |             |
| 6     | Dharmavaram     | 3         | 11.00         | 10        | 44.00         | 5                 | 25.00         | 18         | 80.00          |             |
| 7     | Adoni           | 10        | 84.05         | 8         | 62.25         | 5                 | 24.00         | 23         | 170.30         |             |
| 8     | Kurnool         | 8         | 15.00         | 10        | 75.00         | 6                 | 28.00         | 24         | 118.00         |             |
| 9     | Mahboobnagar    | 4         | 53.75         | 5         | 26.00         | 6                 | 27.00         | 15         | 106.75         |             |
| 10    | Nizamabad       | 5         | 32.25         | 5         | 63.50         | 7                 | 40.00         | 17         | 135.75         |             |
|       | <b>TOTAL</b>    | <b>52</b> | <b>337.80</b> | <b>77</b> | <b>622.35</b> | <b>62</b>         | <b>322.00</b> | <b>191</b> | <b>1282.15</b> |             |

<sup>1</sup> TP gudem and Dharmavaram are new project towns where CMAPP were directly implemented without BMAPP

**Appendix 4**  
**DETAILS OF C2 COMPONENT**  
**(Reference to Paragraph 2.1.10.2 page 37)**

| Sl. No       | Name of ULB   | BMAPP      |            |   |          | CMAPP      |            |  |                                       |
|--------------|---------------|------------|------------|---|----------|------------|------------|--|---------------------------------------|
|              |               | Sanctioned | Completed  | Delay   | Progress | Sanctioned | Completed  | Delay  | Progress                              |
| 1            | Gajuwaka      | 20         | 20         | 2 WS <sup>2</sup> delayed by 3-12 months                | -        | 27         | 22         | -  | 5                                     |
| 2            | TP Gudem      | -          | -          | -   | -        | 25         | 3          | -  | 22<br>(11 Started and 11 Not started) |
| 3            | Eluru         | 40         | 40         | 1 RD <sup>3</sup> delayed by 5 months                   | -        | 24         | 23         | 6 RD delayed by 3-5 months<br>2 WS delayed by 4-5 months | 1                                     |
| 4            | Machilipatnam | 28         | 28         | 12 RD delayed by 3-8 months<br>2 WS delayed by 7 months | -        | 29         | 22         | 12 RD delayed by 2-6 months                              | 7 Progress                            |
| 5            | Hindupur      | 20         | 20         | 9 RD delayed by 2-9 months                              | -        | 12         | 12         | 8 RD delayed by 1-5 months                               | -                                     |
| 6            | Dharmaravam   | -          | -          | -   | -        | 11         | -          | -  | 11<br>(7 not started and 4 started)   |
| 7            | Adoni         | 20         | 20         | 9 RD delayed by 2-9 months                              | -        | 12         | 12         | 8 RD delayed by 1-5 months                               | -                                     |
| 8            | Kurnool       | 87         | 87         | -   | -        | 23         | 22         | -  | 1 Progress                            |
| 9            | Mahboobnagar  | 24         | 24         | 5 RD delayed by 2-11 months                             | -        | 17         | 17         | -  | -                                     |
| 10           | Nizamabad     | 30         | 30         | -   | -        | 27         | 19         | -  | 8                                     |
| <b>Total</b> |               | <b>269</b> | <b>269</b> | <b>40</b>   | <b>0</b> | <b>207</b> | <b>152</b> | <b>36</b>  | <b>55</b>                             |

<sup>2</sup> WS: Water Supply works

<sup>3</sup> RD: Road and Drain works

## Appendix 5

**IMPLEMENTATION OF C3 PROPOSALS  
(Reference to Paragraph 2.1.11.1 page 41)**

(Rupees in lakh)

| Sl No        | Name of ULB   | Education |               | Health    |               | Livelihood |                | SHGs      |               | Vulnerability |               | CSO / Training |              | Others    |              | Total      |                |
|--------------|---------------|-----------|---------------|-----------|---------------|------------|----------------|-----------|---------------|---------------|---------------|----------------|--------------|-----------|--------------|------------|----------------|
|              |               | No        | Amt           | No        | Amt           | No         | Amt            | No        | Amt           | No            | Amt           | No             | Amt          | No        | Amt          | No         | Amt            |
| 1            | Gajuwaka      | 5         | 10.89         | 6         | 11.82         | 12         | 31.60          | 4         | 16.50         | 4             | 11.90         | 2              | 0.57         | 3         | 4.50         | 36         | 87.78          |
| 2            | TP Gudem      | 5         | 8.94          | 8         | 14.56         | 6          | 93.45          | 4         | 26.77         | 3             | 9.34          | 4              | 0.72         | 3         | 3.80         | 33         | 157.58         |
| 3            | Eluru         | 4         | 14.00         | 10        | 19.83         | 9          | 34.13          | 4         | 213.10        | 5             | 18.61         | 2              | 3.50         | 3         | 8.12         | 37         | 311.29         |
| 4            | Machilipatnam | 7         | 19.57         | 8         | 23.26         | 15         | 337.60         | 3         | 3.31          | 5             | 18.02         | 8              | 15.15        | -         | -            | 46         | 416.91         |
| 5            | Hindupur      | 6         | 16.87         | 7         | 15.24         | 6          | 98.40          | 3         | 0.77          | 1             | 4.90          | 2              | 1.50         | 3         | 10.70        | 28         | 148.38         |
| 6            | Dharmavaram   | 6         | 30.12         | 6         | 7.40          | 8          | 69.30          | 3         | 24.75         | 5             | 31.94         | 3              | 1.97         | 2         | 4.10         | 33         | 169.58         |
| 7            | Adoni         | 7         | 20.04         | 12        | 26.14         | 23         | 413.05         | 5         | 14.07         | 4             | 26.40         | 4              | 3.44         | 5         | 11.25        | 60         | 514.39         |
| 8            | Kurnool       | 6         | 23.06         | 4         | 20.60         | 11         | 465.25         | 4         | 22.25         | 7             | 25.10         | 1              | 0.50         | 2         | 24.00        | 35         | 580.76         |
| 9            | Mahboobnagar  | 7         | 10.86         | 8         | 18.80         | 12         | 222.70         | 5         | 306.56        | 4             | 16.50         | 2              | 2.06         | 4         | 6.30         | 42         | 583.78         |
| 10           | Nizamabad     | 5         | 17.22         | 7         | 34.73         | 9          | 253.00         | 4         | 102.57        | 3             | 9.38          | 2              | 4.10         | 2         | 11.00        | 32         | 432.00         |
| <b>TOTAL</b> |               | <b>58</b> | <b>171.57</b> | <b>76</b> | <b>192.38</b> | <b>111</b> | <b>2018.48</b> | <b>39</b> | <b>730.65</b> | <b>41</b>     | <b>172.09</b> | <b>30</b>      | <b>33.51</b> | <b>27</b> | <b>83.77</b> | <b>382</b> | <b>3402.45</b> |

**Appendix-6**

**(Reference to Paragraph 3.1.3 Page 60)**

**Statement showing the details of one-third earmarked funds not transferred to respective Finance Corporations**

| Sl. No | Name of the Z.P/MPDO  | ST Category Rs | SC Category Rs  | Total Rs        |
|--------|-----------------------|----------------|-----------------|-----------------|
| 1      | M.P. D.O, Bondapally  | 21717          | 54293           | 76010           |
| 2      | M.P.D.O,Kodangal      | 26659          | 66647           | 93306           |
| 3      | M.P.D.O,Choutuppal    | 133041         | 272415          | 405456          |
| 4      | M.P.D.O,Valigonda     | 46643          | 116641          | 163284          |
| 5      | M.P.D.O,Yadagirigutta | 54642          | 136606          | 191248          |
| 6      | M.P.D.O,Kodad         | 128489         | 425921          | 554410          |
| 7      | M.P.D.O,Narayanpur    | 14611          | 36531           | 51142           |
| 8      | M.P.D.O,Mentada       | 4901           | 12253           | 17154           |
| 9      | M.P.D.O,Dattirajeru   | 26954          | 67384           | 94338           |
| 10     | M.P.D.O,S.Kota        | 48800          | 122467          | 171267          |
| 11     | M.P.D.O,Maddur        | 24808          | 62019           | 86827           |
| 12     | M.P.D.O,Narayanpet    | 27719          | 72927           | 100646          |
| 13     | M.P.D.O,Huzurabad     | 180086         | 586737          | 766823          |
| 14     | M.P.D.O,Bhootpur      | 28559          | 71397           | 99956           |
| 15     | Z.P.Nellore           | 525385         | 1291226         | 1816611         |
| 16     | Z.P,Warangal          | 1819583        | 3370881         | 5190464         |
| 17     | Z.P,Anantapur         | 267897         | 1485395         | 1753292         |
| 18     | Z.P,Visakhapatnam     | 2823952        | 7883783         | 10707735        |
|        | <b>TOTAL</b>          | <b>6204446</b> | <b>16135523</b> | <b>22339969</b> |

**Appendix-7**  
(Reference to Paragraph 3.1.3 Page 60)

**Statement showing the details of two-third earmarked funds remained unspent and not transferred**

| SI No | Name of the Z.P/MPDO  | ST Category<br>(at 6 per cent)<br>Rs | SC Category<br>(at 15 per cent)<br>Rs | Total<br>Rs     |
|-------|-----------------------|--------------------------------------|---------------------------------------|-----------------|
| 1     | M.P. D.O, Bondapally  | 18806                                | 70429                                 | 89235           |
| 2     | M.P.D.O,Kodangal      | 53816                                | 133292                                | 187108          |
| 3     | M.P.D.O,Choutuppal.   | 239527                               | 447183                                | 686710          |
| 4     | M.P.D.O,Valigonda     | 167341                               | 417795                                | 585136          |
| 5     | M.P.D.O,Yadagirigutta | 182514                               | 597872                                | 780386          |
| 6     | M.P.D.O,Kodad         | 127048                               | 510268                                | 637316          |
| 7     | M.P.D.O,Narayanpur    | 42768                                | 73061                                 | 115829          |
| 8     | M.P.D.O,Mentada       | 48982                                | 122457                                | 171439          |
| 9     | M.P.D.O,Dattirajeru   | 36826                                | 92063                                 | 128889          |
| 10    | M.P.D.O,S.Kota        | 80872                                | 204390                                | 285262          |
| 11    | M.P.D.O,Maddur        | 49615                                | 124038                                | 173653          |
| 12    | M.P.D.O,Maganoor      | 61324                                | 153108                                | 214432          |
| 13    | M.P.D.O,Narayanpet    | 5438                                 | 121404                                | 126842          |
| 14    | M.P.D.O,Huzurabad     | 538731                               | 1346877                               | 1885608         |
| 15    | M.P.D.O, Kallur       | 126488                               | 316022                                | 442510          |
| 16    | M.P.D.O,Prathipadu    | 56111                                | 140275                                | 196386          |
| 17    | M.P.D.O,Bhootpur      | 57119                                | 103514                                | 160633          |
| 18    | Z.P.Nellore           | 2324105                              | 3864251                               | 6188356         |
| 19    | Z.P,Warangal          | 179870                               | 4025600                               | 4205470         |
| 20    | Z.P,Anantapur         | 2773695                              | 5072244                               | 7845939         |
| 21    | Z.P,Visakhapatnam     | 2012191                              | 6499913                               | 8512104         |
|       | <b>TOTAL</b>          | <b>9183187</b>                       | <b>24436056</b>                       | <b>33619243</b> |

**Appendix No.8**  
**(Reference to paragraph 3.1.3 Page 60)**

**Statement showing the details of funds earmarked under 15 per cent women and child welfare but expenditure not incurred**

| Sl. No. | Name of the Mandal Parishad/Zilla Parishad | Year   | Unspent balance Rs  |
|---------|--|--|---|
| 1.      | M.P.D.O,Mulkaipally                        | 2004-05  | <b>31,266</b>   |
| 2.      | M.P.D.O,Julurupadu                         | 2002-03<br>2003-04<br>2004-05  | 32,845<br>24,891<br>33,290  |
|         |  |  | <b>Total 91,026</b>   |
| 3.      | M.P.D.O, Kodangal                          | 2002-03<br>2003-04<br>2004-05  | 64,610<br>74,918<br>60,411  |
|         |  |  | <b>Total 1,99,939</b>   |
| 4.      | M.P.D.O., Choutuppal                       | To end of 1997-98<br>1998-99<br>1999-00<br>2000-01<br>2001-02<br>2002-03<br>2003-04<br>2004-05 | 1,31,138<br>1,43,100<br>10,324<br>1,76,864<br>1,59,235<br>1,50,612<br>1,760<br>1,06,479 |
|         |  |  | <b>Total 8,79,512</b>   |
| 5.      | M.P.D.O, Valigonda                         | To end of 1999-00<br>2000-01<br>2001-02<br>2002-03<br>2003-04<br>2004-05                       | 1,88,117<br>89,100<br>84,430<br>86,143<br>57,000<br>1,08,251                            |
|         |  |  | <b>Total 6,13,041</b>   |
| 6.      | M.P.D.O, Yadagirigutta                     | To end of 2000-01<br>2001-02<br>2002-03<br>2003-04<br>2004-05                                  | 2,94,501<br>56,803<br>1,04,480<br>1,25,474<br>1,20,250                                  |
|         |  |  | <b>Total 7,01,508</b>   |
| 7.      | M.P.D.O, Kodad                             | 2001-02<br>2002-03<br>2003-04<br>2004-05   | 3,78,396<br>2,29,480<br>2,67,741<br>6,65,483  |
|         |  |  | <b>Total 15,41,100</b>  |
| 8.      | M.P.D.O, Dattirajeru                       | 2002-03 to 2005-06   | <b>2,02,152</b>   |
| 9.      | M.P.D.O, S.Kota                            | 2002-03<br>2003-04<br>2004-05  | 1,17,000<br>1,29,600<br>1,20,800  |
|         |  |  | <b>Total 3,67,400</b>   |

| Sl. No.            | Name of the Mandal Parishad/Zilla Parishad | Year               | Unspent balance Rs |
|--------------------|--|--------------------|--------------------|
| 10.                | M.P.D.O, Maddur                            | 2002-03            | 46,983             |
|                    |  | 2003-04            | 79,347             |
|                    |  | 2004-05            | 59,727             |
|                    |  | <b>Total</b>       | <b>1,86,057</b>    |
| 11.                | M.P.D.O, Huzurabad                         | 1989-90 to 2004-05 | <b>2,48,500</b>    |
| 12.                | M.P.D.O,Kallur                             | To end of 2002-03  | 2,69,457           |
|                    |  | 2003-04            | 1,86,222           |
|                    |  | 2004-05            | 1,29,800           |
|                    |  | <b>Total</b>       | <b>5,85,479</b>    |
| 13.                | M.P.D.O, Prathipadu                        | 2003-04            | 1,12,979           |
|                    |  | 2004-05            | 97,434             |
|                    |  | <b>Total</b>       | <b>2,10,413</b>    |
| 14.                | M.P.D.O.Bhootpur                           | 2002-03            | 71,614             |
|                    |  | 2003-04            | 28,646             |
|                    |  | 2004-05            | 71,614             |
|                    |  | <b>Total</b>       | <b>1,71,874</b>    |
| 15.                | M.P.D.O.Maganoor                           | 2002-03            | 79,193             |
|                    |  | 2003-04            | 37,023             |
|                    |  | 2004-05            | 36,892             |
|                    |  | <b>Total</b>       | <b>1,53,108</b>    |
| 16.                | M.P.D.O,Narayanpet                         | 2004-05            | <b>2,14,781</b>    |
| 17.                | M.P.D.O, Pamarru                           | 1999-00 to 2004-05 | <b>4,72,224</b>    |
| 18.                | Zilla Parishad, Nellore                    | To end of 2001-02  | 86,92,271          |
|                    |  | 2002-03            | 23,21,332          |
|                    |  | 2003-04            | 9,10,290           |
|                    |  | 2004-05            | 50,44,930          |
|                    |  | 2005-06            | 47,22,135          |
|                    |  | <b>Total</b>       | <b>2,16,90,958</b> |
| 19.                | Zilla Parishad, Warangal                   | 2001-02            | 27,49,507          |
|                    |  | 2002-03            | 31,74,983          |
|                    |  | 2003-04            | 15,50,145          |
|                    |  | 2004-05            | 22,43,465          |
|                    |  | <b>Total</b>       | <b>97,18,100</b>   |
| 20.                | Zilla Parishad, Anantapur                  | To end of 2001-02  | 55,44,099          |
|                    |  | 2002-03            | 21,36,066          |
|                    |  | 2003-04            | 12,95,593          |
|                    |  | <b>Total</b>       | <b>89,75,758</b>   |
| 21.                | Zilla Parishad, Visakhapatnam.             | 2001-02            | 44,56,600          |
|                    |  | 2002-03            | 24,71,859          |
|                    |  | 2003-04            | 12,22,335          |
|                    |  | 2004-05            | 61,65,548          |
|                    |  | <b>Total</b>       | <b>1,43,16,342</b> |
| <b>Grand Total</b> |  |                    | <b>6,15,70,538</b> |

**Appendix- 9**  
**(Reference to Paragraph 3.1.6(i) Page 63)**

**List showing shortfall in collection of Tax Revenue**

(Rupees in lakh)

| Sl. No.      | Name of the District | House Tax  |                | Water Tax  |               | Lighting Tax |              | Drainage Tax |             |
|--------------|----------------------|------------|----------------|------------|---------------|--------------|--------------|--------------|-------------|
|              |                      | No. of GPs | Amount         | No. of GPs | Amount        | No. of GPs   | Amount       | No. of GPs   | Amount      |
| 1            | Guntur               | 19         | 69.75          | 14         | 15.15         | -            | -            | -            | -           |
| 2.           | East Godavari        | 47         | 168.02         | 20         | 8.63          | -            | -            | -            | -           |
| 3.           | Nellore              | 44         | 195.69         | 23         | 37.47         | -            | -            | -            | -           |
| 4.           | Chittoor             | 30         | 52.65          | 5          | 2.18          | 1            | 0.60         | -            | -           |
| 5.           | Rangareddy           | 14         | 112.65         | 11         | 21.69         | -            | -            | -            | -           |
| 6.           | Visakhapatnam        | 54         | 268.31         | 14         | 23.89         | -            | -            | -            | -           |
| 7.           | Khammam              | 37         | 221.81         | 21         | 24.31         | -            | -            | -            | -           |
| 8.           | Vizianagaram         | 18         | 48.58          | 3          | 1.99          | -            | -            | -            | -           |
| 9.           | Kurnool              | 23         | 27.91          | 14         | 6.82          | 3            | 0.59         | 2            | 0.90        |
| 10.          | Warangal             | 36         | 312.59         | 33         | 87.37         | 3            | 3.79         | 4            | 1.39        |
| 11.          | Medak                | 30         | 91.75          | 28         | 35.44         | 5            | 1.72         | -            | -           |
| 12.          | Nalgonda             | 19         | 137.52         | 12         | 15.87         | 6            | 2.98         | 1            | 1.83        |
| 13.          | Mahboobnagar         | 36         | 285.40         | 31         | 78.98         | 4            | 0.86         | -            | -           |
| <b>Total</b> |                      | <b>407</b> | <b>1992.63</b> | <b>229</b> | <b>359.79</b> | <b>22</b>    | <b>10.54</b> | <b>7</b>     | <b>4.12</b> |



**Appendix – 10**  
**Reference to Paragraph 3.1.6(ii) Page 63)**

**List showing Short Collection of Non-Tax Revenue**

(Rupees in lakh)

| Sl No        | Name of the District | Library Cess |              | Rent      |              | Market fee |              | Tap fee   |              | Cattle fee |              | Tye bazaar fee |              | Licence fee |              | Daily/ weekly/ market fee |              | Land/ pond/ bus stand fee |              | Kanta/ Kabela/ Ferry rent |             |
|--------------|----------------------|--------------|--------------|-----------|--------------|------------|--------------|-----------|--------------|------------|--------------|----------------|--------------|-------------|--------------|---------------------------|--------------|---------------------------|--------------|---------------------------|-------------|
|              |                      | No of GPs    | Amount       | No of GPs | Amount       | No of GPs  | Amount       | No of GPs | Amount       | No of GPs  | Amount       | No of GPs      | Amount       | No of GPs   | Amount       | No of GPs                 | Amount       | No of GPs                 | Amount       | No of GPs                 | Amount      |
| 1            | Guntur               | 11           | 1.48         | -         | -            | -          | -            | 1         | 1.74         | -          | -            | -              | -            | -           | -            | -                         | -            | 1                         | 0.28         | -                         | -           |
| 2            | East Godavari        | 39           | 12.82        | -         | -            | 7          | 4.53         | 2         | 1.32         | -          | -            | -              | -            | 1           | 0.18         | -                         | -            | 8                         | 3.48         | -                         | -           |
| 3            | Nellore              | 39           | 15.84        | 3         | 4.67         | 1          | 4.69         | 4         | 31.35        | -          | -            | -              | -            | 1           | 0.18         | -                         | -            | 2                         | 0.66         | -                         | -           |
| 4            | Chittoor             | 12           | 1.34         | 1         | 4.06         | -          | -            | -         | -            | -          | -            | -              | -            | 0           | 0            | 1                         | 2.10         | 1                         | 0.73         | -                         | -           |
| 5            | Ranga Reddy          | 7            | 7.29         | -         | -            | -          | -            | -         | -            | -          | -            | -              | -            | 5           | 1.34         | -                         | -            | -                         | -            | -                         | -           |
| 6            | Visakhapatnam        | 24           | 21.13        | 3         | 3.68         | 1          | 0.63         | -         | -            | -          | -            | -              | -            | 1           | 0.08         | 8                         | 7.90         | 1                         | 2.26         | 1                         | 0.07        |
| 7            | Khammam              | 24           | 10.82        | 5         | 4.09         | 1          | 0.26         | -         | -            | -          | -            | -              | -            | 4           | 0.77         | -                         | -            | -                         | -            | 1                         | 0.85        |
| 8            | Vizianagaram         | -            | -            | -         | -            | -          | -            | -         | -            | -          | -            | -              | -            | 6           | 0.31         | 2                         | 2.31         | -                         | -            | -                         | -           |
| 9            | Kurnool              | 18           | 3.28         | 2         | 2.47         | 1          | 1.50         | 5         | 2.56         | -          | -            | -              | -            | 1           | 0.02         | 4                         | 14.96        | 5                         | 4.64         | 2                         | 0.15        |
| 10           | Warangal             | 4            | 0.83         | 3         | 1.72         | 1          | 0.09         | 2         | 2.50         | 3          | 6.34         | 2              | 2.16         | 1           | 2.89         | 2                         | 3.21         | 1                         | 2.05         | 4                         | 4.08        |
| 11           | Medak                | 27           | 7.25         | 1         | 0.32         | -          | -            | -         | -            | 3          | 3.70         | 6              | 13.31        | 2           | 1.68         | 1                         | 0.24         | -                         | -            | -                         | -           |
| 12           | Nalgonda             | 11           | 6.34         | 5         | 5.44         | 1          | 0.34         | 1         | 0.59         | 0          | 0            | 2              | 0.42         | 3           | 0.57         | 1                         | 0.13         | -                         | -            | -                         | -           |
| 13           | Mahaboob nagar       | 17           | 4.26         | 13        | 11.30        | -          | -            | -         | -            | 7          | 12.59        | 18             | 15.27        | 17          | 2.15         | 2                         | 7.11         | 8                         | 2.06         | 5                         | 2.02        |
| <b>Total</b> |                      | <b>233</b>   | <b>92.68</b> | <b>36</b> | <b>37.75</b> | <b>13</b>  | <b>12.04</b> | <b>15</b> | <b>40.06</b> | <b>13</b>  | <b>22.63</b> | <b>28</b>      | <b>31.16</b> | <b>42</b>   | <b>10.17</b> | <b>21</b>                 | <b>37.96</b> | <b>27</b>                 | <b>16.16</b> | <b>13</b>                 | <b>7.17</b> |

**Appendix-11**  
**(Reference to Paragraph 3.1.6(iv) page 64)**

**List showing the details of Gram Panchayats purchased materials without obtaining quotations and stock procured but not taken into stock register**

(Rupees in lakh)

| SI No        | Name of the District | Materials purchased with out quotations |               | Stock not taken into stock register |               |
|--------------|----------------------|---|---------------|-------------------------------------|---------------|
|              |                      | Number of GPs                           | Amount Rs     | Number of GPs                       | Amount Rs     |
| 1            | Guntur               | 3                                       | 6.98          | 3                                   | 10.78         |
| 2            | East Godavari        | 5                                       | 5.02          | 5                                   | 0.69          |
| 3            | Chittoor             | 18                                      | 17.55         | 19                                  | 7.97          |
| 4            | Warangal             | 3                                       | 11.82         | 3                                   | 11.82         |
| 5            | Medak                | 31                                      | 103.01        | 31                                  | 103.01        |
| 6            | Nalgonda             | 16                                      | 119.44        | 8                                   | 74.2          |
| 7            | Mahaboobnagar        | 20                                      | 58.98         | 21                                  | 48.86         |
| 8            | Visakhapatnam        | 3                                       | 1.64          | 2                                   | 1.24          |
| <b>Total</b> |                      | <b>99</b>                               | <b>324.44</b> | <b>92</b>                           | <b>258.57</b> |

**Appendix No.12**  
(Reference to Paragraph 3.2.1 page 65)

**Statement showing the penal interest leviable by the GMC on Company**

| Sl No        | Lease amount<br>Rs | Number of<br>months | Rate of penal<br>interest ( <i>per cent</i> ) | Total amount collectable<br>Rs |
|--------------|--------------------|---------------------|---|--------------------------------|
| 1.           | 21296              | 69                  | 18  | 22041                          |
| 2            | 63888              | 66                  | 18  | 63249                          |
| 3.           | 63888              | 63                  | 18  | 60374                          |
| 4.           | 63888              | 60                  | 18  | 57499                          |
| 5.           | 79860              | 57                  | 18  | 68280                          |
| 6.           | 79860              | 54                  | 18  | 64687                          |
| 7.           | 79860              | 51                  | 18  | 61093                          |
| 8.           | 79860              | 48                  | 18  | 57499                          |
| 9.           | 79860              | 45                  | 18  | 53906                          |
| 10.          | 79860              | 42                  | 18  | 50311                          |
| 11.          | 82522              | 39                  | 18  | 48275                          |
| 12.          | 87846              | 36                  | 18  | 47437                          |
| 13.          | 87846              | 33                  | 18  | 43484                          |
| 14.          | 87846              | 30                  | 18  | 39531                          |
| 15.          | 90774              | 27                  | 18  | 36763                          |
| 16.          | 96631              | 24                  | 18  | 34787                          |
| 17.          | 96631              | 21                  | 18  | 30439                          |
| 18.          | 96631              | 18                  | 18  | 26090                          |
| 19.          | 255552             | 15                  | 18  | 57499                          |
| 20.          | 255552             | 12                  | 18  | 45999                          |
| 21.          | 255552             | 9                   | 18  | 34500                          |
| 22.          | 255552             | 6                   | 18  | 23000                          |
| 23.          | 255552             | 3                   | 18  | 11500                          |
| 24.          | 255552             | -                   | -   | 0                              |
| <b>Total</b> | <b>2952159</b>     |                     |   | <b>1038243</b>                 |

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## GLOSSARY

|           |   |
|-----------|---|
| AMU       | APPRAISAL AND MONITORING UNIT   |
| AO        | ACCOUNTS OFFICER  |
| AP        | ANDHRA PRADESH  |
| APPR ACT  | ANDHRA PRADESH PANCHAYAT RAJ ACT  |
| APTRANSCO | ANDHRA PRADESH TRANSMISSION CORPORATION                                 |
| APUFIDC   | ANDHRA PRADESH URBAN FINANCE AND INFRASTRUCTURE DEVELOPMENT CORPORATION |
| APUSP     | ANDHRA PRADESH URBAN SERVICES FOR THE POOR                              |
| ARWS      | ACCELERATED RURAL WATER SUPPLY  |
| BMAPP     | BASIC MUNICIPAL ACTION PLAN FOR POVERTY REDUCTION                       |
| C&AG      | COMPTROLLER AND AUDITOR GENERAL OF INDIA                                |
| CBAP      | COMMUNITY BASED ACTION PLAN   |
| CBO       | COMMUNITY BASED ORGANISATIONS   |
| CDMA      | COMMISSIONER AND DIRECTOR OF MUNICIPAL ADMINISTRATION                   |
| CEO       | CHIEF EXECUTIVE OFFICER   |
| CIIP      | CRITICAL INFRASTRUCTURE INVESTMENT PLAN                                 |
| CMAPP     | COMPREHENSIVE MUNICIPAL ACTION PLAN FOR POVERTY REDUCTION               |
| CMD       | CONTRACT MINIMUM DEMAND   |
| DBA       | DATA BASE ADMINISTRATION  |
| DEO       | DATA ENTRY OPERATOR   |
| DFID      | DEPARMENT FOR INTERNATIONAL DEVELOPMENT                                 |
| DPC       | DISTRICT PLANNING COMMITTEE   |
| DPO       | DISTRICT PANCHAYAT OFFICER  |
| DTCP      | DIRECTOR TOWN AND COUNTRY PLANNING                                      |
| DY CEO    | DEPUTY CHIEF EXECUTIVE OFFICER  |
| EA        | EXAMINER OF ACCOUNTS  |
| EE        | EXECUTIVE ENGINEER  |
| EFC       | ELEVENTH FINANCE COMMISSION   |
| FOP       | FINANCE AND OPERATION PLAN  |
| GIS       | GEOLOGICAL INFORMATION SYSTEMS  |
| GMC       | GUNTUR MUNICIPAL CORPORATION  |
| GOAP      | GOVERNMENT OF ANDHRA PRADESH  |
| GOI       | GOVERNMENT OF INDIA   |
| GP        | GRAM PANCHAYAT  |

|       |   |
|-------|---|
| GS    | GRAM SABHA                                      |
| GTP   | GENERAL TOWN PLAN                               |
| GVMC  | GREATER VISAKHAPATNAM MUNICIPAL CORPORATION     |
| HBA   | HOUSE BUILDING ADVANCE                          |
| HMC   | HYDERABAD MUNICIPAL CORPORATION                 |
| HR    | HUMAN RESOURCE                                  |
| HUDCO | HOUSING AND URBAN DEVELOPMENT CORPORATION       |
| ICT   | INFORMATION AND COMMUNICATIONS TECHNOLOGY       |
| IDAP  | INSTITUTIONAL DEVELOPMENT ACTION PLAN           |
| IDEA  | INTERACTIVE DATA EXTRACTION AND ANALYSIS        |
| IT    | INFORMATION TECHNOLOGY                          |
| KMC   | KURNOOL MUNICIPAL CORPORATION                   |
| LAN   | LOCAL AREA NETWORK                              |
| LOC   | LETTER OF CREDIT                                |
| MEO   | MANDAL ENGINEERING OFFICER                      |
| MLA   | MEMBER OF LEGISLATIVE ASSEMBLY                  |
| MLC   | MEMBER OF LEGISLATIVE COUNCIL                   |
| MNP   | MINIMUM NEEDS PROGRAMME                         |
| MOU   | MEMORANDAM OF UNDERSTANDING                     |
| MP    | MANDALA PARISHAD                                |
| MP    | MEMBER OF HOUSE OF PEOPLE                       |
| MPC   | MINIMUM PERFORMANCE CRITERIA                    |
| MPDO  | MANDALA PARISHAD DEVELOPMENT OFFICER            |
| MPLAD | MEMBER OF PARLIAMENT LOCAL AREA DEVELOPMENT     |
| MPP   | MANADALA PRAJA PARISHAD                         |
| MPTC  | MANDALA PARISHAD TERRITORIAL CONSTITUENCY       |
| MSU   | MUNICIPAL STRENGTHENING UNIT                    |
| MSW   | MUNICIPAL SOLID WASTE                           |
| MT    | METRIC TONES                                    |
| NBCC  | NATIONAL BUILDING CONSTRUCTION CORPORATION      |
| NDWSC | NELLORE DISTRICT WATER AND SANITATION COMMITTEE |
| NIC   | NATIONAL INFORMATICS CENTER                     |
| NMAM  | NATIONAL MUNICIPAL ACCOUNTS MANUAL              |
| O&MP  | OPERATION AND MAINTENANCE PLAN                  |
| OHSR  | OVER HEAD STORAGE RESERVOIR                     |

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|            |  |
|------------|--|
| OVI        | OBJECTIVITY VERIFICATION INDICATOR                   |
| PAES       | PARTICIPATORY ANNUAL EVALUATION STUDY                |
| PAN        | PERMANENT ACCOUNT NUMBER                             |
| PAO        | PAY AND ACCOUNTS OFFICER                             |
| PD ACCOUNT | PERSONAL DEPOSIT ACCOUNT                             |
| PF         | PROVIDENT FUND                                       |
| PMGSY      | PRADHANA MANTRI GRAMEENA SADAK YOJANA                |
| PR & RD    | PANCHAYAT RAJ AND RURAL DEVELOPMENT                  |
| PR & RE    | PANCHAYAT RAJ AND RURAL EMPLOYMENT                   |
| PRI        | PANCHAYAT RAJ INSTITUTION                            |
| PWS        | PROTECTED WATER SUPPLY                               |
| RDF        | REFUSE DERIVED FUEL                                  |
| RIAP       | REVENUE IMPROVEMENT ACTION PLAN                      |
| RIDF       | RURAL INFRASTRUCTURE DEVELOPMENT FUND                |
| RRM        | RURAL ROADS MAINTENANCE                              |
| SFC        | STATE FINANCE COMMISSION                             |
| SGRY       | SAMPOORNA GRAMEENA ROZGAR YOJANA                     |
| SHG        | SELF HELP GROUP                                      |
| SIP        | SYSTEM IMPROVEMENT PLAN                              |
| SRC        | SYSTEM REQUIREMENT SPECIFICATION                     |
| STQC       | STANDARDISATION TESTING & QUALITY CERTIFICATION      |
| SWOT       | STRENGTH, WEAKNESSES, OPPORTUNITIES AND THREATS      |
| TFC        | TWELTH FINANCE COMMISSION                            |
| UC         | UTILISATION CERTIFICATE                              |
| ULBs       | URBAN LOCAL BODIES                                   |
| UPADHI     | URBAN PROGRAMMED FOR ADVANCEMENT OF HOUSEHOLD INCOME |
| VMC        | VISAKHAPATNAM MUNICIPAL CORPORATION                  |
| VWSC       | VILLAGE WATER AND SANITATION COMMITTEE               |
| ZP         | ZILLA PARISHAD                                       |
| ZPTC       | ZILLA PARISHAD TERRITORIAL CONSTITUENCY              |