

PREFACE

The Report of the Comptroller and Auditor General of India (CAG) on Panchayat Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Andhra Pradesh for the year ended 31 March 2007 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 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 'Implementation of National Rural Employment Guarantee Scheme in Andhra Pradesh', 'Financial Management of Vijayawada Municipal Corporation (including Information Technology Audit)' and a long paragraph on 'Functioning of Zilla Praja Parishads'. The last chapter contains observations arising out of audit of transactions in PRIs and ULBs.

Overview

This Audit Report includes one performance review and nine audit paragraphs on Urban Local Bodies apart from one performance review, one long paragraph and seven 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 reviews and paragraphs were forwarded to the Government and the replies received have been duly incorporated in the Report.

1. Accounts and Finances of Local Bodies

There was no system in place to consolidate the finances of PRIs. The Budget and Accounts formats for PRIs prescribed by the Comptroller and Auditor General of India are yet to be implemented in Mandal Praja Parishads and Gram Panchayats. The creation of database on the finances of PRIs is yet to be completed. 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. The audit by the Director, State Audit was in huge arrears in GPs and ULBs. District Planning Committees were not yet constituted in all the districts. TFC grants were mis-utilised/diverted. SFC recommendations were partially implemented.

[Paragraphs 1.1 and 1.2]

2. Performance reviews

2.1 National Rural Employment Guarantee Scheme in Andhra Pradesh

The Government of Andhra Pradesh launched the National Rural Employment Guarantee Scheme in February 2006 in 13 districts in the state, in accordance with the National Rural Employment Guarantee Act 2005, enacted by the Government of India. The main objective of the scheme is to provide 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. A review on the implementation of the scheme in the State revealed the following:

- Employment Guarantee Scheme Funds to the extent of Rs 38.08 crore were diverted to other schemes.

[Paragraph 2.1.9.4]

- Of the 23.39 lakh rural households who were provided employment during the period from February 2006 to March 2007 the targeted 100 days of employment in a financial year was achieved only in respect of 79,969 households (3 *per cent*) resulting in non achievement of the main objective of the scheme.

[Paragraph 2.1.10.4]

- Though payments of wages were delayed to 53 per cent of the labourers employed beyond 15 days stipulated, no compensation was paid.

[Paragraph 2.1.10.5]

- Out of works shown as completed, it was observed that 45 *per cent* of works were closed after incurring expenditure of less than 50 *per cent* of their estimated values. Closure of works after partial execution had adverse implications on creation of durable assets, a key objective of the scheme besides rendering the expenditure unfruitful.

[Paragraph 2.1.11.2]

- In the 13 districts (phase I) expenditure of Rs 147.38 crore was incurred on ineligible works during 2006-07.

[Paragraph 2.1.11.3]

- Since statutory records at Mandal/GPs were either not maintained or incompletely maintained, audit could not ensure that the provision of legal guarantee of 100 days employment had been translated into action.

[Paragraph 2.1.12]

- Social audits were not conducted at regular intervals thereby defeating the objective of public vigilance in evaluating the quality of the works.

[Paragraphs 2.1.13]

2.2 Long paragraph on Functioning of two Zilla Praja Parishads

The performance of two ZPPs (East Godavari and Warangal), out of 22 ZPPs in the State was reviewed for the five year period from 2002-03 to 2006-07. Test check of records was conducted at the offices of ZPPs including five Panchayat Raj (PR) Engineering divisions, four Rural Water Supply (RWS) divisions and 11 Mandal Praja Parishads (MPPs).

- Audit scrutiny revealed irregularities in implementation of various schemes/programmes viz., diversion of scheme funds, incomplete works despite availability of funds, unfruitful expenditure on construction of ZPP staff quarters, PR wireless grid etc.

[Paragraph 2.2.4]

- Revenue Management was poor due to delay in submission of claims to the Government in respect of Provident Fund relating to PR employees, honorarium to ZPP Members. There were cases of non-receipt of Pension contributions from Gram Panchayats (GPs), diversion of sand auction proceeds, non-realisation of dues and non utilisation/lapse of grants.

[Paragraph 2.2.5]

- The system of Internal Control was also not effective as there were delays in preparation of Annual Accounts, submission of Annual Administrative Reports, non-reconciliation of departmental figures with treasury figures and shortfall in departmental inspections.

[Paragraph 2.2.6]

- Other lapses viz., non-transfer of unutilized balances of earmarked funds, non-apportionment of ferry auction proceeds among MPPs and GPs, Non-collection of User Charges from the beneficiaries for amount spent on water supply schemes in GPs and non-remittance of statutory deductions to Government departments were also noticed.

[Paragraph 2.2.7]

2.3 Financial Management of Vijayawada Municipal Corporation including Information Technology Audit

The Municipality of Vijayawada was constituted on 1 April 1888 with an area of 30 sq km, and was upgraded into a Corporation on 6 June 1981 and with the merger of the surrounding villages in 1985, the total area of the Corporation (VMC) rose to 58 sq km. Performance Audit of the financial management of VMC and Information Technology system revealed the following deficiencies:

- VMC has not compiled the Annual Accounts since 2005-06. It failed to submit the audited accounts for the years 2001-02 to 2004-05 to the State Legislature though stipulated under the provisions of Hyderabad Municipal Corporation Act.

[Paragraph 2.3.6]

- The maintenance of cash books was deficient with regard to posting of DDs/cash, periodic closing of cash books. Reconciliation of cash book figures with those of bank statements was never carried out.

[Paragraph 2.3.6.1]

- Stock registers were not maintained properly and physical verification of stock at the end of each year was not done.

[Paragraph 2.3.6.2]

- Financial management was deficient as budget estimates were not being prepared on a realistic basis. VMC failed to realise its share of auction proceeds (Rs. 7.85 crore) in respect of sand bearing areas. The construction of shopping complexes suffered due to deficit planning resulting in loss of revenue of Rs. 7.39 crore.

[Paragraphs, 2.3.7.1, 2.3.7.4 and 2.3.8.1]

- Works were undertaken without first ensuring acquisition of land and other clearances and this resulted in number of works on which considerable expenditure has been incurred remaining incomplete for several years with consequential blockage of funds of Rs. 5.64 crore.

[Paragraphs 2.3.9.4]

- The Management of Waste was far from satisfactory. Despite spending an amount of Rs. 4.61 crore on Sewerage Treatment Plant the basic objective of treating sewerage scientifically was not achieved as no sewerage was treated.

[Paragraphs 2.3.10.1 and 2.3.10.2]

- Due to inefficient pumping system, there was excess consumption of electricity towards supply of water to the city. During the year 2006-07, the extra expenditure worked out to Rs 1.26 crore.

[Paragraph 2.3.10.4]

- Instances of non-remittance of Seignorage charges to the Government, Library cess to Zilla Grandhalaya Samstha, deductions made on behalf of National Academy of Construction were noticed.

[Paragraph 2.3.11]

INFORMATION TECHNOLOGY AUDIT

- VMC has not evolved foolproof mechanism to ensure that meter readings are properly taken in respect of all meter connections and where meter readings are taken, the demands are promptly and correctly issued.

[Paragraph 2.3.14.3 and 2.3.14.4]

- Lapses were noticed in accounting of bounced cheques.

[Paragraph 2.3.16.2]

- The data in VOICE was incomplete and lacked integrity due to absence of validation checks.

[Paragraph 2.3.17]

- Lack of segregation of duties and absence of logs were not conducive to fix the responsibility in case of unauthorised manipulation and loss of data.

[Paragraph 2.3.18.2]

3. Transaction Audit

3.1 Panchayat Raj Institutions

- Failure to remedy the basic deficiencies responsible for poor response to training in tailoring resulted in staff on whom an expenditure of Rs 25.35 lakh was incurred on pay and allowances being not utilised for the objectives for which they were deployed.

[Paragraph 3.1.1]

- In two Gram Panchayats, Protected Water Supply schemes constructed at an expenditure of Rs 33.66 lakh were not put to use which resulted in non-achievement of the objective of providing safe drinking water to the inhabitants.

[Paragraph 3.1.2]

- Delays in land acquisition and construction of auditorium resulted in blocking up of funds of Rs 25 lakh for a period of 2 to 9 years.

[Paragraph 3.1.4]

- Statutory deductions of Rs 83.05 lakh effected by 43 Mandal Praja Parishads were not remitted to Government account/other agencies as per the codal provisions.

[Paragraph 3.1.5]

- The unspent balances of Rs 30.11 lakh pertaining to various schemes were still lying in the accounts of 12 MPDOs for over two years without being transferred to the scheme sanctioning authorities.

[Paragraph 3.1.6]

- Audit of 741 Gram Panchayats (out of 21807) during 2006-07 revealed huge arrears of tax and non-tax revenues, non-utilization of grants, diversions of scheme funds, non-accountal of stock, non maintenance of records/registers and poor accounting arrangements.

[Paragraph 3.1.7]

3.2 Urban Local Bodies

- Inordinate delay in completion of construction of Road over Bridge resulted in unfruitful expenditure of Rs 4.19 crore also the incomplete work did not serve the intended objective of relieving the traffic congestion.

[Paragraph 3.2.1]

- Construction of vegetable Market Complex at Nainnagar, Hanmakonda without undertaking demand survey led to unfruitful expenditure of Rs 25.19 lakh besides loss of revenue of Rs 27.30 lakh.

[Paragraph 3.2.2]

- Failure to collect Entertainment tax by the Commissioner, Warangal Municipal Corporation resulted in loss of revenue of Rs 1.31 crore.

[Paragraph 3.2.3]

- Commencement of work without ensuring availability of funds resulted in the work of Storm water drain remaining incomplete for more than four years despite incurring an expenditure of Rs 75.60 lakh.

[Paragraph 3.2.4]

- Unauthorised investment of Municipal funds by the Commissioner, L.B Nagar, Municipality in violation of the codal provisions resulted in loss of Rs 21.62 lakh.

[Paragraph 3.2.5]

- Construction of meat market complex at a cost of Rs 32.80 lakh in Kamareddy Town on a site encroached by meat vendors remained idle over four years.

[Paragraph 3.2.6]

- Lack of proper mechanism in segregating the Library cess by the ULBs from the Property tax collections, followed by remittance with in stipulated dates deprived the Zilla Grandhalaya Samsthas of getting their dues to the extent of Rs 42.13 crore.

[Paragraph 3.2.7]

- Scheme funds aggregating Rs 4.24 crore were kept in Fixed Deposits and Joint account in violation of the guidelines.

[Paragraph 3.2.8]

- Two Municipal Corporations and four Municipalities in violation of scheme guidelines diverted scheme funds amounting to Rs 1.91 crore.

[Paragraph 3.2.9]

CHAPTER I

OVER VIEW OF THE ACCOUNTS AND FINANCES OF LOCAL BODIES

CHAPTER SUMMARY

- There was no system in place to consolidate the details relating to the revenue and expenditure of PRIs.
- The Andhra Pradesh Municipal Accounts Manual was yet to be adopted in all the ULBs in the State except Greater Hyderabad Municipal Corporation.
- The Budget and Accounts formats for PRIs are yet to be implemented in Mandal Praja Parishads and Gram Panchayats.
- District Planning Committees were not yet constituted in all the districts though Government issued orders for their constitution.
- TFC grants were mis-utilised/diverted.
- Data Base grants remained unutilised and parked in fixed deposits.

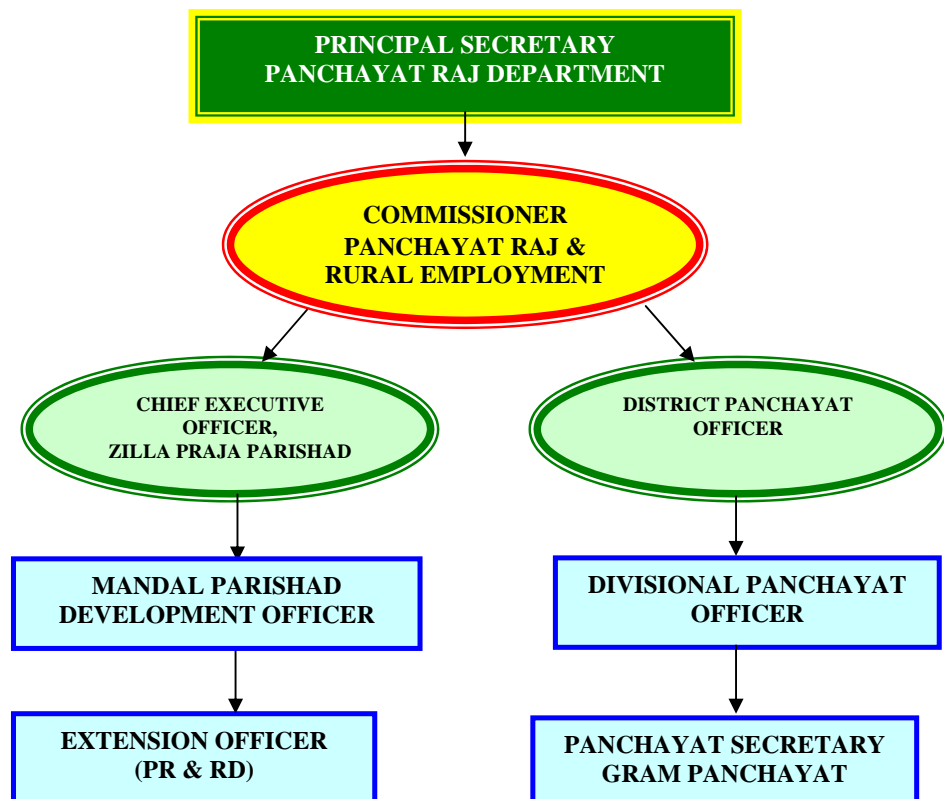
1.1 PANCHAYAT RAJ INSTITUTIONS

1.1.1 Introduction

In conformity with 73rd 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 Praja Parishad and Zilla Praja Parishad level. As per the 2001 census, the total population of Andhra Pradesh State was 7.57 crore, of which 5.52 crore (72.92 per cent) lived in rural areas. As on 31 March 2007, there were 22927 Panchayat Raj Institutions (PRIs) in the State consisting of 22 Zilla Praja Parishads (ZPPs), 1098 Mandal Praja Parishads¹ (MPPs) and 21807 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.

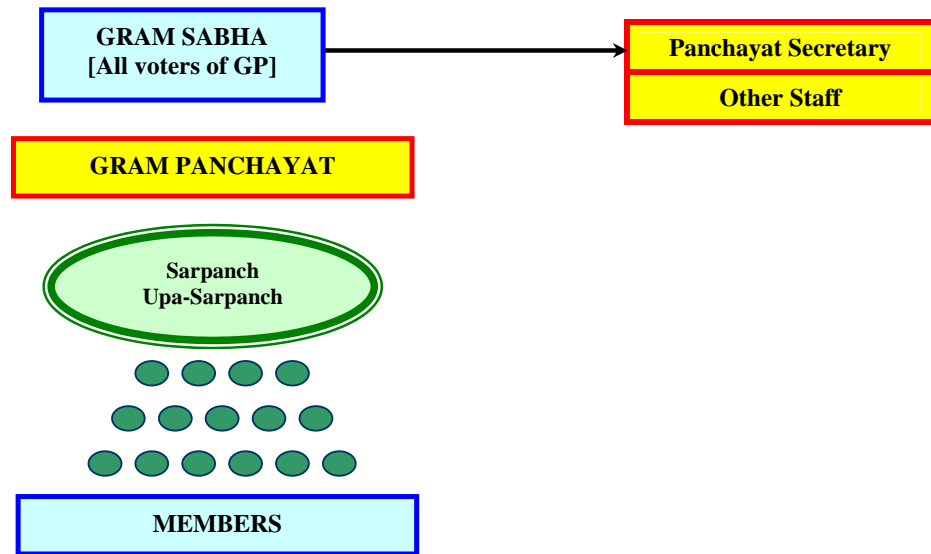
1.1.2 Organisational set-up

The organisational set up of PRIs in the State is as under:

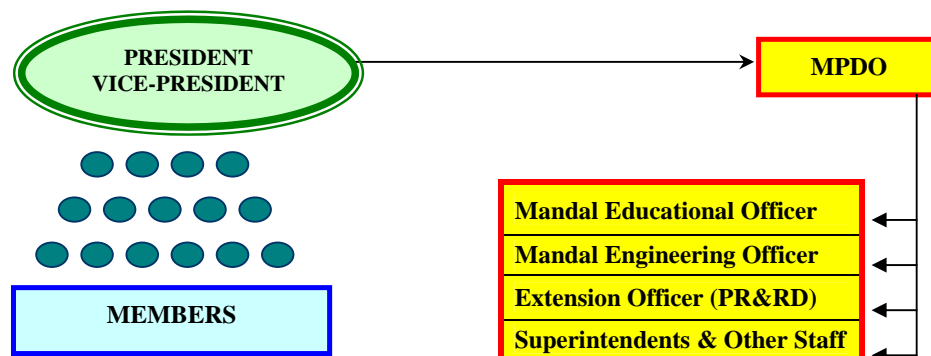


¹ The nomenclature of Zilla Parishad and Mandal Parishad was changed to Zilla Praja Parishad and Mandal Praja Parishad as per Amendment to the Act No. 41 of 2006 to A P Panchayat Raj Act, 1994

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 Sabha (GS) consisting of persons registered in the electoral rolls pertaining to the area of the Village. The organisation structure is given below:

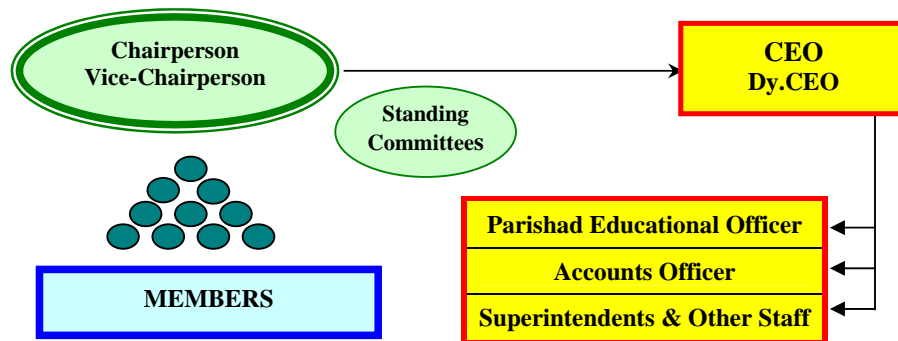


Mandal Praja Parishad: A district may be divided into Mandals² comprising of such contiguous villages as may be specified in the notification by the State Government and for every Mandal there is a MPP which is divided into many territorial constituencies having population between three and four thousand. One member shall be elected to the MPP from each territorial constituency. The structure of the MPP is depicted below:



² 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 1098 Mandal Praja Parishads.

Zilla Praja Parishad: The ZPP 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 Legislative Council of States (MLC), who is a registered voter in the district concerned and two co-opted members belonging to minorities. Each ZPP 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 ZPP 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 revenue from property tax and water tax and non-tax revenue from various fees such as tap connection fees, rents from properties etc. The MPP and ZPP do not generate any tax revenue and depend mainly on Grants-in-aid. The funds are utilised 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.

Financial Position of the PRIs: As there was no system to consolidate the finances at Commissioner Level, the receipt and expenditure particulars of PRIs for the year 2005-06³ were obtained from State Audit Department and the details are tabled below along with figures of 2003-04 and 2004-05.

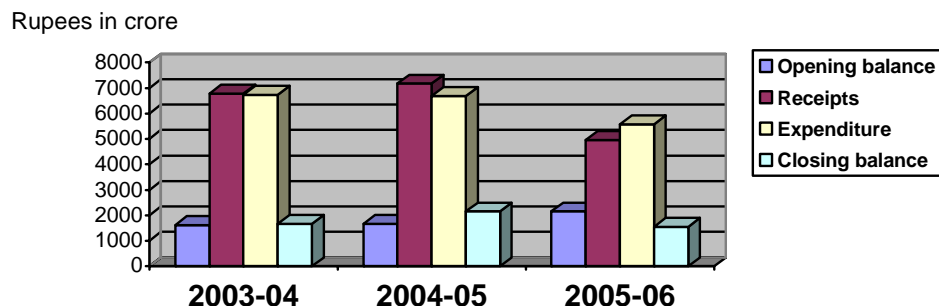
(Rupees in crore)

Zilla Praja Parishad					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2003-04	1095.31	2771.16	3866.47	2842.19	1024.28
2004-05	1024.28	2326.97	3351.25	2396.54	954.71
2005-06	954.71	1805.19	2759.90	1758.75	1001.15
TOTAL		6903.32		6997.48	
Mandal Praja Parishad					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2003-04	470.34	2608.80	3079.14	2616.20	462.94
2004-05	462.94	2317.48	2780.42	2261.97	518.45
2005-06	518.45	1259.09	1777.54	1263.70	513.84
TOTAL		6185.37		6141.87	
Gram Panchayat					
Year	Opening balance	Receipts	Total	Expenditure	Closing balance
2003-04	48.93	1406.16	1455.09	1277.53	177.56
2004-05	177.56	2527.99	2705.55	2028.63	676.92
2005-06	676.92	1895.69	2572.61	2546.56	26.05
TOTAL		5829.84		5852.72	

The receipts in all the three tiers have decreased in 2005-06 compared to 2004-05. The decline in respect of ZPPs is due to outflow of Engineering Fund to the Pay and Accounts officers of the respective districts from 2005-06 onwards instead of through ZPPs. The reasons for decline in respect of MPPs and GPs were not furnished by the Director, State Audit.

³ As the accounts for 2006-07 were not finalised, State Audit Department furnished the figures for only 2005-06

Overall Financial Position of PRIs



Sources of Funds: The receipts for PRIs from 2003-04 to 2005-06, as furnished by the State Audit department, is depicted below.

(Rupees in crore)

Source of Funds		2003-04	2004-05	2005-06
Gram Panchayats				
1. Own Revenue				
a.	Taxes (House tax, Water tax, etc.)	97.20	203.00	186.41
b.	Non-taxes (Market rents, rents of shops and other property, auctions, etc.)	90.84	302.61	215.43
	Total	188.04	505.61	401.84
2. Grants-in-aid				
a.	Salary Grant	95.59	151.26	128.59
b.	Sampoorna Grameena Rozgar Yojana (SGRY)	208.15	334.18	265.41
c.	Eleventh Finance Commission (EFC)	157.57	317.46	176.75
d.	State Finance Commission (SFC)	76.40	192.70	105.44
e.	Other grants (per capita grant, seignorage charges, profession tax, etc.)	537.72	740.86	605.76
	Total	1075.43	1736.46	1281.95
3. Deposits and Advances		9.49	11.24	18.67
4. Other Receipts		133.20	274.68	193.23
TOTAL		1406.16	2527.99	1895.69
Mandal Praja Parishads				
Grants and other receipts including fund accounts				
a.	General Fund (per capita grant, seignorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.)	102.48	104.17	248.94
b.	Social Welfare	19.44	16.84	50.29
c.	Minor Irrigation and Rural Water Supply	1.59	1.92	12.09
d.	Roads and Bridges maintenance	4.18	2.92	5.41
e.	Education	2381.49	2085.41	609.93
f.	SGRY	31.49	25.18	146.91
g.	EFC	0	1.72	5.79
h.	Others (Building grant, Natural Calamity grant, NABARD, MPLADS, Pension grants, etc)	35.66	62.64	160.30
I.	Deposits, Advances and Loans	32.47	16.68	19.43
TOTAL		2608.80	2317.48	1259.09

Zilla Praja Parishads		2003-04	2004-05	2005-06
Grants and other receipts including fund accounts				
a.	General Fund (per capita grant, seignorage charges, profession tax, stamp duty, own revenue from rents and leases, auction amounts, etc.)	115.92	122.42	384.00
b.	Social Welfare	21.06	27.92	24.67
c.	Minor Irrigation and Rural Water Supply	133.15	148.53	136.91
d.	Roads and Bridges maintenance	236.47	131.57	68.34
e.	Education	1307.28	1099.14	234.44
f.	SGRY	380.45	318.26	373.46
g.	EFC	9.46	17.07	45.12
h.	Minimum Needs Programme (MNP)	4.66	3.07	6.95
I.	NABARD	31.36	6.50	26.71
j.	Others (Building grant, Natural Calamity grant, MPLADS, Pension grants, etc)	331.45	206.61	350.26
k.	Deposits, Advances and Loans	199.90	245.88	154.33
TOTAL		2771.16	2326.97	1805.19
GRAND TOTAL (GP, MPP & ZPP)		6786.12	7172.44	4959.97

There was three fold increase in respect of the ZPP general funds during 2005-06, which includes mostly assigned revenues. The receipts of PRIs decreased from Rs 7172.44 crore in 2004-05 to Rs 4959.97 crore in 2005-06 i.e. by 30.85 per cent over the previous year. This was mainly due to introduction of payment of salaries through Treasury to Teaching staff in Education sector directly by the Government of Andhra Pradesh (April 2005).

Application of funds:

The PRIs incur expenditure mainly on providing and maintaining civic amenities such as roads, sanitation, water supply, lighting, etc. It includes both recurring expenditure on maintenance and non-recurring expenditure on creation of capital assets. The information relating to sector-wise expenditure was not available with the Commissioner, PR&RE. However, as per the data made available by the Director, State Audit, the sector wise expenditure incurred by PRIs from 2003-04 to 2005-06, is detailed below:

(Rupees in crore)

Application of Funds		2003-04	2004-05	2005-06
Gram Panchayats				
Expenditure particulars				
a.	Salary	135.92	194.01	229.82
b.	Works expenditure from grants received under SGRY, EFC, SFC, etc.	866.09	1306.15	1772.70
c.	Maintenance Expenditure	133.90	266.04	275.18
d.	Deposits and Advances	13.29	17.85	47.78
e.	Other administrative expenditure	128.33	244.58	221.08
Total		1277.53	2028.63	2546.56

(Rupees in crore)

Mandal Praja Parishads		2003-04	2004-05	2005-06
Expenditure particulars				
a.	Education	2389.29	2046.66	646.10
b.	Social Welfare	15.22	16.12	54.10
c.	Minor Irrigation and Rural Water Supply	2.64	1.33	12.24
d.	Roads and bridges maintenance	3.83	4.35	23.83
e.	Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure.	56.75	68.63	143.33
f.	Expenditure from General Fund account	108.97	105.34	216.09
g.	Deposits, Advances and Loans	30.74	14.31	12.01
h.	Other expenditure	8.76	5.23	156.00
Total		2616.20	2261.97	1263.70

(Rupees in crore)

Zilla Praja Parishads		2003-04	2004-05	2005-06
Expenditure particulars				
a.	Education	1290.06	1095.55	235.72
b.	Social Welfare	17.61	13.70	18.98
c.	Minor Irrigation and Rural Water Supply	132.90	131.06	134.00
d.	Roads and Bridges maintenance	243.57	95.99	85.30
e.	Scheme works such as SGRY, Janmaboomi, other grants and other programmes expenditure.	759.68	486.42	391.18
f.	Expenditure from General Fund account	134.11	132.23	288.55
g.	Deposits, Advances and Loans	193.32	154.16	310.73
h.	Other expenditure	70.94	287.43	294.29
Total		2842.19	2396.54	1758.75
GRAND TOTAL (GP, MPP & ZPP)		6735.92	6687.14	5569.01

The expenditure incurred on works by GPs in 2005-06 was 35.72 per cent more over previous year. The expenditure on Education sector declined due to direct payment by GOAP to Teaching Staff with effect from April 2005.

1.1.4 Accounting arrangements

The PRIs maintain accounts on cash basis. The Budget and Accounting formats prescribed by the C&AG were adopted by the State Government (May 2005). The GPs and MPPs have started implementing these formats from 2006-07 onwards, while ZPPs implemented the same from the year 2005-06.

1.1.5 Creation of Data base of PRIs

Scrutiny of records relating to utilisation of EFC grants allocated for the purpose of creation of database revealed that during 2002-04, GOAP has released Rs 22.96 crore to the Commissioner, Panchayat Raj and Rural Employment for creation of database. The Commissioner kept the above funds with the Chief Executive Officer, Zilla Praja Parishad, Ranga Reddy District. The National Informatics Centre (NIC) Hyderabad has designed and developed a

comprehensive Web Based Software ‘e’ panchayats. The project initially implemented in 475 GPs. The following amounts were released for implementation of ‘e-panchayat’ projects.

Sl.No.	Name of the office	Amount transferred (Rupees in crore)	Purpose
1.	District Collector (Panchayat Wing)	4.27	Purchase of systems and data entry of existing records.
2.	NIC, Hyderabad	1.90	For supply of hardware/operating system and training to GPs staff etc.,

The progress made in the work was not intimated to audit. Further, audit also noticed that Rs 41 lakh was utilised for purchase of computer hardware in Commissionerate. The balance amount of Rs 16.38 crore was kept in fixed deposits in various Banks.

Thus even after five years, the objective of creation of a database to consolidate the details of finances of PRIs remained unachieved.

1.1.6 Audit arrangements

C&AG conducts audit of PRIs under Section 14 of C&AG’s (DPC) Act, 1971. Based on the recommendations of EFC, GOAP entrusted (August 2005) the responsibility of providing Technical Guidance and Support (TGS), over the accounts and audit of Local Bodies under Section 20(1) of C&AG’s (DPC) Act.

Director, State Audit is the statutory auditor for PRIs under the A.P. State Audit Act 1989. There were no arrears in audit conducted by the Director, State Audit in respect of ZPPs and marginal arrears in respect of MPPs. However, there were huge arrears in case of GPs. To the end of March 2007, audit of 7671 GPs was in arrears, of which only 115 GPs has been completed to the end of December 2007. Director attributed (October 2008) the reasons of arrears in audit of GPs to non-production of arrear records, records lost in theft, floods, non-maintenance of records by Sarpanchas/Executive Authorities etc., of respective GPs.

As per Section 11(2) of the State Audit Act, the Director, State Audit is to prepare Consolidated State Audit Review Reports and present the same to the State Legislature. The Director, State Audit has so far prepared Consolidated State Audit and Review Reports for the years 1989-90 to 2005-06 and submitted to the Finance department. The Government tabled the Consolidated Audit and Review Reports for the period from 1989-90 to 1997-98 in the A P Legislative Assembly in March 2008. Reports from 1998-99 to 2005-06 are yet to be placed. Some of the major findings by the Director, State Audit related to excess utilisation/non-

utilisation/diversion/ misutilisation 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 of India, District Planning Committees (DPCs) are to be constituted by the State Government so as to consolidate the development plans formulated by the Local Bodies based on planning at the grass root level. Accordingly, GOAP enacted A.P. District Planning Committee Act, 2005 (Act 40 of 2005) for constitution of DPCs. Though enactment was made in the year 2005 for constitution of DPCs, it was only in January 2007, after a lapse of two years Government issued orders framing the rules for functioning of DPCs. Further, Government also issued orders in October 2007 wherein certain guidelines were issued with regard to i) Functions and meeting procedures ii) Preparation of District Plan by DPC and iii) Collection and maintenance of data base on Socio Economic and General Statistics and Development of Indicators.

However, the information regarding actual formation as well as functioning of DPCs is yet to be received from the State Government (October 2008).

1.1.8 Finance Commissions

Twelfth Finance Commission:

As per para 7 of the TFC guidelines, CAG is empowered to audit the release and utilisation of TFC grants. The audit of release and utilisation of TFC grants for the year 2005-06 was undertaken during December 2007-January 2008.

During the year 2005-06, the following were the releases of TFC grants made by the State Government to PRIs.

(Rupees in crore)

Details of release	Amount	Date of Release by GOI	Date of release by the State Govt. to PRIs	No. of days delayed	Details of interest released.
1 st Installment	158.70	9.12.2005	8.2.2006	45 days	1.85 (24.3.06)
2 nd Installment	158.70	23.3.2006	24.4.2006	16 days	0.55 (23.8.06)

The following observations were made on scrutiny of records: -

- In four⁴ districts of PRIs test checked, a sum of Rs 21.87 lakh out of the total grant of Rs 40.75 crore relating to first year grant (2005-06) did not reach the intended PRIs even after a lapse of 18 months of its receipt by the State Government. No reasons were furnished for the delay.

⁴ Adilabad, Kadapa, Visakhapatnam and Warangal

- In violation of scheme guidelines, an amount of Rs 96.29 lakh was released to Engineering Divisions and District Panchayat Offices instead of MPDOs and GPs by CEOs of Adilabad and Kadapa Districts.
- A sum of Rs 8.85 crore remained unutilised by the 155 PRIs⁵ out of the total grant of Rs 40.75 crore (2005-06) in the test checked districts of Warangal, Adilabad, Visakhapatnam, Krishna and Kurnool. The main objective of the grant i.e., augmentation of the resources of PRIs to undertake maintenance of water supply and sanitation was not fully achieved.
- A sum of Rs 4.04 crore was diverted from TFC grant for other purposes viz, conduct of GP elections, construction of roads, work bills of General Fund accounts etc., in the five test checked districts⁶ as detailed in *Appendix 1*.
- Improper maintenance of Records and Registers resulting in lack of assurance that the funds were properly utilised.

State Finance Commission

According to Article 243-I of the Constitution and Section 235 (1) & (2) of A.P. Panchayat Raj Act, 1994, constitution of State Finance Commission (SFC) once in five years to recommend devolution of funds from the State Government to Local Bodies is mandatory. The First SFC was constituted during 1994. The Second SFC started functioning from December 1998 and its Report was placed in the Legislative Assembly in August 2002. The Third SFC was constituted in January 2003 with a term of eighteen months upto July 2004 and the term was further extended upto January 2008. The Third SFC submitted its Report in January 2008. The Government constituted (March 2008) a committee of Ministers/Secretaries to examine the recommendations of the Third SFC and to table the Action Taken Report in the A P Legislative Assembly/Council.

During the test check of Second SFC grants in 2006-07, it was noticed that an amount of Rs 65.32 lakh was excess released to the CEO/ZPP, Nizamabad during 2003-04 and the amount was parked in Fixed Deposits by the CEO without remitting to the Government. Commissioner replied (October 2008) that CEO spent Rs 17.97 lakh on general works and Rs 47.35 lakh is still in Fixed Deposits.

1.1.9 Devolution of Funds, Functions and Functionaries to PRIs

The 11th Schedule of the 73rd Constitutional Amendment Act, 1992 enlisted 29 subjects for devolution to strengthen the PRIs. The Ministry of Panchayat Raj, Government of India held seven Round Table Conferences in various places in the country with State Governments

⁵ 5 ZPs, 25 MPDOs and 125 GPs

⁶ Adilabad, Kadapa, Krishna, Visakhapatnam and Warangal

to arrive at a blue print for effective devolution of powers to Panchayat Raj Institutions.

Accordingly, GOAP constituted Group of Ministers in June 2004 to deliberate and make recommendations to the Government for devolution of powers to PRIs. Government also constituted a Task Force Committee under the Chairmanship of Special Chief Secretary to the Government along with other three Secretaries in September 2004 for discussion with all the concerned departments to work out and make suggestive measures on devolution of powers to PRIs.

A Memorandum of Understanding was signed by the Chief Minister of Andhra Pradesh and Union Minister for Panchayat Raj, GOI in April 2006, *interalia*, to devolve ten core subjects to PRIs within one year from the date of agreement.

Ten functions identified by GOAP and transferred to PRIs are as detailed below.

1. Agriculture and Agriculture Extension
2. Animal Husbandry, Dairy and Poultry
3. Fisheries
4. Rural Development
5. Drinking Water and Sanitation (RWS)
6. Primary, Secondary and Adult Education
7. Health, Sanitation, PHC, Dispensaries, Family Welfare
8. Social Welfare
9. Backward Class Welfare
10. Women and Child Development

The draft GOs prepared by the line departments were placed before the Cabinet in December 2007 and the Cabinet in its Resolution agreed the proposal for devolution of powers to PRIs.

As stated in earlier AR (Para 1.1.9) for the year ended 31 March 2006, due to non-transfer of three 'Fs' to PRIs, certain funds relating to provision of Protected Water Supply (PWS), termed as one of the major function to be devolved to PRIs, were routed through Engineering divisions functioning under the administrative control of Engineer-in-Chief (ENC)/PR Department but not through PRIs denying them an effective control over the execution of water supply works.

Similarly, the function relating to "Public Distribution System" was also not prioritised by the State Government for devolution to PRIs. As a result, the scope of identification of real beneficiaries in rural areas and the effective distribution was reduced.

1.1.10 Status of CAG's Audit observations

Test audit of accounts of 6 ZPPs (including Engineering divisions), 70 MPPs and 761 GPs was conducted under Section 20(1) of CAG's (DPC) Act, 1971 during the year 2006-07. As of September 2008, there were 1151 Inspection Reports comprising 6887 objections pending settlement with PRIs up to the

year 2006-07. These Reports included the items relating to audit conducted under Section 14 prior to entrustment of Local Bodies Audit under TGS in 2005-06.

1.1.11 Internal Control

The system of internal control in any organisation promotes economical, efficient and effective operations. It seeks to safeguard the resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities by ensuring adherence to the laws, regulations and management directives.

Test check of accounts of 761 GPs revealed that there was poor financial management and financial irregularities such as non-utilisation of grants, irregular expenditure, non-maintenance of vital records etc., as detailed in para 3.1 of the Report indicating an inadequate internal control system in GPs. Similarly, the compliance to the pending inspection reports of PRIs was also poor.

1.1.12 Conclusions

The Commissioner, Panchayat Raj is not consolidating the receipts and expenditure particulars of PRIs reflecting poor monitoring of finances. The recovery of Tax and Non-Tax revenues by GPs during 2005-06 was poor as compared to 2004-05. The Budget and Accounts formats for PRIs are yet to be adopted by GPs and some MPPs. Deviations to the guidelines were noticed in utilisation of Twelfth Finance Commission grants. DPCs were not yet constituted in all the districts though orders were issued by the State Government. Reports of the Director, State Audit for the years from 1998-99 to 2005-06 were not yet placed in the Assembly.

1.1.13 Recommendations

- Diversion of TFC grants should be avoided.
- GOAP should ensure timely release of TFC grants to PRIs.
- The State Government may expedite the devolution of three 'Fs' i.e. Functions, Functionaries and Funds as per functions listed in the Eleventh Schedule/Schedule 1 of APPR Act, 1994, for achieving the objective of decentralisation and grass-root democracy in rural areas, as laid down in the Constitution.
- State Audit Reports for the years 1998 to 2006 should be placed in the State Legislature on priority.
- Constitution of DPCs in all the districts be expedited.
- Replies to the Inspection Reports are to be expedited.

1.2 URBAN LOCAL BODIES

1.2.1 Introduction

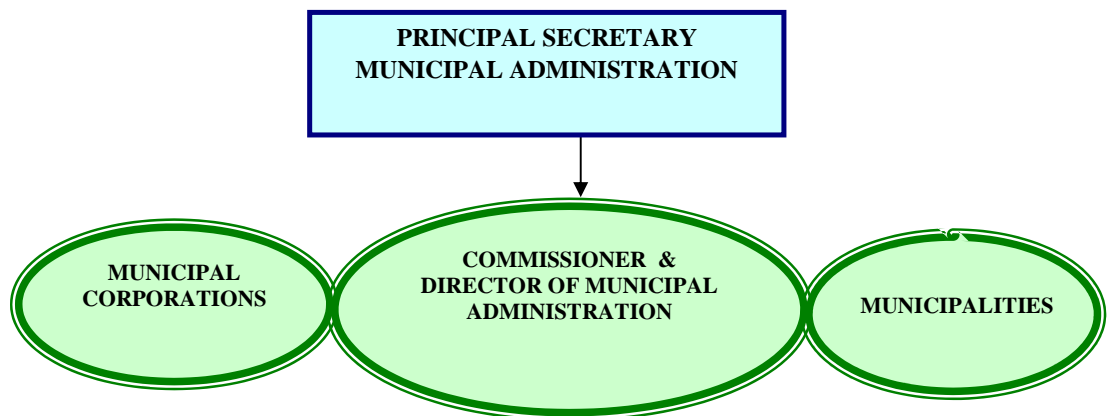
The 74th Constitutional Amendment Act identified 18 functions for Urban Local Bodies (ULBs) as incorporated in Twelfth Schedule of the Constitution. The Andhra Pradesh Municipal Corporations Act 1994 was enacted (Act 25 of 1994) to provide for the establishment of Municipal Corporations in the State of 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 all other Municipal Corporations in the State. Thus, the provisions of the Hyderabad Municipal Corporation Act, 1955 as amended from time to time and the rules framed there under are followed by Corporations. The Municipalities are, however, governed by the Andhra Pradesh Municipalities Act, 1965.

As per 2001 census, the total population of the State of Andhra Pradesh was 7.57 crore of which 2.05 crore reside in urban areas (27.08 per cent). As on 31 March 2007, there were 124⁷ Urban Local Bodies (ULBs) in the State. Of these, 109 were Municipalities and 15 were Municipal Corporations. The State Election Commission conducted elections to the ULBs in the month of September 2005.

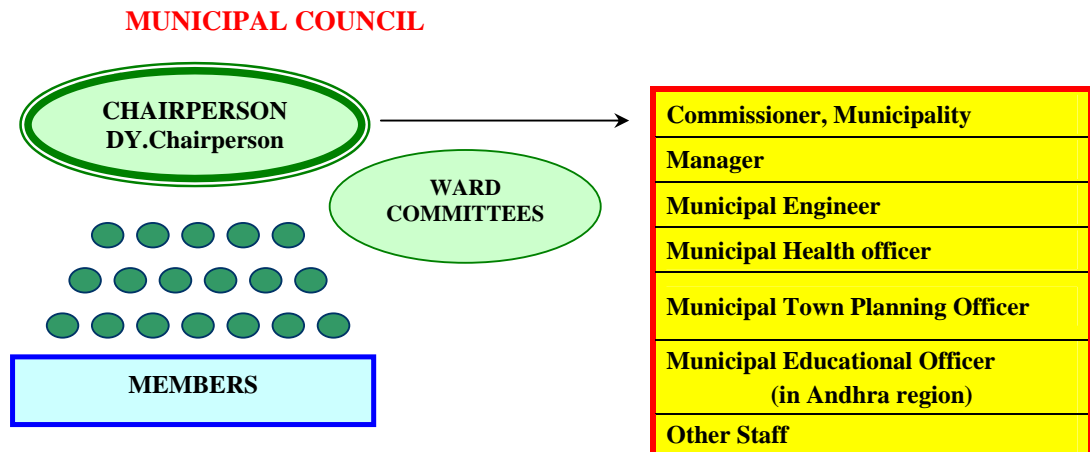
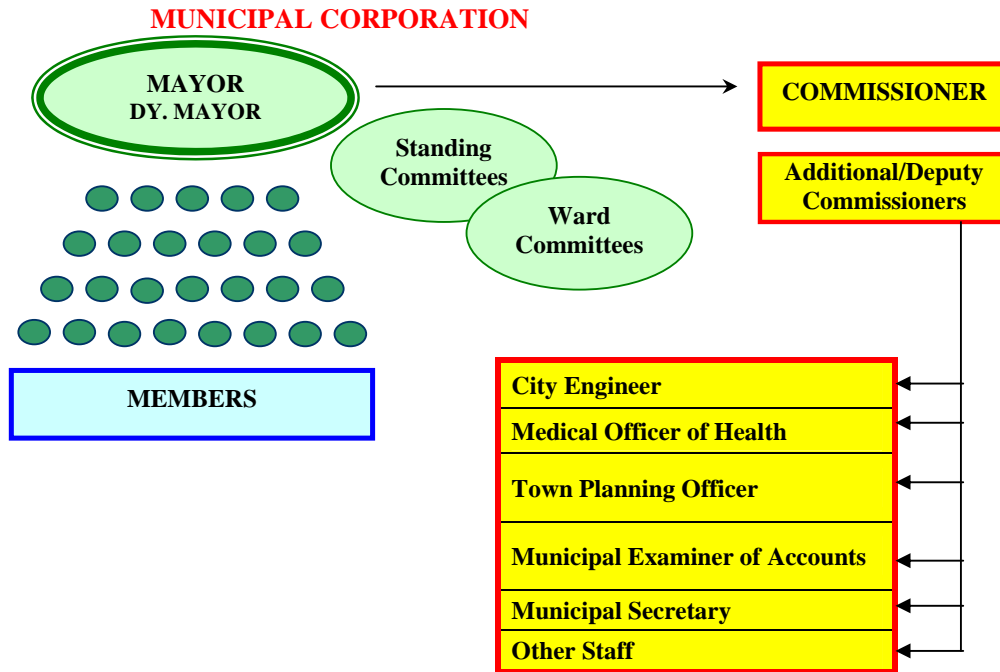
1.2.2 Organisational Set-Up

All the ULBs consist of such number of elected members (Corporators/Councillors) 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 organisational set up of ULBs in the state is depicted below:



⁷ These figures vary from that mentioned in the earlier Audit Report 2005-06 due to merger of municipalities into GHMC, up gradation of some GPs into municipalities.



The Municipal Council and the Corporation transact their business as per the provisions of the concerned Act. There is a Standing Committee consisting of the Chairpersons of all the Ward Committees in a Corporation. There are Ward Committees in Municipalities. The Standing 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 to the scrutiny of municipal accounts. The main functions of ward committee include maintenance of sanitation, water supply and drainage, street lighting, roads, market places, play grounds, school buildings, review the revenue collections, preparation of Annual Budget and sanctioning the works. The day-to-day administration rests with the Commissioner. He is assisted by Additional/Deputy/Assistant Commissioner, Municipal Engineer, Medical Health Officer, Examiner of Accounts, Town Planning Officer and other staff.

1.2.3 Funding of Urban Local Bodies:

The resources of ULBs consist of grants and assistance from the Government of India (GOI) and the 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, building fee, etc. Figures given in the following table were furnished by the Commissioner and Director of Municipal Administration (CDMA). These figures were, however, not certified as the audit of ULBs was in arrears ranging from 2 to 35⁸ years in most of the ULBs as detailed in para 1.2.5.

Position of overall receipts during 2004-05 to 2006-07 is detailed below:

(Rupees in crore)

Source of Funds		2004-05	2005-06	2006-07	
Own Revenues					
a.	Taxes				
	i)	Property tax	584.24	520.41	495.76
	ii)	Other Tax revenue (Advertisement tax, taxes on animals and taxes on carriages and carts)	18.07	20.03	134.04 ⁹
	Total Tax revenue		602.31	540.44	629.80
b.	Non-Taxes				
	i)	Water charges	104.69	119.91	130.06
	ii)	Encroachment fee	1.65	84.90	2.18
	iii)	Betterment/Development charges	50.46	59.83	66.91
	iv)	Building license fee	37.04	42.73	66.36
	v)	Others (Water supply donations, market fee, slaughter house fee, shops rent, trade license fee, etc.)	92.35	107.78	258.19
	Total Non-Tax revenue		286.19	415.15	523.70
Assigned Revenue					
	i)	Entertainment tax	61.72	46.52	26.44
	ii)	Surcharge on stamp duty	292.30	282.83	312.96*
	iii)	Profession tax	91.07	111.65	36.58
	Total Assigned revenue		445.09	441.00	375.98
Non-Plan Grants			201.95	198.99	220.45**
Plan Grants			138.03	120.28	185.95**
Loans			54.14	10.99	9.67**
Other Income			293.02	290.65	344.93#
Grand Total			2020.73	2017.50	2290.48

* including the figures of Entertainment Tax and Profession Tax pertaining to Municipal Corporation of Hyderabad (MCH) as the break-up for the items of Assigned Revenue was not furnished.

** excluding the figures of MCH

includes the non plan grants, plan grants and loans of MCH.

⁸ Ananthapur 35 years

⁹ Other ULBs – Rs 15.01 crore, MCH – Rs 119.03 crore

It could be seen that there was only marginal variation in the total receipt of ULBs.

Application of funds:

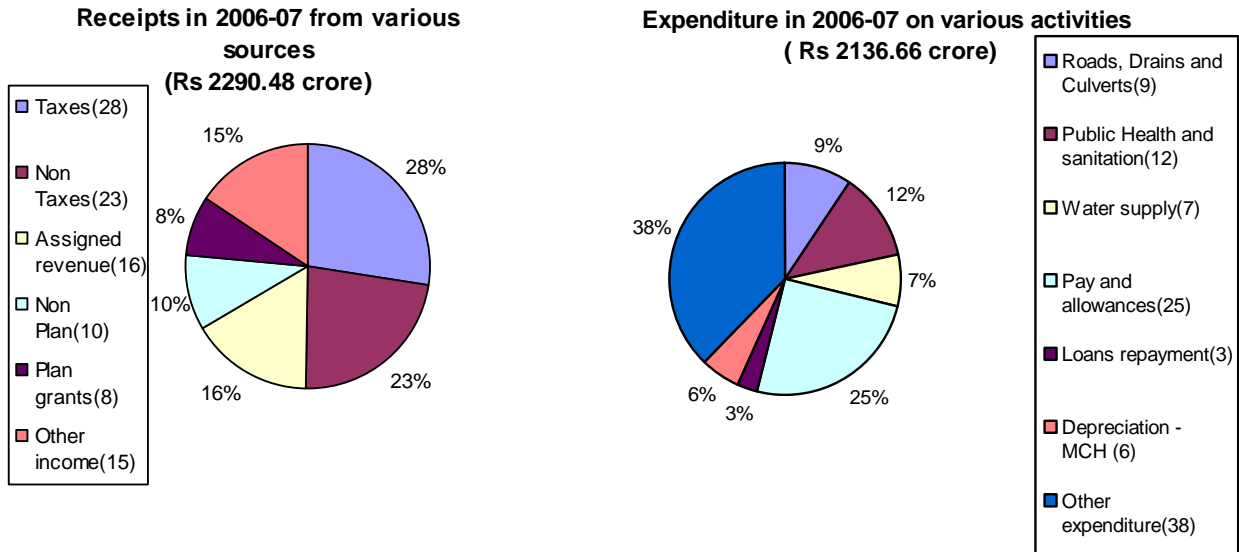
The expenditure of ULBs comprises recurring expenditure on pay and allowances, maintenance of capital assets etc., and non-recurring expenditure on creation of capital assets. The total expenditure during 2006-07 (Rs 2136.66 crore) increased by 4.62 *per cent* over previous year (Rs 2037.91 crore). The expenditure for ULBs in the past three years as furnished by CDMA is detailed below:

(Rupees in crore)

Application of Funds		2004-05			2005-06			2006-07		
		Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total	Non-Recurring	Recurring	Total
a.	Roads *	257.51	63.80	321.31	208.08	70.15	278.23	112.36	33.51	145.87
b.	Drains and Culverts*	76.50	12.36	88.86	71.75	12.89	84.64	46.66	6.46	53.12
c.	Buildings*	26.16	7.67	33.83	26.97	6.74	33.71	27.88	4.82	32.70
d.	Public Health and sanitation	21.70	114.40	136.10	17.17	195.89	213.06	17.86	245.90	263.76
e.	Water supply*	153.46	89.71	243.17	94.48	81.32	175.80	86.21	66.51	152.72
f.	Lighting*	27.29	89.74	117.03	27.51	68.60	96.11	13.85	50.48	64.33
g.	Remunerative enterprises*	13.63	7.36	20.99	17.70	7.74	25.44	22.44	5.05	27.49
Total		576.25	385.04	961.29	463.66	443.33	906.99	327.26	412.73	739.99
h.	Pay and allowances		370.47	370.47		370.42	370.42		533.66	533.66
i.	Loans Repayment*		65.89	65.89		38.83	38.83		60.98	60.98
j.	Depreciation (MCH)								119.66	119.66
k.	Other expenditure (town planning, land acquisition management expenses, etc.)		861.06	861.06		721.67	721.67		682.37*	682.37
Total			1297.42	1297.42		1130.92	1130.92		1396.67	1396.67
GRAND TOTAL		576.25	1682.46	2258.71	463.66	1574.25	2037.91	327.25	1809.39	2136.66

* details are excluding the figures of MCH for the year 2006-07. Expenditure of MCH relating to these sectors for the year 2006-07 are included in other expenditure.

The expenditure on pay and allowances during 2006-07 was 23.30 *per cent* of total receipts and 24.98 *per cent* of total expenditure. The figures of receipts and expenditure for 2006-07 are depicted through pie chart as shown below.



1.2.4 Accounting arrangements

Accounts of ULBs are being maintained on cash basis. The Municipal Corporation of Hyderabad has adopted accrual based double entry system for maintaining its accounts since 2002-03. Ministry of Urban Development and Poverty Alleviation, GOI and C&AG had formulated (December 2004) National Municipal Accounts Manual (NMAM) with double entry system, for greater transparency and control over finances and requested (May 2005) the States to adopt the same with appropriate modifications to meet States specific requirements. Accordingly, a Steering Committee was constituted by GOAP (May 2005) and the A.P. Municipal Accounts Manual (APMAM) was developed during 2006-07. The State Government issued orders during August 2007 for adoption of AP Municipal Accounts Manual in all the ULBs in the State. Except Greater Hyderabad Municipal Corporation, all the remaining ULBs are yet to adopt the new Accounting system. Compilation of accounts by ULBs is in arrears since 1986 in most of the units.

1.2.5 Audit arrangements

The 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 Technical Guidance and Support for audit and accounts of Urban Local Bodies to CAG under Section 20 (1) of C&AG's (DPC), Act.

According to Rule 4 of A.P. Municipalities (Preparation and Submission of Accounts and Abstracts) Act, 1970, ULBs are to compile their Accounts annually and forward a copy to Auditor not later than 15th June. Certification of accounts gives an assurance that

the funds have been utilized as per codal provisions. However, the audit of accounts of ULBs by the Director of State Audit was pending for the past several years, as the accounts were yet to be compiled by the ULBs. The District wise arrears position in respect of Municipalities furnished by Director, State Audit ranged between 2 to 35 years as of December 2007. The Director, State Audit, has so far, prepared Consolidated State Audit and Review Reports for the years 1989-90 to 2005-06 and submitted to Finance department. The Government tabled the Consolidated Audit and Review Reports for the period from 1989-90 to 1997-98 in the A P Legislative Assembly in March 2008. Reports from 1998-99 to 2005-06 are yet to be placed. Some of the major findings by the Director, State Audit related to excess utilisation/non-utilisation/ diversion/ misutilisation of grants, non-collection of dues, advances pending adjustments/violation of rules, wasteful expenditure etc. Delay in audit results in delay in remedial action on deficiencies noticed in audit.

1.2.6 Finance Commissions

Twelfth Finance Commission:

During the year 2005-06, following were the releases of TFC grants made by the State Government to ULBs.

(Rupees in crore)

Details of release	Amount	Date of Release by GOI	Date of release by State Govt. to ULBs	No. of days delayed	Interest payable	Interest paid by GOAP
1 st Installment	37.40	28.12.05	17.4.06	94	0.58	0.58
2 nd Installment	37.40	14.11.06	9.1.07	41	0.25	Nil

Test check of records (January 2007 to March 2007-Releases and December 2007 to January 2008-Utilisation) relating to TFC grants for the year 2005-06 revealed the following-

- According to TFC guidelines, the grant should be credited to the accounts of the ULBs within 15 days from the date of receipt of grants of GOI. However, it was noticed that the State government released the grants amounting to Rs 37.40 crore being the first installment of 2005-06 only during April 2006. As such the grant could not be utilised during the financial year. The Annual Action plans were prepared only after receipt of grants and implementation commenced from August 2006.
- The State Government was liable to pay interest at bank rate for the period of delay. It was, however, noticed that though the State Government had released interest of Rs 58 lakh for delayed release of 1st installment, the CDMA had not released interest of Rs 58 lakh to ULBs as of March 2007.

- Similarly, an interest of Rs 25 lakh for delayed release of 2nd instalment for 41 days was not released by the State Government to the ULBs.
- As per the TFC guidelines, 50 *per cent* of the grants should be utilized for Solid Waste Management (SWM) and ULBs (with population of more than one lakh) should prepare and submit Comprehensive Action Plan (CAP) for implementation of SWM. It was, however, noticed in audit that CAPs for the entire five year period was not prepared in any of the ULBs. Although segregation of solid waste is one of the important items of work in SWM, importance was given to collection and transportation of waste only and no plan for fruitful utilisation of solid waste which would have generated income to the ULBs by way of producing compost and recyclable dry waste.
- Though as per TFC guidelines, funds are to be earmarked for creation of database and maintenance of accounts, no funds were earmarked.

State Finance Commission: The second SFC made 39 recommendations pertaining to financial devolution 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/Corporations in urban areas of Telangana region were still pending. The Third SFC submitted its report in January 2008. The Government constituted (March 2008) a committee of Ministers/Secretaries to examine the recommendations.

1.2.7 Status of CAG's Observations

Test audit of accounts of five Municipal Corporations and 13 Municipalities was conducted under Section 20(1) of CAG's DPC Act, 1971 during the year 2006-07. As of September 2008, there were 68 Inspection Reports comprising 1236 objections pending settlement with ULBs up to the year 2006-07. The Inspection Reports includes the items relating to audit conducted prior to entrustment of Local Bodies Audit under TGS in 2005-06.

1.2.8 Internal Control

The system of internal control in any organization promotes economical, efficient and effective operations. It seeks to safeguard the resources against loss due to waste, abuse, mismanagement, errors, fraud and irregularities by ensuring adherence to the laws, regulations and management directives.

Test check (2006-07) of accounts of 18 ULBs revealed several financial irregularities, lapses in utilization of grants/funds resulting

in diversion of funds, excess expenditure, incomplete projects, loss of revenue, locking up of funds etc. which were communicated through the Inspection Reports. Some of the major findings are incorporated in paras 3.2.1 to 3.2.9 of the Report. Audit observed that there was poor compliance to Inspection Reports from ULBs. The internal control system was totally inadequate and did not ensure economical/efficient operation.

1.2.9 Conclusions

The AP Municipal Accounts Manual was not adopted in all the ULBs except MCH. TFC grants were released with delay. TFC grants were not utilised for Solid Waste Management and not earmarked for Database. There were huge arrears in audit by the Director, State Audit, primarily due to arrears in compilation of accounts ranging between 2 to 35 years.

1.2.10 Recommendations

- The Municipal Administration Department needs to oversee and ensure that the compilation of Annual Accounts is taken up in earnestness and the arrears cleared in time bound manner, so as to facilitate timely audit and remedial action on deficiencies.
- The Government should ensure that the pending Audit Reports of the Director, State Audit for the years 1998 to 2006 are placed in the State Legislature as stipulated in the Act.
- With increasing trend in urbanisation, emphasis to be laid on speedy implementation of recommendations of SFC.
- Replies to the Inspection Reports are to be expedited.

CHAPTER II

PERFORMANCE AUDIT REVIEWS AND LONG PARAGRAPHS

This chapter contains performance audit on National Employment Guarantee Scheme in Andhra Pradesh (2.1) Financial Management of Vijayawada Municipal Corporation including Information Technology Audit (2.3) and a long para on Functioning of Zilla Praja Parishads (2.2)

PANCHAYAT RAJ INSTITUTIONS

2.1 National Rural Employment Guarantee Scheme in Andhra Pradesh

Highlights

Government of Andhra Pradesh(GOAP) launched the National Rural Employment Guarantee Scheme in February 2006 in 13 districts of the state, in accordance with the National Rural Employment Guarantee Act, 2005, enacted by the Government of India(GOI). The main objective of the scheme is to provide 100 days of guaranteed wage employment in every financial year to every rural household whose adult members volunteer to do unskilled manual work. A review on the implementation of the scheme in the state revealed the following:-

Employment Guarantee Scheme funds to the extent of Rs 38.08 crore were diverted to other schemes.

(Paragraph 2.1.9.4)

Of the 23.39 lakh rural households, who were provided employment during the period from February 2006 to March 2007, the targeted 100 days of employment in a financial year was achieved only in respect of 79,969 households (3 *per cent*) resulting in non-achievement of the main objective of the scheme.

(Paragraph 2.1.10.4)

Though payments of wages were delayed beyond 15 days to 53 *per cent* of the test checked labourers, no compensation was paid.

(Paragraph 2.1.10.5)

Out of the works shown as completed, it was observed that 45 *per cent* of works were closed after incurring expenditure of less than 50 *per cent* of their estimated cost. Closure of works after partial execution had adverse implications on creation of durable assets, a key objective of the scheme besides rendering the expenditure unfruitful.

(Paragraph 2.1.11.2)

In the 13 districts (phase I), expenditure of Rs 147.38 crore was incurred on ineligible works during 2006-07.

(Paragraph 2.1.11.3)

Since statutory records at Mandal/GPs were either not maintained or incompletely maintained, audit could not ensure that the provision of legal guarantee of 100 days employment had been translated into action.

(Paragraph 2.1.12)

Social audits were not conducted at regular intervals thereby defeating the objective of public vigilance in evaluating the quality of the works.

(Paragraphs 2.1.13)

2.1.1 Introduction

To provide for the enhancement of livelihood security of households in rural areas, the Government of India (GOI) enacted (September 2005) the National Rural Employment Guarantee Act (NREG Act), 2005. For the purpose of giving effect to the provisions of the Act, it was envisaged that every State Government shall formulate a State Rural Employment Guarantee Scheme (REGS), which should conform to the minimum features specified under the Act. Government of Andhra Pradesh (GOAP), in accordance with the Act introduced Andhra Pradesh Rural Employment Guarantee Scheme (APREGS) in February 2006 in 13¹ districts. After the Act comes into force, all the rural households have the right to register themselves with the Gram Panchayats (GP) and seek employment under the Act. Work was to be provided within 15 days of the date of demand, failing which the State Government was to pay unemployment allowance at stipulated rates.

The Centrally Sponsored Scheme is on a cost sharing basis between the Centre and the States in the ratio of 90:10. Under NREG Scheme, GOI was to bear (i) the entire cost of wages to unskilled manual workers (ii) 75 *per cent* of the cost of material and wages to skilled and semi-skilled workers (iii) administrative expenses (two *per cent* during 2005-06 and 2006-07 and four *per cent* from 2007-08) and (iv) administrative expenses of the Central Employment Guarantee Council. The State Government was to bear

¹ Adilabad, Ananthapur, Chittoor, Kadapa, Karimnagar, Khammam, Mahaboobnagar, Medak, Nalgonda, Nizamabad, Ranga Reddy, Vizianagaram and Warangal
Six more districts were covered under the scheme w.e.f. April 2007 and extended to the entire State w.e.f. April 2008

(i) 25 per cent of the cost of material and wages for skilled and semi-skilled workers (ii) expenses on unemployment allowance and (iii) administrative expenses of the State Employment Guarantee Council. Detailed Operational Guidelines have been issued by the Ministry of Rural Development, GOI and Department of Rural Development, GOAP under the provisions of the Act.

2.1.2 Objectives of the Programme

2.1.2.1 Primary objectives

The primary objectives of APREGS are to:

- provide legal guarantee for 100 days employment in a financial year to every rural household whose adult members volunteer to do unskilled manual work; and
- create durable assets for Gram Panchayats.

2.1.2.2 Secondary objectives

The secondary objectives of the programme are to:

- protect environment
- empower rural women; and
- reduce rural-urban migration and fostering social equity.

2.1.3 Organisational Structure

The State Government formulated Rural Employment Guarantee Scheme in consonance with NREGA. It has set up State Employment Guarantee Council (SEGC) at State level (May 2006) and designated the Commissioner, Rural Development as State Employment Guarantee Commissioner (Commissioner) assisted by the Director, Employment Guarantee Scheme for ensuring all the activities required to fulfill the objectives of the Act, are carried out and to give administrative, financial and technical support to the District Programme Coordinators, Programme Officers(POs), Panchayat Raj Institutions (PRIs) and all other agencies involved in implementation. He is assisted by the Director, Strategy and Performance Innovation Unit (SPIU) in conduct of social audits.

The State Government designated the District Collector as the District Programme Coordinator (DPC) for the overall co-ordination and implementation of the scheme in the District. The programmes are implemented by District Water Management Agencies (DWMA) at the District level.

A full time officer was appointed as the Programme Officer at Mandal level. Programme Officer/Mandal Parishad Development Officer (MPDO) is primarily responsible for implementation of the scheme in the Mandal. They are also responsible for matching the works with labour demand, scrutinise GP plans, maintenance of

shelf of works and create awareness among wage seekers about their rights and entitlements under the Act.

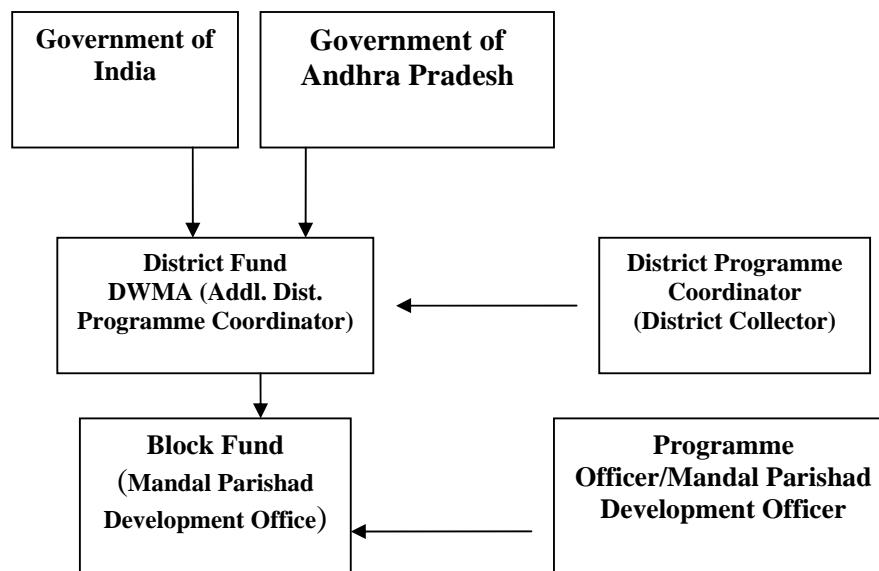
The GP has a pivotal role in the implementation of REGS. It is responsible for planning of works, registering households, issuing job cards, allocating employment, executing 50 *per cent* of the works and monitoring the implementation of the Scheme at the village level.

Funding Pattern

- The DWMA receives GOI's share and State's share of funds through DRDAs². The Project Directors, DWMA's release the funds to the MPDOs for implementation of the scheme at Mandal and GP level. The funds are kept in separate bank accounts opened for operating the scheme.

FUND FLOW CHART

Monitoring authorities



2.1.4 Audit Objectives

Performance review of the Rural Employment Guarantee Scheme was conducted to examine whether:

- there exists proper planning for implementation of the scheme.
- funds were released to the implementing agencies and expenditure incurred there from as per guidelines.
- the scheme was implemented in true spirit and achieved its objectives.

² District Rural Development Agency

- there was effective and adequate mechanism at different levels for monitoring and evaluation of implementation of the scheme.

2.1.5 Audit criteria

The following criteria were adopted:

- NREG Act and notifications issued thereunder, operational guidelines issued by the GOI, Operational Manual 2006 issued by the State Government; and
- Circulars and instructions issued at State level.

2.1.6 Audit scope and sampling

Of the 13 districts implementing the scheme in the State, five³ districts were selected using simple random sampling without replacement (SRSWOR) method, 17⁴ rural Mandals in the five sample districts (using SRSWOR method) and four Gram Panchayats in each selected Mandal (using probability proportionate to size (PPS) method) were selected for detailed study. Audit test checked (May-August 2007 and March 2008) the records relating to the implementation of the scheme in the offices of Director, EGS; Project Directors, DWMA's at District level; MPDOs at Mandal level; and Gram Panchayats at GP Level during the period February 2006-March 2007. An entry conference was held in May 2007 with the Principal Secretary, Rural Development; Commissioner, Rural Development and Director, EGS wherein the methodology of Performance Audit was explained. An exit conference was held in September 2008 with the above officers. The replies furnished by the Government have been taken into account while formulating audit observations.

2.1.7 Audit findings

The audit findings are discussed in the succeeding paragraphs

2.1.7.1 Preparatory Steps

Rural Employment Guarantee Scheme and State Employment Guarantee Councils.

As per Section 32 of the Act, the State Government is required to frame necessary rules in line with the provisions of the Act. It was noticed in audit that although the scheme was introduced in the State from February 2006, the State Government did not frame rules for

State Government did not frame any rules during 2006-07

³ Kadapa, Karimnagar, Medak, Nizamabad and Warangal.

⁴ Kadapa district – Ramapuram, Chinnamandem, Chitvel, Pengaluru, Nandalur Mandals.
Karimnagar district – Bejjanki, Chigurumamidi, Koheda, Mutharam manthani, Ellanthakunta, Pegadapalle Mandals.
Medak district – Kohir and Patancheru Mandals.
Nizamabad district – Dichpalle and Dharpalle Mandals.
Warangal District – Raghunathpalle and Sangam Mandals.

implementation of the scheme even after two years from the promulgation of the Act. Thus, the scheme was being implemented in the State without any legal framework. During the exit conference (September 2008), the State Government while accepting the non formulation of rules informed that employment guarantee fund rules and social audit rules have since been formulated.

For the purpose of regular monitoring and reviewing the implementation, the NREG Act stipulated that each State Government should constitute a State Employment Guarantee Council (SEGC). Though the State Government constituted the SEGC in May 2006, the Council is yet to identify the preferred works to be taken up under NREGA. The council has met only thrice instead of the mandatory six meetings in a year during 2006-07. In accordance with the Act, the SEGC prepared the annual reports for the years 2005-06 and 2006-07 which were presented to the State Legislature in November 2007. In the SEGC meetings⁵ it had recommended (i) for submitting proposals to GOI for allowing the work of construction of basement for the housing programme as permissible works under NREGA (ii) for making wages fortnightly without any deviations (iii) for conduct of social audit in all EGS districts at Mandal level by NGOs instead of by the Gram sabhas as provided in the Act, as it was time taking process for Gram sabhas to acquire audit skills and (iv) for maintenance of Assets Register at GP level as many schemes are implemented a GP level.

2.1.8 Planning

Planning is important for successful implementation of a scheme. A key indicator of success is the timely and adequate generation of employment while ensuring that the design and selection of works are such that good quality assets are created. The basic aim of the planning process is to ensure that each District is geared up in advance to offer productive employment on demand.

2.1.8.1 District Perspective Plan (DPP)

The District Perspective Plan (DPP) was to be prepared having a developmental perspective for the districts and linkages between the types of REGS works and long term employment generation and sustained development. Further, demand for employment in each district was to be drawn up based on decisions taken in the Grama Sabha meetings. It was, however, noticed that the DPPs were not prepared by any of the five test checked districts in the State for the year 2006-07. The Principal Secretary, PR & RD while accepting (September 2008) the audit observation on non preparation of DPPs stated that the list of works prepared in the Mandal Computer Centre (MCC) served the purpose till the DPPs were prepared. The fact remains that in the absence of DPPs, the long term perspective is missing.

⁵ 14 August 2006 and 28 October 2006

2.1.8.2 Annual Plans

The Annual Plan is a working plan that identifies the activities to be taken up on priority in a year. This Annual Plan will indicate for each project (a) time frame (b) person days to be generated (c) full-cost (d) assets to be created etc. It was observed in audit that the Annual Plans in 5 test checked districts in the State did not indicate the timeframe for each project or the specification of physical assets and enduring outcomes. The State Government did not prescribe the time frame for each level i.e. GP, Mandal and District for proposing, scrutinising and approving REGS works. In the absence of specification of physical assets and enduring outcomes in the Annual Plans, no meaningful comparison of actual achievements *vis-à-vis* plans was possible. It was observed that 42,325 works were shown as completed (March 2007) though the expenditure incurred was less than 50 *per cent* of their estimated values. This indicated that either the works were abandoned midway resulting in non creation of durable assets or the works were completed but the initial planning was exaggerated with faulty estimates of quantities required for completion.

The State Government while admitting (October 2008) that the initial estimates were faulty, attributed the abandonment of works to reluctance of farmers to come forward for execution of work on their lands.

2.1.9 Fund Management

The total financial assistance provided by the GOI and GOAP up to 31 March 2007 was Rs 1083.93 crore. Of this, the State Government utilized Rs 640.88 crore (59 *per cent*), as detailed below:-

(Rupees in crore)	
Opening balance	Nil
Funds released by GOI for 2005-07	1028.12
Funds released by GOAP for 2005-07	55.81
Total funds available	1083.93#
Expenditure incurred (up to March 2007)	640.88
Closing balance as on 31 March 2007	443.05*

for receipts, the inter district transfers and funds released under National Food For Work Programme (NFFWP) were not taken into account

*Excludes balances available with Mandals

The expenditure under the scheme worked out to 59 *per cent* of the funds available during 2005-07. Scheme funds of Rs 443.05 crore remained unutilised (in bank accounts) as of March 2007 with the Additional District Programme Coordinators (PDs, DWMAAs).

The details of funds received from GOI and the State Government and expenditure incurred under the scheme as certified by the Chartered Accountants in the test checked districts during 2005-07 are given below:

(Rupees in crore)

	Kadapa	Karimnagar	Medak	Nizamabad	Warangal	Total
Opening balance	Nil	Nil	Nil	Nil	Nil	Nil
Funds received from GOI	111.42	119.31	31.17	115.18	17.78	394.86
Funds received from the State Government	12.35	0.98	1.20	0.73	1.95	17.21
Total funds available #	123.77	120.29	32.37	115.91	19.73	412.07
Expenditure up to March 2007	64.28	36.30	32.28	35.68	35.62	204.16
Closing balance as of 31 March	59.49	83.99	0.09	80.23	(-) 15.89*	207.91

for receipts, the funds transferred from other districts and releases under NFFWP were not taken into account

* excess expenditure was met out of NFFWP funds

It would be seen from above that the test checked districts could utilise only 50 *per cent* of the available funds during 2005-07. This was mainly due to non-completion of works and non provision of 100 days employment to all the registered house holds provided with employment as discussed in para 2.1.10.4.

2.1.9.1 State Employment Guarantee Fund

State
Employment
Guarantee
Fund not
established

NREGA stipulated establishment of “State Employment Guarantee Fund (SEGF)” by the State Government for the purpose of implementation of the scheme. State funds should be released within 15 days of the release of the central funds. It was noticed that the SEGF was not established so far. Even after a lapse of two years, the Central and State share of funds were released directly to the implementing agencies, i.e. Project Directors, DWMA through DRDAs. It was further observed that during 2006-07, there were delays ranging from 12 to 220 days in release of State share. Government attributed (October 2008) the delay to ‘exhaustion of State Budget’ in 2006-07.

2.1.9.2 Non release of matching share by State Government

Matching
share not
released by
the State
Government.

GOI released (December 2005) Rs 28.75 crore towards an advance grant for making preparatory arrangements and for smooth launching of NREGA during 2005-06 in 13 EGS districts (phase I, at Rs 25 lakh each for non recurring expenses, Rs 10 lakh for preparation of perspective plan and Rs 5 crore for starting of employment works in five⁶ non NFFWP districts) with a stipulation for the State to contribute its share for works as applicable under NREGA guidelines. However, the State Government had not released its matching share of Rs 2.78 crore against the amount of Rs 25 crore released by GOI to the five non-NFFWP districts during

⁶ Chittoor; Karimnagar; Medak; Nizamabad and Vizianagaram districts

2005-06. The Government while admitting the lapse stated (October 2008) that as the amount was released towards preparative arrangements, State's matching share was not provided. The reply is not tenable as the audit observation pertains to that part of funds provided by GOI for execution of works and not for the amount provided for preparation of District Perspective Plans.

2.1.9.3 Excess administrative expenditure

Rs 35.69 crore was incurred on administrative expenses in excess of permissible limit

The NREGA stipulates that the administrative cost of the scheme should not exceed 2 per cent of the total budget (inclusive of State share) spent on NREGA. During 2006-07, an amount of Rs 45.20 crore was expended towards administrative expenses in 12 out of 13 EGS (phase I) districts against the permissible limit of Rs 9.51 crore. This has resulted in excess administrative expenditure of Rs 35.69 crore as detailed in *Appendix-2*. The Government while accepting the audit observation stated (October 2008) that the high administrative expenditure was due to certain initiatives taken by the Government viz., establishment of Mandal Computer Centre, conducting of social audit, awareness and training programmes, etc. The reply is not tenable as the administrative cost over and above the prescribed limit should have been borne by the State Government.

2.1.9.4 Diversion of scheme funds:

Rs 38.08 crore was diverted to other schemes

Against Rs 263.79 crore released (GOI and GOAP) to three⁷ EGS districts (up to March 2007) test checked, an amount of Rs 38.08 crore (14.44 per cent) was diverted to other schemes. Of this, an amount of Rs 19.31 crore was recouped in 2006-07 leaving Rs 18.77 crore unadjusted till the end of March 2007. The Government stated (October 2008) that the balance amount was also recouped in subsequent years. Audit observed that the recoupment was made with delays ranging from 8 to 20 months with corresponding adverse impact in generation of employment during the period (*Appendix-3*).

2.1.9.5 Advances pending adjustment

As of March 2007, Rs 29.94 crore advanced by DWMA remained unadjusted with the executing agencies/individuals. Of this, an amount of Rs 13.08 crore⁸ was adjusted with delays ranging from six to twenty four months leaving Rs 16.86 crore⁹ unadjusted as of October 2008.

Similarly, as of March 2007, Rs 12.74 crore advanced by the Mandal authorities remained unadjusted with the executing agencies/individuals. In the test checked Mandals, against advances

⁷ Kadapa, Karimnagar and Warangal

⁸ Adjustment particulars in respect of Adilabad, Khammam, Rangareddy and Vizianagaram districts were not furnished

⁹ It includes advances of Rs 6.76 crore released to post offices for one time deposit and Opening of SB accounts to wage seekers

of Rs 19.50 lakh pending adjustment as of March 2007, Rs 10.11 lakh was adjusted with delays ranging from 10 to 20 months, leaving Rs 9.39 lakh unadjusted as of October 2008.

2.1.10 Implementation of the scheme

2.1.10.1 Registration and Issue of Job Cards

The scheme is open to all rural households willing to undertake unskilled manual work. The entitlement of 100 days of guaranteed employment in a year is in terms of household which can be shared within the household. Those who register and apply for work are entitled to be provided with employment. The details of households registered under the scheme and provided employment as of March 2007 were as given below:-

District	No of rural households	No of households (in lakh)				Provided with job for 100 days	Maximum person days entitled	Person days provided	Expenditure (Rupees in lakh)
		Registered	Issued job cards	Demanded job	Provided with job				
Adilabad	3.90	3.02	3.02	1.44	1.44	6453	302	48.62	4319.43
Anantapur	5.89	5.43	5.43	2.41	2.41	15528	543	97.61	9299.42
Chittoor	6.70	5.13	5.13	2.37	2.37	17908	513	100.84	8297.30
Kadapa	4.63	3.81	3.81	1.97	1.97	9383	381	80.01	6428.21
Karimnagar	6.68	3.18	3.18	1.64	1.64	2899	318	41.88	3629.88
Khammam	4.87	4.49	4.49	1.80	1.80	2799	449	46.03	4290.28
Mahabubnagar	6.21	5.39	5.39	2.40	2.40	5841	539	63.09	5178.76
Medak	4.44	2.48	2.48	1.20	1.20	3272	248	36.24	3227.97
Nalgonda	6.32	5.45	5.45	2.59	2.59	4023	545	63.33	5673.73
Nizamabad	4.05	2.33	2.33	1.22	1.22	4613	233	39.37	3568.35
Rangareddy	3.26	1.71	1.71	0.72	0.72	2286	171	25.72	2756.47
Vizianagaram	4.23	3.65	3.65	1.58	1.58	2655	365	42.92	3856.42
Warangal	5.97	4.61	4.61	2.05	2.05	2309	461	46.74	3562.36
Total	67.15	50.68	50.68	23.39	23.39	79969	5068	732.40	64088.58

Source: Data collected from web reports

Only 3 per cent of the households provided with 100 days of employment

It would be seen from above that although 50.68 lakh rural households had registered under the scheme, only 23.39 lakh households had demanded and were provided with employment under the scheme. Out of the households provided with employment, only 0.80 lakh (3 per cent) were provided with job for 100 days. However, in the absence of maintenance of critical documents viz. Job Card Register, Employment Register, etc., the claim of the State Government to have provided employment to all those who applied for work could not be vouchsafed in audit. As the statutory registers were not/incompletely maintained, the issue of job cards within 15 days from the date of registration and provision of employment within 15 days could also not be assessed.

2.1.10.2 Door to door survey not conducted

Door to door survey was required to be conducted to enumerate all the families and their adult members who are eligible to register.

This enumeration was to help in prevention of registration of fictitious/ineligible names.

The Government stated (October 2008) that door to door campaign was conducted informing the people about the legal entitlements guaranteed under the Act. The massive enrolment during January-March 2006 was a result of such campaign. The reply is not acceptable as the purpose of door to door survey was not just to create awareness but to enumerate the willing and eligible households.

2.1.10.3 Photographs not affixed

Only 59 per cent of job cards were affixed with photographs

NREGA stipulates that photographs of adult member applicants have to be attached to the job cards. This was important not only for the identification of wage seekers but also to arrest the natural tendency of bogus job cards getting circulated. During the scrutiny of the job cards in the test checked districts, most of the job cards were not affixed with photographs of the adult members of each registered household. In a sample of 40 job cards in the test checked GPs during 2006-07, the photographs were affixed only in 5 to 10 job cards. The Government issued orders for affixation of photographs on job cards belatedly in April 2007 i.e. after a lapse of over a year of implementation of the scheme and instructed for utilisation of photographs from ration card data base for their affixation on job cards instead of taking fresh photographs to minimise chances of ghost job cards. As against 62,26,179 job cards issued (September 2007) in the 13 districts under Phase-I, the photographs were affixed¹⁰ on only 36,67,168 job cards (59 per cent). In the test checked districts the affixation of photographs on job cards ranged from 46 per cent (Medak) to 63 per cent (Kadapa). PDs, DWMAAs attributed non-affixation of photographs on the remaining job cards to non-receipt of photographs from Civil Supplies Department and non-availability of the job cardholders in the village. Non affixation of photographs is a serious flaw in the implementation of the scheme with potential ramifications for fraudulent payments.

The Government stated (October 2008) that, as a measure of economy and efficiency, photographs already collected by the State Government as a part of issue of ration cards are utilised for affixation on job cards. The reply overlooks the fact that non affixation of photographs does not result in any economy as the expenditure on bogus cards would be much more than the savings so effected.

2.1.10.4 Provision of employment

The NREGA provides that every adult member of registered household whose name appears in the job card shall be entitled to apply for unskilled manual work under the scheme. All the persons belonging to a household shall be entitled to employment in

¹⁰ Photo affixation was taken up in May 2007 and September 2007

accordance with the provision of this act, for as many days as each applicant may request, subject to a maximum of one hundred days per household in a given financial year. The applicant has to be provided employment within 15 days of receipt of application or from the date, he/she seeks work in case of advance application which ever is later, else the applicant is entitled for daily unemployment allowance as fixed by the State Government.

Audit observed that none of the test checked GPs had either obtained applications from the households demanding wage employment or maintained any record for registering the demand for wage employment and the employment provided. In the absence of such records there is no assurance that all persons demanding employment were provided employment for 100 days as stipulated in the Act. The Government stated (October 2008) that record maintenance in all GPs was being checked regularly to ensure that they are maintained up to date and further stated that it is not correct to presume that non maintenance of records at GP will lead to lack of information on how many households demanded employment and how many of them are provided employment and for how many days.

The reply is not tenable as during the period from February 2006 to March 2007, as against 67.15 lakh rural households in 13 EGS phase I districts, job cards were issued to 50.68 lakh rural households to provide 50.68 crore mandays in a financial year @ 100 mandays to each registered house hold. Audit observed that 23.39 lakh (46 *per cent* of registered households) rural households were only provided employment to the extent of 7.32 crore mandays (14 *per cent* of projected mandays). The targeted 100 days of employment to each rural household was stated to have been achieved only in respect of 79,969 rural house holds (3 *per cent* of total registered house holds). Incidentally, it was also noticed that no unemployment allowance was paid in the State during 2006-07.

Agricultural activity needs labour only for part of the year. It is, therefore, inconceivable that a person who has a job card would have sought employment less than 100 days. The more possible cause is that despite demand for employment, faulty planning led to lack of identification of suitable works to engage the job card holders for the full hundred days. On the other hand, since idle wages have to be borne by the State Government there has apparently been not much enthusiasm for maintaining a record of those applied.

2.1.10.5 Delay in payment of wages

No compensation was paid for the delayed payment of wages

NREGA stipulates that wages should be paid on time. In case of delay beyond 15 days, workers are entitled to compensation as per the provisions of the Payment of Wages Act, 1936. It was noticed that as against the test checked 95.34 lakh labourers for whom pay orders were generated to the end of March 2007, 50.46 lakh¹¹ labourers (53 *per cent*) were paid wages beyond the stipulated period of 15 days. However, no compensation was paid towards delay in payment of wages. Delayed payment of wages is not only against the provisions of the Act, but also defeats the objective of NREGA of providing livelihood security. The Commissioner, while accepting the audit observations assured (January 2008) to take steps to reduce the delays to minimum. The State Government replied (October 2008) that modalities for payment of compensation were under examination.

2.1.10.6 Wages paid below minimum rate

Payments made were less than minimum wage rate

According to the provisions of NREGA, every person working under the Scheme is entitled to wages at the minimum wage rate fixed by the State Government for agricultural labourers. Wages may be paid either at a time rate or piece rate basis. The NREGA Operational Guidelines further stipulate that the States should prepare exhaustive and detailed list of tasks required for undertaking works under REGS in different geo-morphological conditions. The productivity norms for the District Schedule of Rates (DSRs) should be worked for each locale in such a way that seven hours of normal work earns minimum wages on a piece rate basis. It was noticed that out of test checked 34.35 lakh labourers who were provided employment during the period from February 2006 to March 2007, 12.60 lakh¹² labourers (37 *per cent*) were paid wages less than the minimum wage rate of Rs 80 per day. The Commissioner stated (January 2008) that the payment of wages were linked to out-turn of work and hence there may be instances of low wages. The reply is not tenable as the State Government should have fixed the productivity norms in such a way that a person working for seven hours should earn the minimum wages.

2.1.11 Works Management

2.1.11.1 Worksite facilities

The NREGA Operational Guidelines stipulate that worksite facilities are to be ensured by the implementing agency. It was, however, observed that worksite facilities viz. shade and crèche were not provided in any of the test checked GPs in the selected districts. The Government accepted (October 2008) the fact of non-provision

¹¹ 26.57 lakh labourers were paid wages with delays between 16 to 30 days

23.89 lakh labourers were paid wages with delays beyond 30 days

¹² Less than Rs 25- 28927; Rs 25 to Rs 50 – 287896; Rs 50 to Rs 75 - 943199

of these worksite facilities and stated that this aspect would be monitored regularly.

Expenditure on completed works without creation of durable assets

2.1.11.2 Unfruitful expenditure on ‘completed’ works

The objective of the scheme was to strengthen the livelihood resource base of the rural poor besides creation of durable assets. The details of the completed works (up to March 2007) with their estimated values and the actual expenditure incurred there on are as follows:-

(Rupees in crore)

Percentage of utilisation w.r.t. estimated values	No. of works shown as completed (percentage)	Total estimated value	Total actual expenditure incurred
Less than 25 per cent	21,796(23)	218.03	23.24
25 to 50 per cent	20,529(22)	125.05	42.38
50 to 75 per cent	16,401(18)	70.96	40.85
75 to 100 per cent	34,345(37)	127.74	118.20
Total	93,071	541.78	224.67

Out of those shown as completed, it was observed that 45 per cent of works were closed even without incurring expenditure of 50 per cent of their estimated values as already discussed in paragraph 2.1.8.2.

2.1.11.3 Execution of inadmissible works

Irregular expenditure of Rs 147.38 crore on ineligible works

In the 13 districts (phase I) in the State, an amount of Rs 147.38 crore was incurred during 2006-07 for construction of houses (basement level) for 4,60,558 beneficiaries under a housing programme. The district wise details are given in *Appendix-4*. These works are not included in the list of works stipulated in the Act.

The Government in its reply (October 2008) stated that it had issued orders rescinding earlier Government Orders which permitted the housing payments. As regards to expenditure already incurred on housing, the Government contended that they are not ineligible works as the State Government has incurred expenditure by releasing State share. The reply overlooks the fact that NREGS is to be funded both by GOI and the State Government and hence it had no right to divert the funds for works not contemplated in the guidelines prescribed by GOI.

2.1.12 Maintenance of records

Deficiencies in maintenance of records

Maintenance of records under NREGA is critical to ensure verifiable compliance with the legal guarantee of 100 days of employment on demand and payment of unemployment allowance. Operational Guidelines of NREGA and APREGS have specified details of records and registers to be maintained at different levels. In particular, the most important records are the Application Registration Register, Job Card Register, Employment Register, Asset Register, Muster Rolls, MR Issue/ Receipt Registers and Complaint Register. Audit scrutiny revealed that the statutory

records at Mandal /GPs were either not maintained or incompletely maintained. In the absence of maintenance of critical registers, especially at the GP level, information on demand and provision of employment could not be ascertained as already pointed out in the previous paragraphs.

The Government replied (October 2008) that non maintenance of records will not lead to lack of information relating to employment demanded and employment provided. The reply is not tenable as, in the absence of the records relating to provision of employment, there is no assurance that the objective of providing legal guarantee of 100 days of employment has been effectively translated into executive action.

2.1.13 Social Audit

NREGA gives a central role to “social audits” as a means of continuous public vigilance. The process of social audit should include public vigilance and verification of 11 stages right from registration of families to evaluation and mandatory social audit in the Gram Sabha.

Only 19 per cent of the GPs were covered by social audits

Audit scrutiny revealed that as against 13,232 Gram Panchayats in 656 Mandals in the 13 EGS districts (phase I), social audits were conducted only in respect of 2564 GPs (19 per cent) in 155 Mandals during 2006-07. The deficiencies noticed in social audits related to inclusion of names of ghost wage seekers in the muster rolls, the malpractices committed by the Field Assistant/Branch Post Master in payment of wages to the wage seekers and in opening of savings bank accounts in post offices. Besides these financial irregularities, the social audits also pointed out other irregularities in registration, issue of job cards, demand for employment, non/delay in payment of wages, non provision of worksite facilities, non creation of awareness among wage seekers about the scheme and utilisation of machinery, etc.

The shortfall in conduct of social audits not only deprived the public in evaluating the quality of the works as well as the services rendered by the programme staff in time but also in taking remedial measures thereon.

The Government while accepting that there was shortfall in conduct of social audits stated (October 2008) that the concept of social audit was itself new in the country and pioneering efforts were taken up in the State and also stated it took more than one year of sustained effort and experimenting to institutionalise the process of social audit and assured compliance hence forth.

2.1.14 Monitoring

The scheme guidelines envisaged verification and quality audit by external monitors at both State and District level. The State Government was to designate State Quality Monitors (SQMs) with

the approval of SEGC. Similarly, the ZPPs were to identify District Quality Monitors (DQMs) with the approval of State Government. It was observed that SQMs and DQMs were not designated/identified at the State and District level. The Commissioner stated (September 2008) that the monitoring committees would be constituted.

The GOAP had issued instructions from time to time for inspection of works at 2 *per cent* by State level officers, 5 *per cent* by District level officers and 10 *per cent* by Mandal level officers. In the absence of documentary evidence on records, conduct of regular inspections could not be ascertained in audit.

The SEGC was to ensure that all the activities required to fulfill the objectives of the scheme were carried out. The Council was also responsible for overall supervision and monitoring the implementation of the scheme and identifying the preferred works to be taken up under NREGA. However, it was noticed in audit, that the SEGC had not identified the preferred works and it also failed to convene SEGC meeting regularly and provide inputs for proper implementation of the scheme. This rendered the monitoring mechanism ineffective.

2.1.15 Conclusions

Review on implementation of REGS conducted in five districts revealed that 16.41 lakh job cards were issued in these districts and as against Rs 412.07 crore released for the implementation of the scheme, the districts incurred a total expenditure of Rs 204.16 crore (50 *per cent*).

While the State Government/districts had reported that 732.40 lakh mandays of employment was generated in the State *vis-à-vis* the demand, the claim of the State Government could not be verified in Audit in the absence of maintenance of documents containing details of employment demanded, provided etc. In the absence of these critical documents, the quantum of funds required for payment of unemployment allowance also remained unascertained. Instances of delay in payment of wages, lacunae in preparation of job cards, excess administrative expenditure, diversion of funds and execution of non-permissible works were also noticed in audit.

An innovative feature of the scheme was to ensure its transparency through regular meetings of the Grama Sabha and conduct of Social Audits. However, it was noticed that social audits were not conducted at regular intervals thereby defeating one of the objectives of the scheme. Impact assessments were not conducted and the monitoring mechanism was also not in place.

2.1.16 Recommendations

- There is a compelling need to ensure that house hold survey is conducted for enumerating all eligible adults in each house hold. This is to be further strengthened by issue of photo identity cards as a safeguard against ghost job cards. These two recommendations are important in the light of vulnerability considerations.
- Government should frame Rules for implementation of NREGA.
- The Process of planning should be strengthened so as to enable the PRIs to provide employment for 100 days to all registered households.
- Delay in payment of wages should be avoided.
- All activities starting from planning to payment of wages should be monitored properly and the scheme should be implemented in the State as envisaged in the Act.
- Social audits should be conducted regularly to enable the beneficiaries to evaluate the impact of the scheme.

.2 Functioning of two Zilla Praja Parishads

2.2.1 Introduction

The Zilla Praja Parishad (ZPP) is the apex body of PRIs and was constituted under Section 177 of Andhra Pradesh Panchayat Raj Act, 1994. The ZPP at the district level coordinates functions of Mandal Praja Parishads (MPPs) and Gram Panchayats (GPs).

The powers and functions of ZPPs *inter alia* were to:

- Examine and approve the budgets of MPPs.
- Distribute the funds allotted to the district by the Central or State Government to the MPPs and GPs in the district.
- Prepare District plan for the entire district in coordination with the MPPs.
- Generally supervise the activities of the MPPs.
- Perform such of the powers and functions delegated by the Government.
- Publish statistical information on the activities of the local self Government.

2.2.2 Scope and methodology of audit

The performance of the two¹³ ZPPs out of 22 was reviewed during the months of April-June 2008 for the five year period from 2002-03 to 2006-07, besides the records of five¹⁴ PR divisions, four¹⁵ RWS divisions and eleven¹⁶ out of 108 MPPs in two districts were test checked.

Important points noticed during the course of review are summarised in the succeeding paragraphs.

2.2.3 Planning process

In terms of Article 243-ZD of the Constitution, District Planning Committees (DPCs) are to be constituted by the State Government so as to consolidate the development plans formulated by the local bodies based on planning at the grass root level. However, in respect of test checked districts, DPCs were not constituted during 2002-07. In respect of ZPP General

¹³ East Godavari and Warangal districts

¹⁴ East Godavari district- (i) Kakinada, (ii) Rajahmundry, (iii) Amalapuram; and Warangal district- (iv) Warangal and (v) Mahabubabad

¹⁵ East Godavari District - (i) Kakinada (ii) Rajahmundry and Warangal District -(iii) Warangal (iv) Mahabubabad

¹⁶ East Godavari district - (i) Kakinada (Rural), (ii) Rajahmundry (Rural), (iii) Amalapuram (Rural), (iv) Karapa, (v) Tallarevu, (vi) Samalkot and Warangal district-(vii) Mahabubabad, (viii) Jangaon, (ix) Parkal, (x) Narasampet and (xi) Hanmakonda

Fund works, plans involving individual beneficiaries are not being prepared and works are being sanctioned based on the proposals put forth by the elected representatives. Thus, the objective of preparing consolidated development plan for the district as a whole was not achieved. In the absence of a DPC, there was no formal mechanism to make recommendations to the Government for the integrated development of the district.

2.2.4 Execution of works

Works sanctioned out of ZPP General Fund and executed by the PREDs during the period covered by audit i.e., during 2002-03 to 2006-07 were laying of roads, repairs to roads, construction of community halls in SC and ST localities, construction of Anganwadi buildings, construction of Mahila Mandal buildings, laying of pipelines for supply of drinking water, construction of class rooms, etc.

2.2.4.1 Incomplete works despite availability of funds

Works were not completed despite availability of sufficient funds

An amount of Rs 33.22 lakh representing unspent balance out of the Operation Black Board (OBB) and OBB (FFW) grant of Rs 69.83 lakh (including interest and unclaimed deposits) released by the CEO, ZPP, Warangal district was lying in two saving bank (SB) accounts operated by the EE, PR Division, Mahabubabad at the end of March 2007. Despite availability of funds, 54 works (class rooms and compound walls) remained incomplete as of May 2008. Of the said incomplete works, 27 works were not started and 27 works remained incomplete at various stages after incurring expenditure of Rs 11.15 lakh. It was also observed that proposal for additional fund of Rs 17.60 lakh for completing the incomplete works was placed (July 2004) with the CEO, ZPP, Warangal even though unspent balance of Rs 33.22 lakh was available with the division.

2.2.4.2 Non-adjustment of works advance

Works advances amounting to Rs 45.34 lakh remained unadjusted

Out of Rs 1.78 crore advanced to Assistant Engineers (AEs)/Assistant Executive Engineers (AEEs)/Mandal Engineering Officers (MEOs) as detailed in *Appendix-5* during years from 2002-03 to 2006-07 for execution of works in East Godavari district, a sum of Rs 45.34¹⁷ lakh remained unadjusted in respect of 109 incomplete works as on date (June 2008).

MPDOs of test checked MPPs and Executive Engineers of test checked PREDs stated (May/June 2008) that action will be taken to adjust the advances after verifying the records.

¹⁷ 2002-03 - Rs one lakh; 2003-04 - Rs 14.90 lakh; 2004-05 - Rs 4.36 lakh; 2005-06 - Rs 14.58 lakh and 2006-07 - Rs 10.50 lakh.

2.2.4.3 Unfruitful expenditure on abandoned ZPP staff quarters

Abandonment of construction of ZPP staff quarters has resulted in unfruitful expenditure of Rs 36.78 lakh in addition to forgoing anticipated

Chief Executive Officer and Chairperson ZPP, Warangal approved (November 2003) construction of CEO quarter, staff quarters, etc., (A type, C type and C type II block) at Hanmakonda of Warangal district, the execution of which commenced during November 2003 and February 2004. The work was abandoned after incurring an expenditure of Rs 36.78 lakh due to non-availability of funds. These works were to be completed by November 2004. Executive Engineer, PR division, Warangal stated (May 2008) that proposal for additional requirement of Rs 70.00 lakh was being prepared to complete the work. Abandonment of works for more than three years rendered the expenditure incurred so far unfruitful in addition loss of HRA paid amounting to Rs 27.48 lakh and non-achievement of intended benefit to the staff.

2.2.4.4 Diversion of SGRY scheme funds

SGRY Scheme funds amounting to Rs 63.52 lakh were diverted for inadmissible purposes

SGRY funds amounting to Rs 35.79 lakh¹⁸ released to East Godavari district were utilised for inadmissible items like purchase of cell phones, bicycles, construction of office buildings, repairs/improvements to office buildings, guest houses, school buildings, kalyana mandapams, meeting halls etc., in contravention of scheme guidelines.

ZPP, Warangal district diverted an amount of Rs 13.40 lakh from SGRY funds during the period 2002-03 to 2007-08 towards purchase of new vehicle, renovation of R&B guesthouse and construction of GP office building. Similar diversion of SGRY funds amounting to Rs 14.33 lakh was observed in three¹⁹ out of five test checked MPPs.

MPDOs of test checked MPPs stated (May 2008) that amounts would be recouped to the SGRY fund.

2.2.4.5 Unfruitful expenditure on idle PR wireless grid

Expenditure of Rs 52.32 lakh remained unfruitful due to non-functioning of PR wireless grid

With a view to make decentralised system of Administration more effective and also for effective monitoring of Government programmes and policies being implemented at GP level, it was decided (May 2003) to install a system of 'PR Wireless Grid' which would ensure network connectivity between ZPP, MPP, and GPs.

¹⁸ZPP EG District – Rs 7.32 lakh, MPDO Kakinada (Rural) – Rs 2.55 lakh, MPDO, Karapa – Rs 1.25 lakh, MPDO, Amalapuram (Rural) – Rs 0.10 lakh, MPDO, Tallarevu – Rs 0.60 lakh, PR Division, Kakinada – Rs 23.97 lakh

¹⁹Janagaon – Rs 6.18 lakh, Mahabubabad – Rs 1.15 lakh and Narasampet – Rs 7.00 lakh.

PR Wireless Grid project consists of two sub-projects namely, pilot project at MPP, Sangam and wireless network in Warangal district. The pilot project provides wireless connectivity to all GPs with the MPP and the district network provides wireless connectivity between all MPPs and ZPP including Engineering Divisions. The project at a cost of Rs 52.32 lakh was installed in July 2003 with the aim of effective monitoring of Government programmes and policies in PRIs. A sum of Rs 8.08 lakh was spent towards Annual Maintenance Contract (AMC) for the period covering from July 2004 to July 2005 in respect of pilot project at MPP, Sangam and upto July 2006 in respect of district network. However, above wireless grids did not function from July 2005 (MPP Sangam) and July 2006 (Wireless network) due to non-renewal of AMCs for want of funds. CEO, ZPP Warangal, in reply (April 2008) stated that AMCs were not renewed due to shortage of funds and the wireless grid was not functioning from the date of expiry of concerned AMC. Thus non-functioning of wireless grid resulted in unfruitful expenditure of Rs 52.32 lakh besides not achieving the objective.

2.2.4.6 Diversion of SSFC funds

SSFC funds amounting to Rs 26.50 lakh were utilised for inadmissible purposes

As per Second State Finance Commission (SSFC) guidelines, construction of MPP buildings, providing toilets and drinking water facilities in MPP schools and alteration to old MPP primary schools are only admissible items of expenditure out of SSFC grants. In contravention of the guidelines, SSFC funds amounting to Rs 26.50 lakh²⁰ lakh were utilised by MPPs and PREDs during the years 2003-04 to 2006-07 for inadmissible purposes viz., construction of incomplete elementary school buildings, laying of roads, repairs to roads, purchasing of wooden furniture, inverter, repairs to cattle ramps, construction of incomplete bridges, etc. This had resulted in diversion of SSFC funds and the objectives specified by the SSFC were not achieved.

MPDOs of test checked MPPs and EEs of test checked PREDs stated (May/June 2008) that ratification orders would be obtained from the Government.

²⁰ EE, PR Division Amalapuram Rs 15.5 lakh, EE, PR Division Kakinada, Rs 6.04 lakh, MPDO, Kakinada Rural Rs 3.61 lakh, MPDO, Tallarevu Rs 0.75 lakh, MPDO Karapa Rs 0.35 lakh, MPDO Amalapuram (Rural) Rs 0.25 lakh.

2.2.4.7 Departmental execution of works

Works were taken up departmentally instead of through contractors in violation of codal provisions

According to the provisions²¹ of Andhra Pradesh Public Works Department (APPWD) Code and Government orders²², departmental execution of works shall be taken up in exceptional circumstances and if it is considered desirable in the interest of the public either on account of its urgency or of its special nature etc. However, during 2002-07, 1721 works sanctioned out of ZPP General Fund of East Godavari district with estimated cost of Rs 28.04 crore for laying of roads, construction of buildings viz., Community halls, Anganwadi buildings, Mahila Mandal buildings, additional class rooms for ZPP high schools etc, were executed departmentally by providing advances to the departmental Engineers. Further, the completion of works and adjustment of work advances were delayed abnormally ranging from one month to more than three years due to non-stipulation of the time schedule for completion of work. Consequently, Government money was lying with the departmental Engineers over a period of more than three years. Further, non adoption of tender process for awarding the works to contractors resulted in loss of potential benefits that would have accrued from the competitive bids and realisation of statutory deductions in the form of Sales Tax on the cost of tender schedules, Income Tax, Value Added Tax and Building Fund etc.

MPDOs of test checked MPPs and EEs of test checked PREDs stated (May/June 2008) that the works were got executed departmentally as per the instructions of District Collector and also as per the resolutions passed by the MPPs. The reply is not tenable as non-stipulation of time schedule for completion of departmentally executed works resulted in delays ranging from one month to more than three years and consequent blockade of funds with departmental Engineers.

2.2.4.8 Release of ZPP General Fund, East Godavari district to PR/RWS divisions directly instead of through PAO

Grants were released by the ZPP directly to the PREDs instead of through the PAO

Government of Andhra Pradesh in March 2001²³ ordered that no cheques shall be issued and no cash book shall be maintained by the EEs of PREDs and all work bills shall be paid by the Pay and Accounts Officers (PAOs) after pre-audit. Instructions were issued in June 2004²⁴ to the CEOs of all the ZPPs for depositing the funds allocated to PR/RWS divisions from ZPP General Fund with PAO for scrutinising the works bills forwarded by the EEs of the divisions and making payment to the contractors through cheques. However, it was observed that grants are being

²¹ Para 150 of APPWD Code

²² GO Ms. No.589, PR&RD, dated 29-9-1989

²³ GO Ms. No.60, Finance & Planning (FW.BG) department, dated 30-3-2001

²⁴ GO Ms. No.28, PR&RD (Accts.IV) department, dated 1-6-2004

released directly to the PR/RWS divisions by ZPP, East Godavari instead of depositing the funds with PAO in contravention of the orders of the Government. Consequently, the desired scrutiny and regulation of payments were defeated.

CEO, ZPP stated (June 2008) that in order to get the ZPP General Fund accounts audited by the State Audit Department as per sub section 1 of section 266 of AP PR Act, 1994, the ZPP General Funds were being released to the PREDs for execution of works under various heads and the audit observation would be brought to the notice of the Government.

Reply of the CEO, ZPP is not tenable as the Government at the time of directing the CEO to deposit the General Funds with the PAO, had considered the existing provisions of the PR Act.

2.2.5 Financial Management

Sources of revenue for ZPPs are i) grants released by the Government of Andhra Pradesh like per capita grant, seignorage fee grant, salary grant in respect of staff, TA & contingent grant, etc., ii) assigned revenues like sand auction proceeds, surcharge on stamp duty etc and iii) own revenues like rent receipts from shopping complexes, guest houses, staff quarters, ferry rentals, T & P charges, petty Supervision Charges, hire charges of department road rollers, etc.

The details of the receipts and expenditure in the test checked ZPPs during the years 2002-03 to 2006-07 are detailed below:

(Rupees in crore)

District	2002-03		2003-04		2004-05		2005-06		2006-07	
	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
East Godavari	68.56	61.86	110.58	72.29	194.96	196.65	81.53	82.33	108.20	100.07
Warangal	113.09	119.66	317.73	316.08	170.37	285.67	119.37	107.22	185.36	115.37

(Source: - State Audit Department)

2.2.5.1 Delay in submission of Provident Fund (PF) interest claims

Provident Fund interest for the year 2003-04 onwards has not yet been reimbursed by the Government due to delayed submission of claims by the ZPP

In accordance with the orders²⁵ of Government of Andhra Pradesh, claims for reimbursement of interest credited to individual PF accounts of employees of Panchayat Raj (PR) department were required to be preferred by ZPPs to the Government every year through State Audit Department after the interest is credited in the month of May every year.

However, the claims to be submitted in May 2004, May 2005 and May 2006 in East Godavari district for the years 2003-04 (Rs 690.94 lakh), 2004-05 (Rs 732.50 lakh) and 2005-06

²⁵ G.O.Ms.No.317 PR (Accounts – I) Department, dated:-13-7-1984

(Rs 790.11 lakh) respectively, were submitted only in May 2008 to the State Audit Department for scrutiny and onward submission of claim to the Government for reimbursement. The reimbursement claim for the year 2006-07 has not yet been prepared as on date (June 2008). Thus, the inordinate delay in submission of claims to the Government resulted in non-reimbursement of interest from the Government as on date (June 2008).

2.2.5.2 Non reimbursement of pension paid to provincialised employees

Amount of Rs 6.39 crore paid pension to the provincialised PR employees was not reimbursed

As per the recommendations of the First State Finance Commission read with order dated 3-11-2003²⁶ of the GOAP, pension paid by the ZPPs to retired provincialised employees was to be reimbursed by the Government.

Out of Rs 28.84 crore paid from the ZPP General Fund of East Godavari district towards pension to the provincialised PR employees in the district for the period from 1997-98 to 2002-03, a sum of Rs 22.45 crore was only reimbursed by the Government leaving a balance amount of Rs 6.39 crore yet to be reimbursed.

2.2.5.3 Receipt of pension contribution from Gram Panchayats

Pension contributions were not collected from GPs

In accordance with the orders²⁷ of Government of Andhra Pradesh, ZPP collects pension contribution from the GPs in respect of non provincialised PR employees working in the GPs.

Out of Rs 39.82 crore to be paid as pension contribution by the GPs in the EG district for the years 1997-98 to 2006-07, a sum of Rs 3.12 crore only was contributed. Pension payment of Rs 38.90 crore was paid to the retired employees by diverting Rs 35.78 crore from the ZPP GF. Thus, non-receipt of pension contribution from the GPs resulted in diversion of Rs 35.78 crore from ZPP General Fund.

2.2.5.4 Revenues pending realisation

Revenue amounting to Rs 23.99 lakh was not realised

Rents and auction proceeds amounting to Rs 23.99 lakh as detailed in *Appendix-6* (East Godavari: Rs 22.50 lakh and Warangal: Rs 1.49 lakh) were pending realisation from the occupants/lessees.

²⁶ Govt., Memo No.15659/CPR – H1/2002-2 PR&RE, dated: 3-11-2003

²⁷ G.O.Ms.No.89 PR I, dated: 17-2-66 and Govt. Memo.No.27459/Accounts II/2002 PR&RD, dated: 19-9-2002

2.2.5.5 ZPP revenues not remitted by the Panchayat Raj Engineering Divisions

ZPP revenues were retained by the PREDS without remitting to the ZPPGF

A sum of Rs 19.24 lakh²⁸ being ZPP revenues from hire charges/auction proceeds of Departmental Road Rollers, Tools & Plant charges, Petty Supervision charges, fines on Extension of Agreement Time and cost of tender schedules collected and recovered prior to April 2002 from the work bills by the PREDS of East Godavari district was not remitted to the ZPP General Fund.

EEs of the test checked PREDS, while accepting audit comment agreed (May 2008) to remit the amounts to ZPP General Fund.

2.2.5.6 Reimbursement of honorarium of elected members of ZPP

Honorarium paid to elected members of ZPP was not reimbursed by the Government due to non submission of claims

As per the order²⁹ of Government of Andhra Pradesh, an amount of Rs 2750 per month is to be borne by the Government, out of Rs 5000 per month payable to ZPP Chair Person towards honorarium. The remaining amount of Rs 2250 is to be met from the General Fund of ZPP concerned.

As against the Government share of Rs 84.41 lakh to be paid towards the Honorarium to the elected members of ZPP EG district for the period from May 1999 to March 2007, a sum of Rs 44.24 lakh was only released by the Government leaving a balance of Rs 40.17 lakh yet to be reimbursed as of June 2008. The main reason for non-reimbursement was (i) non-submission of claims by the ZPP in time (ii) not making the provision in the Annual Budget Estimates and (iii) non-pursuance of the matter with the Government.

2.2.5.7 Lapse of Education contingent grant

Education contingent grant of Rs 82.33 lakh was lapsed due to non-utilisation

It was noticed (March 2007) by the CEO, ZPP, Warangal that out of the Education Contingent Grant of Rs 111.88 lakh for the year 2006-07 released by the District Educational Officer (DEO), Warangal to the ZPP high schools, an amount of Rs 29.55 lakh was only drawn for utilisation. Out of this, Rs 14.55 lakh was utilised towards payment of wages. The balance amount of Rs 15.00 lakh was deposited in a saving bank account, of which a sum of Rs 12.69 lakh was misappropriated as noticed by the ZPP authorities. An amount of Rs 2.31 lakh was lying in the Saving Bank account. The misappropriation case was under investigation. Even the amount lying in Saving Bank account was not reflected in the Annual Accounts. Thus, the balance of the grant amounting to Rs 82.33 lakh was lapsed due to non-

²⁸ PR Division, Rajahmundry – Rs 3.56 lakh, PR Division, Amalapuram – Rs 11.02 lakh and RWS Division, Kakinada – Rs 4.66 lakh.

²⁹ G.O.Ms.No.223/PR & RD Department, dated:-27-05-1999

drawal within the financial year. As a result, the intended purpose of maintenance of ZPP high schools was not served.

2.2.5.8 Non-utilisation of Education Contingent grant

Education contingent grant of Rs 87.89 lakh was not utilised

The District Educational Officer, EG district released contingent grant of Rs 168.31 lakh to the ZPP during the years 2004-05 to 2006-07. The grant was to be transferred to the ZPP High schools in the district for meeting the contingent and maintenance expenditure viz., wages to contingent employees, repairs to furniture, electricity consumption charges, etc. Out of the grant released, an amount of Rs 80.42 lakh was only utilised and the balance amount of Rs 87.89 lakh was lying unutilised as of June 2008.

CEO, ZPP EG district while accepting audit comment stated (November 2008) that unspent balance would be utilised/ surrendered in due course.

2.2.5.9 Creation of Education Endowment Fund

Education Endowment Fund of Rs 25.04 lakh was created unauthorisedly

As per Rules³⁰, there shall be no creation of Endowment Fund for establishment of new schools or up gradation of the existing schools under the control of Government/ local body, where own buildings are provided or necessary land is acquired.

It was observed that the CEO, ZPP, Warangal district had collected an amount of Rs 25.04 lakh during 1992-93 to 2000-01 from the School Education Committees (SECs) towards Endowment Fund and the same was kept in separate SB account in the name of Deputy CEO, ZPP, Warangal. The purpose of collection was up gradation of higher classes in respect of ZPP schools. The fund accumulated to Rs 30.08 lakh as of April 2006 including interest accrued. However, creation of Endowment Fund by the local bodies for educational institutions run by them was not covered by the rules stated *ibid*. Thus, creation of Endowment fund was unauthorised. Further, this amount was also not reflected in the Annual Accounts of the ZPP upto 2005-06.

2.2.5.10 Diversion of sand auction proceeds

Sand auction proceeds amounting to Rs 1.44 crore has not been collected

(a) Sand auctions are held for the packages/reaches of Godavari river in East Godavari District. The auction proceeds are to be remitted through challan to ZPP General Fund directly by the bidders. However, in contravention of this, the District Panchayat Officer, East Godavari district received an amount of Rs 26.13 crore as against the auctioned amount of Rs 27.25 crore towards sand auction proceeds for the years 2004-05, 2005-06 and 2006-07. Thus, there was a short collection of sand auction

³⁰ Rule 7(5) of the G O Ms No.524 Education (Rules) Department Dt:20-12-88

proceeds amounting to Rs 1.12 crore as of June 2008 as detailed below.

(Rupees in crore)

Sl. No.	Year	Amount receivable	Amount received	Balance amount not received	Reasons for balance
1.	2004-05	6.66	6.48	0.18	Specific reply was not furnished by the ZPP
2.	2005-06	7.55	7.55	--	
3.	2006-07	13.04	12.10	0.94	
	Total	27.25	26.13	1.12	

The details with regard to accepted bids, collection of auction proceeds for the years 2002-03 and 2003-04 were not made available to audit.

Similarly, in respect of ZPP, Warangal also, there was a short collection of Rs 31.41 lakh towards sand auction proceeds in the reaches of Eturunagaram Mandal for the year 2003. No auctions were conducted during the period January 2004 to March 2007 in Eturnagaram Mandal.

Sand auction proceeds were diverted for ineligible purposes

(b) As per the provisions of Andhra Pradesh Panchayat Raj (Auction of Sand in the water courses vesting in Gram Panchayat) Rules, 2000 and Andhra Pradesh Minor Mineral Concession Rules, 1966³¹, the Sand auction proceeds remitted to ZPP General Fund shall be distributed among ZPP, MPPs and GPs in the ratio of 25:50:25 on a quarterly basis. However, DPO, EG district without remitting the sand auction proceeds to the ZPP General Fund during the years 2004-05 and 2005-06, utilised the same to ineligible works like construction of Road over Bridges and other works related to R&B Department. The balance amount was released to PRIs. Thus, the legitimate share of the PRIs was reduced by Rs 3.83 crore³² as detailed below.

(Rupees in lakh)

Year	Total amount collected	Municipal Share	Net proceeds	Distribution among									Total (7+10+13)
				ZPP			MPP			GP			
				To be released at 25 per cent	Actually released	Short release	To be released at 50 per cent	Actually released	Short release	To be released at 25 per cent	Actually released	Short release	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004-2005	647.48	49.31	598.17	149.54	100.00	49.54	299.09	83.93	215.16	149.54	133.95	15.59	280.29
2005-2006	754.78	58.94	695.84	173.96	147.82	26.14	347.92	295.99	51.93	173.96	149.06	24.90	102.97
Total	1402.26	108.25	1294.01	323.50	247.82	75.68	647.01	379.92	267.09	323.50	283.01	40.49	383.26

³¹ Rule 9H of Andhra Pradesh Mineral Concession Rules, 1966.

³² ZPP – Rs 75.68 lakh; MPPs – Rs 267.09 lakh and GPs – Rs 40.49 lakh

During the year 2006-07, GOAP permitted the ZPP, East Godavari district to utilise an amount of Rs 5 crore from the sand auction proceeds for purchase of furniture for ZPP schools in excess of the ZPP's legitimate share of Rs 3.02 crore (25 per cent of Rs 12.10 crore to be distributed among all the PRIs). As a result, Rs 1.98 crore pertaining to the MPPs and GPs was reduced with adverse implication on their developmental works.

Audit further observed that an amount of Rs 11.72 crore released by the DPO, East Godavari in the months of February-March 2007 to ZPP, EG district towards sand auction proceeds for the year 2006-07, was neither accounted for in ZPP GF nor exhibited in the Annual Accounts for the year 2006-07.

2.2.5.11 Deficiencies in maintenance of HBA loan account.

Particulars of recovery of HBA were not available on record

(a) ZPPs sanction House Building Advances (HBA) to the eligible provincialised³³ non-teaching employees of ZPPs and MPPs in the district from the amounts released from time to time by the Government. For repayment of principal/interest of the loan to the Government by the ZPP every year as per the Government order³⁴, recovery towards principal/interest of HBA paid to the employees have to be effected from them by the ZPP regularly. The following deficiencies were observed by audit.

- Particulars of recovery of Rs 17.21 lakh being HBA paid in respect of 6 deceased, 6 retired and 11 working Panchayat Raj (PR) employees of East Godavari district were not available in the records.
- Receipts and payments of HBA were not attested and plus or minus memoranda not recorded by the treasury authorities in the treasury pass book of the Personal Deposit (PD) account of HBA.
- HBA ledgers were not properly maintained.

CEO, ZPP stated (June 2008) that records would be made available after computerization of all the details. It was also agreed that all records would be made up-to-date and complete and procedures followed in future.

Non-repayment of HBA loan to Government by the ZPP

(b) Government of Andhra Pradesh released repayable interest bearing HBA loan of Rs 117.25 lakh to the ZPP, Warangal during the period from 1989-90 to 2003-04. Interest payable by ZPP Warangal to the Government at 8.5 per cent per annum to

³³ In respect of provincialised employees, pay and allowances are paid by ZPPs from the salary grant released by the Government. In case of non-provincialised employees, pay and allowances are paid by ZPPs from ZPP General Fund.

³⁴ GO Ms. No.685, PR&RD (Accts.I) department, dated 28-12-1989

the end of March 2008 worked out to Rs 90.57 lakh. Out of this, the ZPP, Warangal repaid a sum of Rs 42.93 lakh in three instalments so far leaving a balance of Rs 164.89 lakh (Principal: Rs 74.32 lakh; Interest: Rs 90.57 lakh). This was mainly due to non recovery of Rs 16.33 lakh from 73 retired employees and 15 deceased employees and arrears in recovery of Rs 78.42 lakh from serving employees. As a result of non repayment of HBA loan to the Government as per schedule, the ZPP had to accumulate its liability on interest which could have been avoided.

CEO, ZPP Warangal stated (May 2008) that action was being taken to write off the amount in case of deceased employees. In case of retired employees, action was being taken to recover the due amount from the pension.

2.2.6 Internal controls

2.2.6.1 Maintenance of records

Delay in preparation of Annual Accounts

Earmarking of ZPP revenues was delayed due to delay in preparation of Annual Accounts

As per the provisions of Section 266 of the Andhra Pradesh Panchayat Raj Act, 1994, Annual Accounts are to be prepared by the ZPP. After preparation they are to be submitted before 15 May every year to the State Audit department.

There was delay of five to twelve months in preparation of Annual Accounts by the ZPP, East Godavari, in respect of financial years 2003-04 to 2006-07. As a result earmarking of ZPP revenues was delayed.

Delay in submission of Annual Administrative Reports

Submission of AARs to Government was delayed

Annual Administrative Reports (AARs) on the activities of the ZPP were to be submitted to the Government by 15 July of the succeeding financial year. There was a delay of one to 29 months in submission of AARs in respect of ZPP, EG district for the years 2002-03 to 2006-07. The reason cited for delay was delayed submission of AARs by MPDOs.

Non reconciliation of departmental figures with treasury figures

Departmental figures were not reconciled with treasury figures

Drawing and Disbursing Officers are responsible for reconciliation of departmental figures with treasury figures in order to detect any misappropriation/excess drawal of funds and to ensure proper classification of the expenditure.

It was observed that, ZPP, EG district had not conducted any treasury reconciliation in respect of General Fund (GF) Account during April 2002 and October 2006. Consequently as of March 2007, the treasury balances were lower than the cash book balances by Rs 3.2 crore. The CEO, ZPP, EG district assured (June 2008) to undertake reconciliation.

Similarly, in respect of ZPP, Warangal, as of March 2007 there was a variation of Rs 17.00 lakh between PF cash book and treasury pass book and Rs 15.75 crore in respect of Education Fund and treasury pass book. CEO, ZPP Warangal, while agreeing with audit, stated (April/May 2008) that action was being taken to reconcile the differences.

2.2.6.2 Monitoring mechanism

Utilisation Certificates (UCs) not obtained

Grants were released though UCs for earlier years were not obtained

UCs along with expenditure statements for Rs 4.58 crore released during 2002-03 to 2006-07 as detailed in the *Appendix-7* were not obtained by the ZPP, EG district. It was also observed that grants for subsequent years were released without obtaining UCs for the earlier grants.

Conducting of inspection by the Commissioner of PR&RE

Annual inspection of the ZPPs was not conducted by the higher authorities

Andhra Pradesh Panchayat Raj Officers Delegation of Powers Rules 2000 stipulates that the Commissioner, Panchayat Raj & Rural Employment (CPR&RE) shall inspect all ZPPs once in a calendar year and submit copies of inspection notes for review by Government. However, inspection of the ZPP, EG district was not conducted by the CPR&RE, Andhra Pradesh, Hyderabad for the calendar years of 2004, 2005, 2006 and 2007 and inspection of ZPP, Warangal was pending from 2005-06 onwards.

Inspection by the Secretary to Government, Panchayat Raj and Rural Development department, Government of Andhra Pradesh required under Chapter 68 of Panchayat Raj Zilla Parishads Functionary Manual was not conducted during the period covered by review.

Shortfall in inspection of MPPs by the CEO

Shortfall in inspection of MPPs by CEOs, ZPP

Chapter 68 of Panchayat Raj Zilla Parishads Functionary Manual prescribes that the CEO, ZPP should draw up programme to visit all the MPPs in the district once in a year. However, it was observed that there was heavy short fall in inspection of offices of Mandal Parishad Development Officers (MPDOs) in the EG, district by the CEO, ZPP, EG district as detailed below.

Year	Number of offices to be inspected	Number of offices inspected	Shortfall
2002-03	57	14	43
2003-04	57	8	49
2004-05	57	10	47
2005-06	58	14	44
2006-07	58	25	33

2.2.7 Other points of interest

2.2.7.1 Non utilisation of grant by PR division

Earmarked funds released by the ZPP for works were not utilized by the PR division

Grants amounting to Rs 14.11 lakh released from ZPP General Fund, EG district to PR division, Amalapuram during 2005-06 to 2006-07 for execution of works viz., construction of community halls, laying of roads in ST localities, construction of Mahila Mandal and DWACRA buildings were neither utilised nor refunded to the grant releasing authority. The details are given below.

Sl No	Name of the PRED`	Amount released by the ZPP Rs	Grant	Stage
1	PR,Division, Amalapuram	32,000	6% ST Welfare (2005-06)	Not utilised yet
		50,000	6% ST Welfare (2006-07)	Not utilised yet
		13,29,193	15% Women & Children Welfare (Total grant (06-07) released was Rs 28,90,000)	Short Utilised
		14,11,193		

EE, PR Division, Amalapuram replied (May 2008) that unutilised ST welfare grant would be refunded and balance grant in respect of Women and Children Welfare would be utilised.

2.2.7.2 Transfer of unutilised balances of earmarked funds

Unutilised balances of the EMF were not transferred to the respective Finance Corporations

As per the provisions of the Andhra Pradesh Panchayat Raj Act, 1994³⁵, all the unspent balances out of 15 *per cent* of the Earmarked amounts towards Welfare of Women and Children at the end of the financial year, if any, shall be made over to the Andhra Pradesh Women and Child Welfare Cooperative Finance Corporation Ltd, Hyderabad (WCWCFCL).

In ZPP, EG district Rs 3.13 lakh being 15 *per cent* earmarked amounts lying unutilized at the end of financial years from 2002-03 to 2006-07 were not transferred to WCWCFCL in contravention of the Act provisions.

Similarly, in respect of ZPP, Warangal, the unspent balance of Rs 39.40 lakh out of the earmarked fund of Rs 128.55 lakh for the period 2002-03 to 2006-07 was not transferred to WCWCFCL.

³⁵ Sub section (1) of Section 197 and Sub section (1) of Section 268 of Andhra Pradesh Panchayat Raj Act 1994

2.2.7.3 Retention of grants and non-apportionment of ferry auction proceeds

Grants and ferry auction proceeds were retained by the ZPP without distribution to PRIs

Grant amounting to Rs 1.97 lakh released by the Government during 2002-03 towards TA and contingent grant for being passed on to the MPPs and ferry auction proceeds of Rs 16.61 lakh³⁶ to be apportioned prior to April 2002 among ZPP, MPPs and GPs were retained in General Fund of ZPP, EG district instead of distribution to PRIs in contravention of Government orders.

CEO, ZPP (June 2008) stated that necessary action would be taken to apportion the grants.

2.2.7.4 Purchase of vehicles at rate in excess of the limit fixed by the Government.

Vehicles were purchased by the ZPP without obtaining prior approval of the Government

ZPP, EG, district had purchased three vehicles at a cost of Rs 5.95 lakh, Rs 9.25 lakh and Rs 11.86 lakh in December 2004, September 2006 and October 2007 respectively.

The prior approval of the Government was not obtained though the cost of the vehicles purchased in September 2006 and October 2007 exceeded the ceiling limit of Rs 6.50 lakh and Rs 8 lakh respectively. CEO, ZPP stated (May 2008) that Government of Andhra Pradesh was addressed for according ratification orders.

2.2.7.5 Non-functioning of Tailoring Training Centre at Hanmakonda

Objective in establishment of TTC was not achieved due to non-functioning of tailoring centre

As a policy of devolution of functions listed in the Eleventh Schedule of 73rd Constitutional amendment, the subject "Tailoring Training Center (TTC)" under the control of Social Welfare department was transferred to the ZPP along with staff members in July 2000. The administrative supervision of the center was entrusted to the MPDO Hanmakonda. The objectives of the TTC were to impart training to rural women in tailoring and garment making. But it had not been functioning since April 2005 and there was an unproductive expenditure of Rs 12.62 lakh being the pay and allowances on idle establishment of TTC. There was failure on the part of the MPDO Hanmakonda to popularise the scheme and to deliver intended benefit to the rural women of the district. Thus the objective of establishment of TTC was not achieved although expenditure of Rs 12.62 lakh was incurred towards pay and allowances on idle staff.

³⁶ 2004-05 – Rs 10.48 lakh 2005-06 – Rs 5.35 lakh 2006-07 – Rs 0.78 lakh.

2.2.7.6 Non collection of user charges

User charges amounting to Rs 2.25 crore were not collected from the beneficiaries

Guidelines of Twelfth Finance Commission (TFC) stipulate that 50 *per cent* of Operation & Maintenance (O&M) charges spent on water supply schemes should be collected from the beneficiaries as user charges.

It was observed in audit that an amount of Rs 2.25 crore³⁷ being 50 *per cent* of O&M charges of Rs 4.50 crore spent during 2005-06 and 2006-07 on protected water supply schemes was not collected towards user charges from the beneficiaries in EG district.

Executive Engineers of RWS Divisions, Rajahmundry and Kakinada stated (May 2008) that action was being taken to raise the demand notices for collection of user charges.

2.2.7.7 Diversion of ZPP, EG district General Fund by PR/RWS divisions

ZPP General funds were diverted by the PREDS for inadmissible purposes

Government provides every year budget provision for meeting contingent expenditure by the PREDS. However, an amount of Rs 13.19 lakh³⁸ was incurred in excess of the grants released by the Government during the years from 2002-03 to 2006-07 towards electricity consumption charges, telephone charges and hire charges of private vehicles. The excess amount was diverted from the funds released by the ZPP, EG district for upgradation/maintenance/ restoration of existing assets including minor irrigation schemes, drinking water in emergencies and unforeseen contingencies such as activities of public welfare, contribution to sports festival, cultural programmes, etc.

Executive Engineers stated (May 2008) that the amounts were diverted to meet the demand and action is being taken to address the issue.

2.2.7.8 Non-remittance of statutory deductions

Statutory deductions were not remitted to the Government account

It was observed that Seignorage charges amounting to Rs 4.03 lakh³⁹ deducted from the work bills of SGRY scheme was not remitted by the MPPs in EG district to Mines & Geology department as on date (June 2008) though the scheme account was closed in April 2007. It was stated (May 2008) that the amounts would be remitted to the Mines and Geology Department.

³⁷ RWS Division, Kakinada Rs 1.83 crore; RWS Division, Rajahmundry Rs 42.30 lakh;

³⁸ PR Division, Kakinada Rs 0.76 lakh; PR Division, Amalapuram Rs 9.21 lakh; PR Division, Rajahmundry, Rs 2.66 lakh; RWS Division Kakinada Rs 0.56 lakh

³⁹ MPP, Kakinada Rural (Rs 1.20 lakh); MPP, Karapa (Rs 0.08 lakh); MPP, Tallarevu (Rs 1.19 lakh); MPP, Amalapuram Rural (Rs 1.56 lakh)

2.2.8 Conclusions

The District Planning Committee was not yet constituted in both the districts as such objective of preparing consolidated development plan for the ZPP was not achieved. Proper monitoring and vigorous pursuance was not made in respect of collection of own revenues, realisation of the revenues retained by the PREDs and also reimbursement of dues from the Government. Instances of diversion of scheme funds, unfruitful expenditure, and abandonment of works were noticed. The works were carried out departmentally in contravention of codal provisions. There was delay in preparation of Annual Accounts. The monitoring was not proper as the desired level of inspections of MPPs and PREDs have not been conducted.

2.2.9 Recommendations

- District Planning Committee should be constituted on priority basis
- Steps should be taken to augment revenues of ZPPs.
- The reconciliation of departmental figures with treasury figures should be carried out monthly as stipulated
- Annual Accounts should be prepared as per the time schedule prescribed.
- Vigorous pursuance should be made to obtain utilisation certificates for the grants released.
- Steps should be taken to raise demands for own revenue in time and collection thereof, obtaining of ZPP revenues retained by the PREDs and timely preparation and submission of claims for obtaining reimbursement due from the Government.
- Regular inspections and monitoring of ZPPs/MPPs should be conducted.

URBAN LOCAL BODIES

2.3 Financial Management of Vijayawada Municipal Corporation including Information Technology Audit

Highlights

The Municipality of Vijayawada was constituted on 1 April 1888 with an area of 30 sq km, and was upgraded into a Corporation on 6 June 1981. With the merger of the surrounding villages in 1985, the total area of the Corporation (VMC) increased to 58 sq km. Performance Audit of the financial management and Information Technology system of VMC revealed the following deficiencies:

VMC has not compiled the Annual Accounts since 2005-06. It failed to submit the audited accounts to the State Legislature though stipulated under the provisions of Hyderabad Municipal Corporation Act.

(Paragraph 2.3.6)

The maintenance of cash books was deficient with regard to posting of DDs/cash, periodic closing of cash books. Reconciliation of cash book figures with those of bank statements was never carried out.

(Paragraph 2.3.6.1)

Stock Registers were not maintained properly and physical verification of stock at the end of each year was not done.

(Paragraph 2.3.6.2)

Financial management was deficient as budget estimates were not being prepared on a realistic basis. VMC failed to realise its share of auction proceeds (Rs 7.85 crore) in respect of sand bearing areas. The construction of shopping complexes suffered due to deficit planning resulting in loss of revenue of Rs 7.39 crore.

(Paragraphs 2.3.7.1, 2.3.7.3 and 2.3.8.1)

Works were undertaken without first ensuring acquisition of land and other clearances and this resulted in number of works remaining incomplete for several years with consequential blockage of funds of Rs 5.64 crore.

(Paragraph 2.3.9.4)

The Management of waste was far from satisfactory. Despite incurring an expenditure of Rs 4.61 crore on Sewerage Treatment Plant, the basic objective of treating sewerage scientifically was not achieved as no sewerage was treated.

(Paragraphs 2.3.10.1 and 2.3.10.2)

Due to inefficient pumping system, there was excess consumption of electricity towards supply of water to the city. During the year 2006-07, the extra expenditure worked out to Rs 1.26 crore.

(Paragraph 2.3.10.4)

Instances of non-remittance of Seignorage charges to the Government, Library cess to the Zilla Grandhalaya Samstha, deductions made on behalf of National Academy of Construction were noticed.

(Paragraph 2.3.11)

INFORMATION TECHNOLOGY AUDIT

VMC has not evolved foolproof mechanism to ensure that meter readings are properly taken in respect of all meter connections and where meter readings are taken, the demands are promptly and correctly issued.

(Paragraphs 2.3.14.3 and 2.3.14.4)

Lapses were noticed in accounting of bounced cheques.

(Paragraph 2.3.16.2)

The data in VOICE was incomplete and lacked integrity due to absence of validation checks.

(Paragraph 2.3.17)

Lack of segregation of duties and absence of logs were not conducive to fixing responsibility in case of unauthorised manipulation and loss of data.

(Paragraph 2.3.18.2)

2.3.1 Introduction

The Municipality of Vijayawada was constituted on 1 April 1888 with an area of 30 sq km, and was upgraded into a Corporation on 6 June 1981 and the provisions of the Hyderabad Municipal Corporation (HMC) Act, 1955 including the provisions relating to the levy and collection of any tax or fee were made applicable mutatis mutandis with certain exceptions. With the merger of the surrounding villages in 1985, the total area of the Vijayawada Municipal Corporation (VMC) increased to 58 sq km., having population of 1.10 million and it is the third largest city in the State.

The obligatory duties of the VMC *inter alia* include

- Defining the limits of the city;
- Watering, scavenging and cleaning of all public streets and places and removal of garbage;
- Construction and maintenance of drains /streets /bridges/ culverts /greenery of the city etc;
- Lighting the public streets and municipal markets/ public places;
- Management and maintenance of municipal water works;
- Naming and numbering of streets/ premises;
- Regulation of Dangerous and Offensive trades (D&O) or practices; and
- Registration of births and deaths.

In addition, VMC was distributing Social security pensions, managing Schools and Health centres and other social schemes of Union as well as State under these provisions.

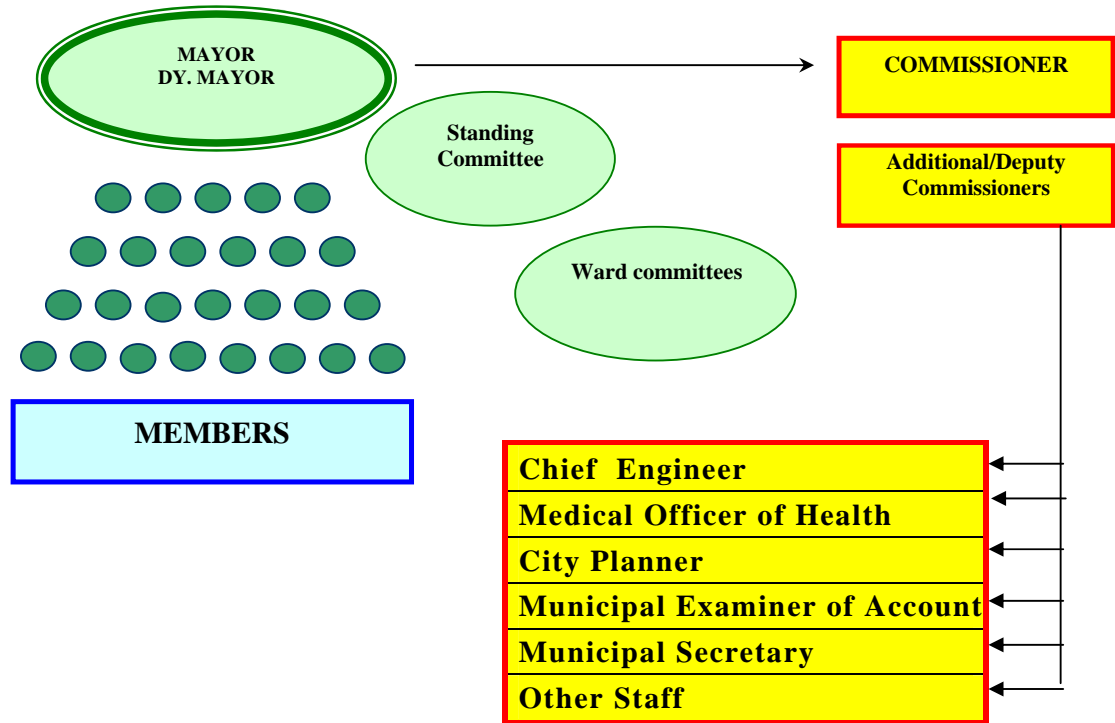
Towards improving the Government-Citizen interface, the State Government identified several projects under the “Electronic Governance” initiative, one such being the setting up of a Community Information System for VMC. VMC is implementing the project from 31 December 1999 and it was named as “Vijayawada Online Information Centre” (VOICE).

2.3.2 Organisational setup

For executing the functions of the VMC, there is an elected Standing Committee consisting of the Chairpersons of the ward committees, headed by elected Mayor and Dy. Mayor. The VMC functions under Housing, Municipal Administration and Urban Development Department (Municipal Administration) under the supervision of the Commissioner and Director, Municipal Administration (CDMA). The Commissioner is the executive head and is responsible for the daily administration of the VMC. The Commissioner is assisted by City Engineer, City Planner, Medical Officer of Health, Examiner of

Accounts and Addl. / Dy. /Asst. Commissioners for discharging various duties and responsibilities. The city is divided into 59 wards with elected councillors. The power of each agency and functionary is outlined in the HMC Act.

MUNICIPAL CORPORATION



The IT wing of VMC is headed by an Additional Commissioner (Projects), who is assisted by a Jr. Assistant, Bill collector, Record Assistant and a Sanitary Maistry for implementing and maintaining the IT applications/ software/ hardware.

2.3.3 Audit objectives

The audit objectives were to assess/evaluate the following activities:

- Whether the maintenance of accounts was as per codal provisions; and
- Whether the financial management with regard to execution of works, collection and utilisation of revenues was effective.

IT Audit of VMC had the following objectives:

- Whether the task of revenue collection relating to taxes and other non-tax revenues under the jurisdiction of the VMC was effectively performed;
- Whether completeness, integrity, reliability, accuracy and security of the data was ensured; and

- Whether the general and environmental controls and IT application controls were adequate.

2.3.4 Audit criteria

The audit criteria adopted for the Performance Audit were as follows:

- Rules, Bylaws and provisions under the Hyderabad Municipal Corporation (HMC) Act, 1955;
- Instructions issued by the Government of India (GOI) and Government of Andhra Pradesh; from time to time; and
- Instructions issued and rates adopted by the VMC.

The criteria adopted for IT audit were:

- Rules and provisions under the Hyderabad Municipal Corporation (HMC) Act, 1955;
- Instructions issued by the GOI and Government of Andhra Pradesh from time to time;
- Instructions issued and rates adopted by the VMC; and
- Best practices for a computerised system.

2.3.5 Scope and methodology of Audit

The accounts of the Commissioner, VMC for the financial years 2002-03 to 2006-07 were examined in general during the performance audit undertaken in selected areas of interest. An entry conference was held in November 2007 with the active participation of the Commissioner and other officers of VMC.

The IT Audit was conducted by examining the controls and review of IT related practices. Data pertaining to VOICE project consisting of Revenue Taxation module (covering Property Tax, Water and Sewerage Tax, Vacant Land Tax, Water Meter Charges), Births & Deaths module, Commercial Complexes module, Dangerous and Offensive (D&O) Trades module, Complaints monitoring module was analysed for the period 1999-2007 (as of August 2007) using IDEA⁴⁰, a software package. The exit conference was held during September 2008. The views of the VMC were also taken into account while formulating the audit conclusions. The results of the review are discussed in the succeeding paragraphs. The results of the IT Audit are discussed in para 2.3.13 to 2.3.18 in a separate section of this review report.

⁴⁰ Interactive Data Extraction and Analysis.

Audit findings

2.3.6 Accounts

VMC has not compiled the Annual Accounts since 2005-06. It also failed to submit the audited accounts to the

Under the Act⁴¹, the Commissioner is required to forward a Statement of receipts and disbursements of the Municipal Fund pertaining to the previous year with closing balances to the Municipal Administration Department for placing before the Legislative Assembly of the State.

As of October 2008, VMC compiled the Annual Accounts upto 2004-05 and the compilation of accounts for 2005-06 onwards was in arrears. VMC has not submitted the compiled accounts for the years 2001-02 to 2004-05 to the State Legislature though stipulated under the Act. Under the provisions of the Act⁴², the Director, State Audit has been entrusted with the task of certification of Annual Accounts. The Director, State Audit has engaged the services of Chartered Accountants for audit of the accounts.

2.3.6.1 Maintenance of Cash books

Cash books closings were not done. Reconciliation of cash book figures with those of bank statements was never carried out.

The cash book is the primary record for knowing the funds position and forms source material for the Annual Accounts. VMC is maintaining 30 bank accounts in three nationalised banks and one private bank⁴³. The maintenance of cash books in respect of these accounts was deficient as detailed in the table below.

Subject	Audit findings
Posting on the receipt side of cash books	As per the codal provisions, the DDs/Cash should soon after their receipt be posted in the cash book and then sent to bank for credit. Scrutiny revealed that DDs/Cash received by VMC were being sent to banks without posting in the cash books. VMC wholly relied on the credits shown in the bank statements by the banks. Thus, there was no assurance that all the cheques/ cash deposited in banks were being fully credited to VMC's account.
Closings	As per the codal provisions, cash books should be closed regularly and at the end of each financial year. The cash books maintained by the Accounts Branch were not being closed either daily, monthly or annually. The balances were arrived at periodically and were carried forward since April 2002 onwards. There was no system of any internal check by an official other than the writer of the cash book. The balances have not been carried forward from April 2005 onwards. As a result, the balances available under the respective accounts were not ascertainable.

⁴¹ Section 181 of HMC Act 1955.

⁴² Section 3 of Andhra Pradesh State Audit Act. 1989

⁴³ Under the provisions of HMC Act, VMC was required to open bank account for General Fund in the State Bank of Hyderabad only.

Reconciliation	As per the codal provisions, the cash book figures should be reconciled with bank statements monthly and at the end of each year. Audit observed that reconciliation of cash book figures with bank statements was not being done in the Accounts wing in any of the 30 bank accounts since 1 April 2001. The cash books were not maintained properly and hence reconciliation was not possible. In the absence of reconciliation, the correctness or otherwise of the amounts credited to bank was not ensured.
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The Commissioner, VMC assured (October 2008) that steps would be taken for proper maintenance of the cash books and for periodical reconciliation.

2.3.6.2 Stock Registers

Physical verification of stock at the end of each year was not done.

State Government issued orders⁴⁴ (November 1992) for conducting physical verification of stock at least once in a year before close of the financial year. The Stock Registers of VMC had the following deficiencies:

- The Stock Registers were not periodically closed to arrive at the balances at the end of each financial year; and
- Physical verification of stores and stock was never done.

In the absence of proper maintenance of Stock Registers and physical verification, detection of discrepancies was not possible and as such there is no assurance that there are no pilferages of stock.

2.3.6.3 Examiner of Accounts

Under the Act, the Examiner of Accounts (EOA) has been assigned only the duty of verifying the expenditure but not the task of examination of accounts relating to collection of taxes and their proper accountal. It was further observed that in the cash books maintained by VMC, postings were made only in respect of expenditure but not the receipts. This is a basic deficiency which needs to be rectified.

2.3.7 Financial Management

The major source of revenue of the VMC is from Property Tax, Vacant Land Tax and Advertisement Tax. In addition, non-tax revenues through charges from registration of births and deaths, building plan approvals, supply of water, D & O trade licences, etc., are collected by VMC. Besides, Government also assigns revenues such as surcharge on transfer duty on registration of properties, entertainment tax, seignorage fee and grants-in-aid for specific purposes. The following deficiencies were noticed.

⁴⁴ Memo No: 10970/226/TFR/90-1, Finance and Planning Department dated 10.11.1992.

2.3.7.1 Budget estimates and the expenditure

The budget estimates, receipts and expenditure of the Corporation for the period from 2001-02 to 2006-07 were as detailed below:

(Rupees in crore)

Budget estimates were not being prepared on a realistic basis.

Year	Receipts				Expenditure			
	Revised budget estimates	Actual receipts	Deficit/ Excess	Per centage over approved budget	Revised budget estimates	Actual expenditure	Deficit	Percentage over estimates
2001-02	106.12	88.39	17.73	17	107.90	87.05	20.85	19
2002-03	101.95	116.94	-14.99	-15	102.53	116.67	-14.14	-14
2003-04	135.19	124.02	11.17	8	134.69	123.41	11.28	8
2004-05	165.14	148.12	17.02	10	159.64	147.51	12.13	8
2005-06	223.70	135.91	87.79	39	218.15	137.00	81.15	37
2006-07	426.89	192.72	234.17	55	418.38	184.33	234.05	56

It would be seen from the above that during the years 2001-02 to 2006-07 the revenue increased from Rs 88.39 crore to Rs 192.72 crore and the expenditure increased from Rs 87.05 crore to Rs 184.33 crore. It was also observed that the budget figures were not being prepared on a realistic basis as the variations in respect of receipts ranged from (-) 15 per cent to (+) 55 per cent and in respect of expenditure from (-) 14 per cent to (+) 56 per cent.

2.3.7.2 Raising of loan from UBI

VMC had outstanding loans of Rs 68.37 crore with HUDCO as of February 2005 which were being repaid at floating rates of interest ranging from 8.25 per cent to 9.50 per cent. Union Bank of India (UBI) offered (February 2005) to take over the outstanding loans of HUDCO at a lower fixed rate of interest of 7.25 per cent. VMC decided to take loan from UBI at the lower rate of interest and foreclose the outstanding loans with HUDCO. Accordingly, UBI repaid (April 2005) the entire loan amount of Rs 69.55 crore (including interest) to HUDCO. Scrutiny revealed the following deficiencies:

As per HUDCO's statement, an amount of Rs 1.36 crore being 2 per cent prepayment charges were to be paid by VMC for foreclosing the loan. VMC approached HUDCO (April 2005) for waiver of the prepayment charges. The Commissioner also approached the State Government so that the charges are waived by HUDCO. However, the same has not been waived by HUDCO and pending waiver of these charges, VMC is liable to pay the prepayment charges along with interest at the prevailing rates even after closure of the loan account. The Commissioner stated (October 2008) that the State Government was approached to advise HUDCO to consider the request of VMC for waiver of prepayment charges.

The loan from UBI has been raised through an escrow account arrangement against which, non-tax revenue collections were

directly credited to escrow account. It was observed in audit, that the fund in the escrow account was far in excess of the amount required to repay the instalments of UBI leading to unnecessary blocking of the VMC fund. On being pointed, VMC stated (November 2008) that the matter is already in their notice and necessary steps have been taken to reduce the flow.

2.3.7.3 Auction proceeds of sand bearing areas

VMC failed to realise its share of auction proceeds (Rs 7.85 crore) in respect of sand bearing areas.

The sand in the sand bearing areas is auctioned by the ZPP, Krishna district and the proceeds are to be shared by the VMC (75 per cent) and surrounding Gram Panchayats (25 per cent) as per the orders⁴⁵ of the State Government. Though the ZPP, Krishna district auctioned the sand in the sand bearing areas from 1996-97 to 2005-06, VMC had not received its due share amounting to Rs 7.85 crore. Except reminding the ZPP, VMC failed to take up the matter with the State Government.

2.3.7.4 Other deficiencies

The following deficiencies were also noticed in maintenance of accounts of the VMC:

Description of lapse	Audit findings
Adjustment of advances to staff members for procurement of materials	As per codal provisions, the official concerned in charge of stores must receive and verify the procured stock on its receipt and furnish a certificate of verification. Based on the certificate furnished, the Accounts Section has to adjust the advances paid to its employees for procurement of materials. In 26 cases, the advances of Rs 3.15 crore paid to the staff members were adjusted belatedly ranging from two to ten years as shown in <i>Appendix-8</i> . It was observed that all these adjustments were carried out in the same month without any certificates from the stores department. Moreover, the invoices received against the supply of steel/bitumen and certificate of verification were not available with VMC. The names of contractors to whom the materials were issued and the details of recoveries made from them were also not available. As such, the approval of the Commissioner accepting such adjustments was not in order. VMC replied (October 2008) that, the amounts were directly paid by demand drafts to the parties from whom materials were purchased. The reply does not answer the specific observations made by audit.
Local Government Service Fund	VMC has obligation to pay Pension, Provident Fund to its employees. For this purpose, it has to constitute a Local Government service fund under the provisions of the HMC Act to meet such liability. No such fund has been created by the VMC and in the absence of such fund; the payments

⁴⁵ Panchayat Raj and Rural Development Department Memo No: 7726/Pts.III/A3/2003-1, dated 18.10.2003.

	<p>were being made through General Fund. The closing balance of Provident Fund of its own employees was Rs 9.28 crore to the end of 31 March 2005. For provident fund deductions, VMC is the custodian of the fund accumulated and not the owner but the VMC was utilising these funds. The inclusion of PF amounts in the General Fund gives inflated picture of the financial position of the VMC.</p>
Contributory Pension Scheme	<p>The State Government decided (September 2004) to adopt the GOI's New Pension Scheme linked to defined contributions for the employees of the State including the staff of Urban Local Bodies, who are newly recruited on or after 1 September 2004. VMC had 99 staff members for whom Contributory Pension Scheme was applicable. The quantum of fund collected from the employees to end of March 2007 was Rs 4.17 lakh. No computation has been done by the VMC with regard to its matching share under this scheme. Though it was replied (October 2008) that the contributions recovered were being remitted to a separate bank account but this was part of General Fund of VMC.</p>

2.3.8. Shopping Complexes

2.3.8.1 Non-allotment of shops

With a view to augment its own revenue, VMC undertook construction of several commercial complexes. The deficiencies noticed during audit of these complexes are discussed below:

Commercial Complexes	Audit findings
Kaleswararao General Market complex	<p>The complex which is situated in one of the busy commercial areas of Vijayawada was remodelled with 232 shops on ground floor and 186 shops on first floor during February 2003. All the shops in the ground floor were provided to the then existing occupants. For the newly added first floor constructed at a cost of Rs 69.20 lakh, 177 shops remained unoccupied. The poor response despite several attempts from January 2004 was attributable to lack of toilets, sewerage and water supply facilities. This glaring deficiency is all the more objectionable since VMC is the regulatory authority entrusted with the task of granting permissions to shopping establishments in the city after ensuring availability of civic amenities.</p> <p>This has resulted in loss of revenue of Rs 2.29 crore as estimated by VMC for the period from January 2004 to December 2007 in the form of rents.</p>

Commercial Complexes	Audit findings
Ansari commercial complex	<p>VMC constructed (1994) Ansari Commercial complex consisting of 64 shops at a cost of Rs 66 lakh in Besant road which is the hub of commercial activities. Although 14 years have lapsed from the year of construction, VMC has failed to lease the shops in the complex despite the locational advantage and has sustained a revenue loss of Rs 5.10 crore in addition to loss of goodwill of Rs 38.40 lakh.</p> <p>The procedure adopted in allocation of shops was erroneous. In the initial stage, a deposit of Rs 10,000 was collected (1994) from applicants without informing them that further deposit (Rs 50,000) would be required for providing AC facility (as the shops are located underground). This led to litigation (1995) and refund of deposit (Rs 4.80 lakh) along with interest (Rs 8.04 lakh) for 14 years in 2007 in respect of 48 applicants. All the shops were still lying vacant as of September 2008.</p>

2.3.8.2 Arrears of rent from shops

VMC failed to promptly collect rents from commercial complexes constructed by VMC, leading to accumulation of rents amounting to Rs 31.03 lakh (upto February 2008). The details are given in *Appendix-9*. This has resulted in overburdening the financial position of VMC, as it has been paying interest on the loans taken for construction of the Commercial Complexes.

2.3.9. Execution of Works

2.3.9.1 Construction of C.C. drains

VMC awarded (April 2006) the work of construction of storm water drain on South side of M.G. Road under road widening programme for a value of Rs 44.55 lakh. The contractor did not take up the work due to non-handing over of site by the Town Planning department which is a wing of VMC itself and the contract was terminated (January 2008). The estimate for the work was revised (July 2007) for Rs 64.55 lakh based on SSR 2007-08 and fresh tenders were called for (October 2007) and allotted to a contractor at 3.69 per cent over Estimated Contract Value (ECV). The work was finally completed (June 2008) at an expenditure of Rs 54.87 lakh resulting in extra expenditure of Rs 10.32 lakh.

The Commissioner replied (February 2008) that the site clearance was not received along the proposed reach of drain and further disputes arose after commencement of work and the same were referred to the Town Planning wing. The delay and consequent extra expenditure incurred were due to lack of co-ordination between Town Planning and Engineering departments of VMC.

2.3.9.2 Construction of Subway

VMC planned to construct (1998) a Sub-way near K. G. Market at a cost of Rs 40.38 lakh. The site was handed over to the contractor in June 1998 without obtaining prior clearances from Police and R & B Departments.

The contractor after executing a portion of work (Rs 21 lakh), stopped the work (July 2001) due to obstruction caused by un-diverted traffic and the existing pipeline across the sub-way which belonged to VMC. The work was not resumed thereafter due to non acceptance of revised rates sought for by the contractor.

VMC called the fresh tenders twice during February and March 2003 and finally awarded (June 2003) the balance work for Rs 29.17 lakh (revised) to a contractor. However, the site has not been handed over to the contractor due to non-diversion of traffic/permission from Police Department. VMC finally decided (June 2004) not to construct the balance portion of work of Sub-way and returned the earnest money deposit to the contractor.

Thus, by not conducting a comprehensive study of the conditions at the worksite and poor coordination with Police and R&B departments and within the wings of VMC, the work remained abandoned midway and the entire expenditure of Rs 21 lakh already incurred was rendered unfruitful. The objective of construction of Sub-way for the convenience of pedestrians to cross the busy road also remains defeated. VMC while admitting (December 2007) the audit contention attributed the delay to non-obtaining of required clearances.

2.3.9.3 Widening of Mahatma Gandhi Road

Under modified master plan, widening of Mahatma Gandhi Road to 120 ft was approved (May 2002) by the State Government. In order to widen the road as per the approved master plan, VMC issued (December 2005) notices to 22 building owners for demolition of buildings. Instead of following the procedure of land acquisition as per the Land Acquisition Act I of 1894, VMC started (December 2005) demolition of the buildings. The building owners filed a Writ petition (December 2005) against the action of VMC. The Hon'ble High Court objected to the procedure adopted by VMC for demolition of the buildings and directed (January 2006) VMC to follow due procedure before demolition. Consequently, the VMC had to incur (August and September 2006) an avoidable expenditure of Rs 27.34 lakh towards restoration of the demolished buildings and the acquisition process is yet to be completed.

2.3.9.4 Incomplete works

VMC took up 19 works (detailed in *Appendix-10*) through contractors for Rs 5.64 crore during 2006-07 and 2007-08. Most of these works relate to underground drainage and laying of water supply lines. Some of the works though taken up in April 2006 and

Works were undertaken without ensuring acquisition of land and other clearances. This resulted in number of works remaining incomplete.

required to be completed within six months, had not been completed as of October 2008. On this being pointed out, it was stated (February 2008) that in some cases, notices were issued to the contractors and in some cases works were stopped due to court cases because of site disputes. Thus, as a result of poor monitoring and not ensuring availability of land prior to commencement of works, the works though started long back have not yet been completed resulting in the desired objectives not being achieved and the public continued to suffer with the existing open drainage system.

2.3.9.5 Construction of Kalyanamandapam on hilly area

VMC constructed (May 2003) Palla Kanakaiah Kalyanamandapam at a cost of Rs 14 lakh by raising a loan from HUDCO at an interest rate of 15.90 *per cent*. As the purpose of construction was to augment revenue resources of the Corporation and funds had been borrowed at high rate of interest, it was essential to ensure that the Kalyanamandapam was located in a convenient location. It was, however, observed that the construction was carried out on a hill slope. Added to this, there was no proper approach road. These lapses resulted in the Kalyanamandapam remaining vacant since the date of completion without rents, despite repeated efforts and lowering the rentals. In July 2006, the authorities leased the Kalyanamandapam for Rs 15,500 *per annum*. Thus, although the VMC was paying interest (7.25 *per cent*) of Rs 1.02 lakh *per annum*, on the loan raised for construction for Kalyanamandapam, it was getting a meagre lease rent of Rs 15,500 *per annum*. VMC has not furnished reply (October 2008).

2.3.9.6 Land taken from Railways at Satyanarayanapuram

VMC paid Rs 50 lakh (March 1999) to Railways for developing 100 feet wide road as per the Master Plan to have better approach to main Railway station. Railways shifted the existing rail track of 4.2 km extending to an area of 23.26 acres in Satyanarayanapuram on the Vijayawada-Machilipatnam railway line for this purpose and handed over the land to VMC (February 2005).

Even after three years of acquisition of land, no tangible progress was made in development of 100 feet road except partially laying gravel (March 2005) at a cost of Rs 4.79 lakh as against the estimated cost of Rs 18.20 lakh. No specific reasons were forthcoming from the VMC for the delay in laying the road. Thus an asset for which VMC paid Rs 50 lakh more than 9 years back remained idle. Further, this is a prime land in the heart of the city which was kept open and vulnerable to encroachments in the absence of speedy development.

2.3.9.7 Blockage of funds with Railways

In connection with construction of 'Road Under Bridge' for passage of light vehicles like cars, scooters, vans etc. at Madhuranagar, VMC deposited (June 2005) a sum of Rs 50 lakh with the Divisional

Manager, South Central Railway, Vijayawada towards the departmental contribution. But, subsequently VMC requested (January 2006) the Railway Authorities for increasing the height of the box culvert to accommodate heavy vehicular traffic with adequate clearance which was not accepted by the Railway Authorities. VMC dropped its initial proposal and the amount of Rs 50 lakh was yet to be refunded by the Railway Authorities. Since obtaining refund is a time consuming process and deposit is required to be made only after any work is considered technically feasible, the scope of the work should have been assessed properly right at the beginning before making any deposit. Failure to do so led to blockage of funds for more than three years. Computed at the rate of 7.25 per cent per annum presently charged by bank, the liability of interest worked out to Rs 9.97 lakh for the period from January 2006 to September 2008.

VMC replied (March 2008) that the outstanding amount with Railways would be utilised for the proposed Road over Bridge at two other locations. The fact remains that VMC is paying interest at the rate 7.25 per cent to the Union Bank of India on the loan outstanding while funds are blocked with the Railways.

2.3.10. Public services

2.3.10.1 Disposal of Municipal Solid Waste

Mechanical Compost Plant

Inability of VMC to supply the required quantity of MSW led to closure of mechanical compost plant

VMC leased out (November 1995) an existing Mechanical Compost Plant in 8.23 Acres at Ajit Singh Nagar to M/s Excel Industries Ltd., Mumbai for a period of 30 years (upto November 2025) to produce organic manure by using Municipal solid waste (MSW). The firm modified the existing machinery and started production of organic manure from September 1996. As per the agreement with the firm, VMC was to supply 125 MT of garbage to the firm and in turn the firm would pay lease rental/ compensation for buildings and machinery of Rs 2.92 lakh per year in addition the royalty of Rs 35 per MT of MSW consumed. Due to inability of VMC to supply the required quantity of solid waste, the firm ceased operation (December 2006) and handed over the plant to the VMC. Thus inability of VMC to supply the required quantity of MSW led to loss of revenue of Rs 2.25 lakh per annum towards compensation on buildings and machinery and Rs 0.67 lakh per annum towards lease/additional lease rent besides exposing the public to the hazards of pollution generated by non-treatment of solid waste.

Biomethanation plant

VMC constructed (October 2005) a biomethanation plant for generation of electricity by processing slaughter house and vegetation waste at a cost of Rs 2.18 crore. The plant was handed over (October 2005) to M/s. Mailhem Engineers Pvt. Ltd., for

operation and maintenance at a monthly rent of Rs 1.50 lakh for three years.

In the agreement (December 2005), there was no clause for payment of maintenance charges linking it to generation of electricity. No electricity was generated as of October 2008. However, the firm was paid Rs 20.57 lakh towards maintenance charges for the period from November 2005 to December 2006 with a further liability of Rs 31.50 lakh for the remaining agreement period from January 2007 to September 2008.

Thus failure of VMC to link the payment of operation and maintenance expenditure to generation of electricity resulted in non-fulfilment of the objective of treatment of MSW and generation of electricity.

2.3.10.2 Sewerage Treatment Plant

Despite incurring an expenditure of Rs 4.61 crore on Sewerage Treatment Plant the basic objective of treating sewerage scientifically was not achieved.

The work relating to design, construction, operation, trial run and maintenance of 10 MLD Sewerage Treatment Plant (STP) at Autonagar was awarded to M/s. Gondwana Engineers Private Limited, Nagpur for treating the sewer. The construction was completed in March 2005 at a cost of Rs 4.61 crore. The party was entrusted the task of Operation and Maintenance of the plant @ Rs 75,000 *per month* for a period of 2 years but due to poor maintenance, it failed to treat any sewerage since commencement of the plant till March 2007. Consequently, the expenditure of Rs 18 lakh incurred on maintenance charges for the period of 2 years remained unproductive besides pollution hazards created by release of untreated sewerage water.

2.3.10.3 Hiring of Dumper Placers

VMC obtained (August 2004) seven Dumper Placers (DPs) for removing Municipal Solid Waste (MSW) from District SC Service Co-operative Society Ltd., (SCSCS) Krishna District, Machilipatnam. As per agreement, VMC is required to pay hire charges of Rs 30,000 per month (including 50 *per cent* being the wage component to the workers engaged) per vehicle to SCSCS. VMC paid Rs 77.70 lakh⁴⁶ up to August 2007 as hire charges of DPs. The payment of Rs 38.85 lakh constituting 50 *per cent* of the payment towards wage component was objectionable as no workers were provided by the Society and the garbage lifting was carried out by the VMC. Further, as hiring of DPs did not follow the tender route, the reasonableness of this rate cannot be vouchsafed in audit.

2.3.10.4 Expenditure on electricity

The following deficiencies were noticed with respect to expenditure incurred on electricity in connection with public services:

⁴⁶ Already paid Rs 36.26 lakh in September 2007 and Rs 41.44 lakh is yet to be paid

Due to inefficient pumping system there was excess consumption of electricity towards supply of water to the city.

Description	Audit findings
Avoidable expenditure on Contracted Load	Due to consumption of electricity in excess of contracted load, the VMC has paid surcharge of Rs 37.44 lakh for the period April 2003 to July 2008. Though VMC deposited Rs 25.59 ⁴⁷ lakh with Andhra Pradesh Southern Power Distribution Corporation Limited (APSPDCL) towards additional supply by way of having a dedicated feeder, there was failure on the part of VMC to get the feeder installed by effective pursuance.
Excess consumption of electricity for supplying water	VMC obtain water from three different sources viz., river bed, infiltration plant and bore-wells and distributes the water by pumping to 45 ground level and high level storage reservoirs. The average water pumped in a day was 20 MGD [2 (pumping twice a day) X 9.91 MG (capacity of reservoir)]. It was observed that the expenditure on electricity consumption far exceeded the energy required for carrying out the pumping operations. For illustration, the payment made in 2006-07 was Rs 4.08 crore as against Rs 2.82 crore required. The reasons for the excess consumption of electricity need to be investigated to improve the efficiency of the pumping system.
Belated payment of electricity bills	Southern Power Distribution Corporation (SPDC) sends the electricity bills on staggered dates. VMC makes the payments of these bills after due dates. This resulted in delayed payments of the HT bills and during 2006-07, late payment charges in respect of two HT connections amounted to Rs 1.30 lakh.

2.3.11 Non-remittance of statutory deductions

The following lapses were noticed with reference to statutory deductions from the bills of contractors as detailed in the table:

Several statutory violations by VMC like non-remittance of Seignorage charges to Government, Library cess to Zilla Grandhalaya Samstha, deductions made on behalf of NAC, were noticed.

Description	Audit findings
Seignorage Charges	Under the provisions of AP Mines and Mineral Rules, the Seignorage Charges (on minor minerals such as sand, metals, earth etc.) deducted from work bills were required to be remitted to the receipt head of the State Government. Lack of proper mechanism for accounting and prompt remittance of the revenues pertaining to other departments was seen in case of Seignorage charges (deducted from Contractors bills) as an amount of Rs 4.94 crore for the years 1987-88 to 2006-07 were retained in the General Fund. VMC replied (February 2008) that it would remit seignorage charges to the Government account on receipt of a sum of Rs 5 crore which was due from the ZPP, Krishna District. The reply is not tenable as the amount should have been remitted to the Mines and Geology Department and not linked to the financial dealings with ZPP concerned.

⁴⁷ Rs 13.54 lakh – February 2003; Rs 3.86 lakh – October 2005; Rs 7.50 lakh – November 2006 and Rs 0.69 lakh – June 2008

Description	Audit findings
Remittance of Library Cess to Zilla Grandhalaya Samstha	As per the Act ⁴⁸ eight <i>per cent</i> of Property Tax collected is to be remitted to the Zilla Grandhalaya Samstha. VMC failed to remit the dues regularly resulting in accumulation of Rs 9.63 crore (during years 2001-02 to 2006-07).
Remittance of NAC Recoveries	Deductions of Rs 13 lakh made towards National Academy for Construction (NAC) during the period from February 2005 to March 2007 from Contractors bills were not remitted to the NAC. VMC replied (February 2008) that the amount could not be remitted as VMC was not in receipt of the State Government Orders. The reply is not tenable as the Government Order stipulating the deductions contained the instructions for remittance also.

2.3.12 Other points of interest

Assistance to Mobile Court

VMC provided a driver and started supplying 150 litres of petrol to the vehicle personally owned by the Magistrate every month since May 2006, when its vehicle (tempo traveller) used as mobile court became unusable. The mobile court has become immobile and functions from a building.

The present arrangement of supply of petrol does not serve the intended objective in the absence of operation of mobile court.

INFORMATION TECHNOLOGY AUDIT

2.3.13 Profile

For setting up a Community Information System, under the title Vijayawada Online Information Centre (VOICE), VMC entered into an agreement (January 1999) with M/s CMC Ltd. The project was completed (31 December 1999) at a total cost of Rs 1.87 crore.

VOICE provides access to citizens through its web site⁴⁹ for information on various services offered by VMC and details of tax dues/ payments and for lodging complaints. Some of the e-Seva centres and the civic service centres were given access to VOICE on the network for accepting online payments from January 2003. VMC relies totally on VOICE for raising demands, collection of taxes as well as non taxes. VOICE was developed using Oracle (Ver.8i) as the database and Developer 2000 as front end. The hardware includes Compaq Proliant ML 350 and ML 150 servers operating on Windows 2000 (database server) and Windows 2003 (Web server). The network connectivity is through leased lines. A Local Area Network (LAN) of the VMC forms the backbone of this network. On

⁴⁸ Rule 18 of A.P. Public Libraries Rules, 1961

⁴⁹ <http://www.ourvmc.org>

an average, expenditure on providing services through VOICE is of the order of Rs 17 lakh per year.

The IT audit objectives have been spelt out in para 2.3.3 and the audit criteria in para 2.3.4.

REVENUE TAXATION

The task of revenue collections are divided into the following three stages.

1. Raising of demands
2. Communication of demands to the taxpayers and
3. Accounting of the receipts.

VMC maintains a database (VOICE) for online revenue collections. The deficiencies noticed in the system in each of the three stages are described further.

Audit findings

2.3.14 Raising of demands

2.3.14.1 Database

The first prerequisite is to have a comprehensive and authentic database of all tax payers (rate payers). The existing database is the one originally prepared in the earlier IT system and carried over to the new system. There was no assurance that the database is comprehensive and no tax payer is left out and address indicators are authentic and reliable.

2.3.14.2 Integration of water charges with property tax

For every property there are two taxes payable namely property tax (PT) and water meter charges⁵⁰/ tap charges⁵¹. A scrutiny of property tax table relating to property tax assessments revealed lack of unique identification number for each property. Likewise there was no unique identification number for the properties in database table concerning water charges. As a result there is no assurance that property tax and water meter charges/ tap charges are being collected for all properties under the jurisdiction of VMC. Audit observed that there were 2,956 transaction records in the database pertaining to water tap charges for which PT assessment number was not available.

2.3.14.3 Water meter readings

VMC engaged outside agencies for recording water meter reading with the help of hand held devices. It was observed that there were 328 (out of 6,519 records of water meter connections) records in

⁵⁰ Water connection with water meter: where demand is raised monthly on the basis of consumption.

⁵¹ Water tap connection without meter: where the monthly lump-sum charges called tap charges are collected along with property tax demand, served half yearly.

water meter master table for which water meter readings were never taken. In 333 live records water meter readings were taken but demands for water meter charges were not raised. Thus, VMC has not evolved foolproof mechanism to ensure that meter readings are properly taken in respect of all meter connections and where meter readings are taken, the demands are promptly issued.

VMC replied (December 2007) that action was being taken to verify these cases.

2.3.14.4 Incorrect raising of demand for water meter charges

The demands for water meter charges are not being correctly raised as observed from 1,362 records of consumption. The difference between latest reading and the previous reading did not match the consumption figure indicated in the demand raised as shown below:

Month	Number of records	Units consumed for which demand generated	Consumption as per meter reading table	Difference of consumption between demand and readings
September 1999	101	373343	10441218	10067875
June 2000	72	4067200	2251400	-1815800
July 2006	66	264055	630500	366445
September 2006	77	254000	123000	-131000
October 2006	53	159000	78000	-81000
November 2006	95	285000	146000	-139000
December 2006	88	264000	146000	-118000
January 2007	106	318000	171000	-147000

VMC replied (December 2007) that instructions were given to the Spot Billing Agency not to repeat such billing in future.

2.3.15 Communication of demands

The existence of verifiable record is necessary to check whether all the demands for taxes computed have been communicated to the correct addresses. There is no mechanism at present to ensure correct communication of the bills as detailed in this section.

2.3.15.1 Demand not generated for water meter readings

It was observed that though there were 6,519 live connections as of July 2007 only 4,942 and 5,007 demands were generated for April and May 2007. Thus all the connections were not covered in the billing cycle. VMC stated (December 2007) that instructions were given to the Spot Billing Agency to avoid omissions in future.

2.3.15.2 Incomplete database relating to door numbers

There were 8,551 records in property tax, water meter and Vacant Land Tax (VLT) modules where the door numbers were not available indicating incomplete master data of addresses in the VOICE

database. Due to incomplete master data in respect of door numbers, VMC switched back to the old practice of delivering the demands through bill collectors.

2.3.16 Accounting of the Receipts

The existing system in the VMC does not correlate the actual collections with the demands due.

2.3.16.1 Capturing of information relating to receipts issued

The particulars of taxes collected through cash counters of e-Seva and City Civic centres of VMC are entered in the system and a receipt is generated automatically by the system for issue to the party at the collection centre as an acknowledgement for receipt of cash/cheque.

Audit noticed 218 records in commercial complex module amounting to Rs 3.45 lakh, in the online collection data (i.e., after January 2003), without receipt numbers in the database. This raises serious doubts about the data integrity of particulars of tax collected.

In respect of properties leased out by VMC, there were 1,958 transaction records in lease transaction table involving an amount of Rs 53.11 lakh. There were no matching records found in accounts module in respect of these transactions. In the absence of such integration, the integrity of financial transactions was adversely affected.

2.3.16.2 Accounting of bounced cheques

Audit noticed that there were 1,083 dishonoured cheques amounting to Rs 1.80 crore which were presented by the cable operators towards entertainment tax and other non-tax receipts. Every year the operators make own assessment for the number of connections and make payments accordingly. In the absence of periodical raising of demands and receipt of credits, there was no follow up by VMC for these bounced cheques.

In 111 other records of property tax module, the cheques were returned. However, corresponding records in receipt details had not been reversed and as such the VMC did not realise revenue of Rs 2.87 lakh.

No notices were issued against parties under section 138 of Negotiable Instruments Act, 1881. In both the cases mentioned above no specific reply was given by VMC (December 2008)

2.3.16.3 Multiple credits given for single cheques

Whenever a cheque is received, its unique cheque number and date should be recorded in the database. Presently there is no control mechanism to prevent misuse by giving more than one credit for the same cheque. Audit noticed that more than one credit was given in respect of 750 cheques received by way of recording a different

cheque date in the database. The total amount involved was Rs 42.90 lakh. MC replied (January 2008) that the details were sent to concerned revenue circles for verification and the same would be rectified soon.

2.3.17 Lack of input controls in the application data

Validation of data facilitates feeding of correct and valid data into the database. There were records, as seen below, in the VOICE database which indicated deficiencies in validations at the application and database level.

Module	Number of records	Deficiency noticed	Impact
Dangerous & Offensive (D&O) Trade Licences	59,836	The receipt number corresponding to 59,836 records were not captured out of 2,21,425 transaction records in the demand table	Incomplete data.
D & O Trade Licences	67,140	Collection date was not available in the receipts table.	Period of accounting of the receipts adversely affected.
Commercial complexes	20,013	No receipt numbers were recorded for 20,013 records in the demand collection table.	Incomplete data.
Commercial complexes	4,754	Amount paid was shown by cheque, the cheque number had not been recorded in the receipt header table.	Incomplete data.
Vacant Land Tax (VLT)	258	The VLT demand was less than Rs 10 in 258 cases. (Zero in 230 records).	Incorrect data.
VLT	19	The capital value of the vacant land was filled with unrealistic values as Re 1, Re 0.1, Re 0.01 etc.	Incorrect data.
VLT	25	The rates per sq. yard of land had been indicated unrealistically less.	Incorrect data.
Building Application	1,491	Receipts numbers were not available in the details table.	Incomplete data.
Building Application	1,660	Paid amount was zero.	Incorrect Data
Building Application	274	The amount field showed zero.	Incorrect Data
Property tax (PT)	11,184	The PT assessment numbers of the tax payers were not available in receipt details table.	Tax collections cannot be linked to the respective tax payers
Property tax	7,575	Records deleted from the receipt details table from January 2007 to March 2007.	There is no security for the database which affects the integrity of the data.

Because of validation inadequacies and users being allowed to skip otherwise mandatory fields, the data in VOICE database was not complete and also lacked integrity.

2.3.18 General controls

2.3.18.1 Non-deployment of Technical personnel

VMC identified and imparted training to five member core team through CMC on the administrative, operational and maintenance aspects, to enable their active involvement and participation. It was however, observed that none of these persons from the original core team was deployed in VOICE as of July 2007. Also no person was posted as full time Project in-charge for VOICE.

2.3.18.2 Segregation of duties

Audit noticed a group consisting of a Sanitary Maistry, Typist, Junior Assistant, Bill collector and Record Assistant were assigned the combined roles of a DBA, DEO, System Administrator without the specific allocation of duties. Lack of segregation of duties had exposed the project to the risk of potential misuse of critical data and application. Apart from the day to day functioning, even critical jobs like programming, database, network and system administration were being handled by this group. There was no system of logs to help to fix responsibility in case of damage to the data and system software. As a consequence, no accountability existed.

2.3.18.3 No policies for computerisation in VMC

Audit noticed that there were no approved documented policies in VMC for day to day operations of the computerisation and security of data and other IT infrastructure. There is no IT strategic plan, Security policy, Password policy, Backup policy, Business continuity plan, Network security policy and Change management policy.

2.3.18.4 No audit trail

There was no transaction ID existing to trace a transaction across the tables in the database. VMC replied (January 2008) that VOICE was developed only as an information system and transaction ID was not thought of.

2.3.19 Conclusions

Financial management was deficient. The compilation of accounts is in arrears and there was also failure to submit the audited accounts to the State Legislature for several years. Cash books were not maintained as prescribed. Maintenance of Stock Registers was also deficient. The construction of commercial complexes suffered from deficient planning. VMC failed to ensure prompt realisation of rentals from the shopping complexes constructed by it. Several works were planned without ensuring acquisition of land and other clearances etc., resulting in non-completion the works. Waste

management by the VMC is also far from satisfactory despite incurring huge expenditure. Audit also noticed statutory violations with regard to deductions from the bills of contractors

The data in VOICE is incomplete and lacks integrity due to absence of proper validation checks. Lack of segregation of duties and absence of logs was not conducive to fixation of responsibility in case of damage to data and system software.

2.3.20 Recommendations

- The postings in the cash books need to be made as per codal provisions. The cash books should be closed regularly. Periodical reconciliation should be undertaken with bank statements.
- The arrears in compilation of accounts should be cleared on priority basis so as to bring them upto date. The audited accounts should be submitted to the Legislature as prescribed in the Act.
- The management of waste should be accorded top priority as this is a key function of the VMC and the engagement of outside agencies should be on the basis of payments linked to actual processing of waste.
- VMC should take immediate steps to deploy staff with technical knowledge to man VOICE project.
- There should be enough segregation of duties between different user groups.
- Validation checks need to be introduced to facilitate correct data entry.

The above observations were reported to the State Government in September 2008; reply had not been received (January 2009).

CHAPTER III

AUDIT OF TRANSACTIONS

3.1 PANCHAYAT RAJ INSTITUTIONS

3.1.1 Non-fulfillment of objectives

Failure to remedy the basic deficiencies responsible for poor response to training in tailoring resulted in staff on whom an expenditure of Rs 25.35 lakh was incurred on pay and allowances being not utilised for the objectives for which they were deployed.

Out of the 29 functions specified in the Eleventh Schedule, ten functions were transferred to PRIs by the GOAP. Accordingly, Tailoring Training and Garment Production Centre (TTC) which was under the control of Social Welfare Department was transferred to the ZPP, Vizianagaram from 1 April, 1999. Seven¹ staff members of the said training centre were transferred with effect from 1 July 2000. The ZPP, Vizianagaram established the TTC in their premises from April, 1999 and it became functional from July 2000 after transfer of staff. The TTC had the capacity of training 20 women belonging to Scheduled Caste every year selected by a Committee² set up for the purpose and each trainee will be paid a stipend of Rs 125 *per month*.

Audit observed (April 2007) that the TTC did not conduct any training till 2005. During 2005-06, 37 applicants applied for training and 20 selected finally. Five candidates completed the training. During 2006-07 only two candidates applied and discontinued the training within one month. The ZPP attributed non-enrolment during the period 2000-05 to absence of response from the candidates. In the absence of tailor training programme the staff was directed to render services to other sections³ of ZPP.

There was a failure of CEO, ZPP to rectify the deficiency to have more response.

Consequently, the staff deployed on the specific objective of providing training in tailoring and stitching garments to the students



**Tailoring Training and Garment
Production centre**

¹ Manager, Junior Assistant, Instructor, Mestry, Sevak, Watchman and Assistant Cutter

² Chief Executive Officer (Chairperson), Deputy Director (Social Welfare), Mandal Parishad Development Officer, Sarpanch of concerned GP and Instructor/Assistant Cutter/Manager as Member Convener.

³ Duties of Grievance Cell superintendent, dispatch section work, Treasury work, receiving dak from Post office, Attender work etc.

on whom an expenditure of Rs 25.35 lakh on pay and allowances made during 2000-05 rendered unproductive.

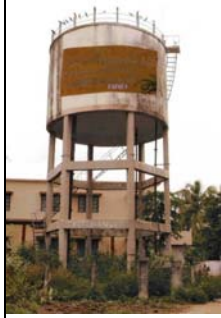
The matter was reported to the Government in February 2008; reply had not been received (January 2009).


3.1.2 Unfruitful expenditure on Protected Water Supply Schemes

In two Gram Panchayats, Protected Water Supply Schemes constructed at an expenditure of Rs 33.66 lakh were not put to use which resulted in non-achievement of the objective of providing safe drinking water to the inhabitants.

Scrutiny of records of two Gram Panchayats revealed that the Protected Water Supply Schemes constructed at an expenditure of Rs 33.66 lakh by the State Government was handed over to the GPs for maintenance. However, the PWS Schemes were not functioning which resulted in non-achievement of the objective of providing safe drinking water to prevent water borne diseases to the inhabitants as detailed below:

Sl. No.	Name of the GP	Mandal/District	Details of the case
1.	Chandole	Pitlavani-palem/Guntur	<p>The development of Protected Water Supply Scheme in Chandole village was started in the year 1990 under ARWS by the RWS division and the work was completed at a cost of Rs 22.75 lakh and handed over (November 2000) for maintenance to the GP. Due to insufficient release of grants initially, the scheme designed to serve drinking water for around 8500 persons in the village was completed with distribution lines to serve only one-fourth (2125 persons) of the village.</p> <p>The estimated cost (February 2004) for coverage of balance lines was about Rs 10 lakh. As there was no further release of funds from Government and due to inability of raising their own funds, Gram Panchayat resolved to stop running the scheme within months of its taking over thereby not serving the drinking needs of the village. To an audit enquiry the Sarpanch stated (September 2008) that the GP is not showing interest in running the scheme due to the source (Summer Storage tank) being located adjacent to the burial ground. The alternative source has not been identified so far.</p>



2.	Yella-reddypet	Yellareddypet/ Karimnagar		<p>The construction of 2.5 kilo litre capacity Over Head Service Reservoir (OHSR) at Kistampally in Yellareddypet village with an estimated cost of Rs 13 lakh was completed in June 2000 at a cost of Rs 10.91 lakh by RWS Department. However, the OHSR was not put to use due to drying up of original source of open well. GP had failed to approach the RWS Department for alternative source and make use of the OHSR there-by denying the intended purpose of serving protected water to the village. The GP replied (October 2008) that water is supplied through bore wells and a proposal for alternate source was submitted in August 2008 to RWS department.</p>
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Thus, due to faulty planning and failure to identify appropriate sources for water supply, the expenditure of Rs 33.66 lakh on the two water supply schemes remained unfruitful.



The matter was reported to the Government (September 2008); reply had not been received (January 2009).



3.1.3 Unfruitful expenditure due to non-completion of Gram Panchayat buildings

Construction of GP buildings without adequate financial planning resulted in unfruitful expenditure of Rs 6.14 lakh on incomplete GP buildings.

Scrutiny of the records of the following five GPs revealed that construction of GP buildings without ensuring availability of funds from their own sources or from other sources resulted in non-completion of buildings and the expenditure of Rs 6.14 lakh incurred remained unfruitful. Details are as follows-

Sl. No.	Name of the Gram Panchayat	Mandal/ District	Details of the case
1.	Rajiv Nagar	Tirupathi Urban Mandal/ Chittoor	 <p>The construction of GP Building estimated to cost Rupees two lakh was given administrative sanction in January 2004 by the Divisional Panchayat Officer, Chandragiri. The work which was taken up in January 2004 out of EFC grants was left incomplete after incurring expenditure of</p>

			Rs 1.62 lakh due to insufficient fund. Commencement of the work without making arrangements for full funds led to non-completion of the building and the work was abandoned since March 2004. The GP is also paying an avoidable monthly rent of Rs 1,000 for its own accommodation. The GP stated (October 2008) that the work was initially taken up in anticipation of receipt of fund under SGRY.
2	Kamalapur	Mangapet Mandal/ Warangal	 <p>Three kuntas (720 sft) of Gram Panchayat land was used for construction of community hall in the village in the year 1996. Administrative sanction was given by the District Collector (January 1996). A sum of Rs 1 lakh was released under MPLAD fund and construction started by the Panchayat Raj Engineering Division in the year 1997. The structure was left abandoned (2001) at foundation stage after incurring an expenditure of Rs 96,000. The GP stated (October 2008) that the earlier elected body had taken up the work which was not a productive source of revenue and hence the next elected body decided not to undertake the balance work.</p>
3.	Pudimadaka	Achyuthapuram Mandal/ Visakhapatnam	 <p>The construction of community hall at Kadapalem in the outskirts of Pudimadaka, Gram Panchayat estimated to cost Rs 1 lakh was administratively sanctioned in August 2005 restricting to the scope of administrative sanction powers of the Sarpanch. After incurring expenditure of Rs 1 lakh up to lintel level (April 2006) out of SGRY funds, the work was left incomplete. Since further amount of Rs 2.50 lakh required for completion of the building was not available with the GP, the work was left incomplete.</p>

4.	Tharigoppula	Narmetta Mandal/ Warangal		<p>The work of construction of two room shopping complex, administratively sanctioned by the Sarpanch, Tharigoppula Gram Panchayat was estimated to cost Rs 1.20 lakh and was to be met out of EFC and SFC funds. The work was taken up (June 2005) for construction by the Gram Panchayat Works Committee, and an expenditure of Rs 1.03 lakh was incurred on its construction till June 2006 out of SFC grants. Since then, the work was left incomplete at lintel level for more than two years due to non-receipt of EFC funds. The GP is losing the expected revenue of Rs 3,000 <i>per month</i> by way of rent from the shops.</p>
5	Kambalapally	Mahabooba-bad Mandal/ Warangal		<p>The balance work of construction of community hall estimated to cost Rs 1.59 lakh was administratively sanctioned by Sarpanch, Kambalapally GP under Eleventh Finance Commission grant. The GP incurred an expenditure of Rs 1.53 lakh on the work till February 2003. The GP stated (October 2008) that the hall could not be put to use due to non-construction of kitchen shed, toilets and compound wall for which funds were not available. Thus, faulty planning coupled with failure of the GP to complete the community hall in all respects led to unfruitful expenditure of Rs 1.53 lakh for more than five years.</p>

Financial planning is a prerequisite for timely completion of works. But this was not taken care.

The matter was reported to the Government (September 2008); reply had not been received (January 2009).

3.1.4 Blocking up of funds

Delay in land acquisition and construction of auditorium resulted in blocking up of funds of Rs 25 lakh for a period of 2 to 9 years.

With a view to augment its own revenue, the Gram Panchayat, Pebbair (GP) planned to (i) develop Santha (Weekly) bazaar in 30 Acres of land at a cost of Rs 43 lakh in Government (Endowment) Department's land and (ii) construct Auditorium at an estimated cost

of Rs 26 lakh. The GP deposited⁴ Rs 10 lakh and Rs 15 lakh with Revenue authorities and Engineering Division respectively for purchase of land and construction of the auditorium. But in the process of generating more revenue, their own funds were locked up for over 2 to 9 years as detailed below-

(a) Acquisition of land for Santha Bazaar

The GP proposed (1996) to develop “Santha Bazar” and resolved to purchase twenty acres of temple land and deposited Rs 10 lakh with Revenue Authorities. Though the land belonged to a Government Department (Endowment), the Land Acquisition Authorities failed to complete the acquisition of land expeditiously. The initial deposit was made in 1999 for 20 acres; however, the rate was firmed up in October 2005. No progress could be made as GP sought additional land of ten acres at a belated stage (April 2007). It was incidentally observed that the temple authorities were inclined to offer 30 acres of land way back in 1998 but the valuation process is yet to be completed. The land was not acquired till date (October 2008) resulting in the objective of augmenting the GP’s own revenue resources not achieved. Instead its own funds of Rs 10 lakh were blocked for over a period of nine years.

(b) Construction of Auditorium

The GP resolved in July 2005 to construct an Auditorium and deposited Rs 15 lakh in June 2006 with PR Engineering Division, Wanaparthy, to execute the work according to the departmental procedure. The GP, within three months resolved (September 2006) not to proceed with the construction of the Auditorium. The amount deposited with the Engineering division was yet to be received (January 2009). Consequently, the GP was not able to augment its revenue resources intended from the auditorium besides blocking its own funds of Rs 15 lakh for over two years.

The matter was reported to the Government (September 2008); reply had not been received (January 2009).

3.1.5 Non-remittance of statutory deductions

Statutory deductions of Rs 83.05 lakh effected by 43 MPPs were not remitted to Government Accounts/other agencies as per the codal provisions.

According to AP Public Works Accounts/Departmental Codes, while making payments to contractors towards execution of works, the disbursing officer should ensure that the gross amount of work bill is debited to the concerned expenditure Head and the departmental recoveries, if any, effected from the work bills are credited to respective Government Accounts/other agencies as the case may be. The Act and other Government orders issued from time to time by

⁴ Rs 4.36 lakh in January 1999 and Rs 5.64 lakh in June 2006; Rs 15 lakh in June 2006

respective Departments⁵ also specify that the deductions effected from the bills of the Contracted works are to be remitted to concerned heads of account.

It was noticed during the audit of 43⁶ Mandal Praja Parishads (MPPs) in 2006-07 that the amounts aggregating to Rs 83.05 lakh representing statutory deductions made by MPDOs while making payments to the contractors towards the execution of works taken up with General Funds and other Scheme Funds during 1996-2007 were not remitted to the respective departments.

(Rupees in lakh)

Sl.No	Category of recovery	Amount
1	Seignorage Charges	69.90
2	Sales Tax	9.97
3	Income Tax	3.18
Total		83.05

It was observed that presently there is no procedure prescribed for periodical totalling of deductions so made to enable remittance to the respective authorities by a due date. Hence, there is a need to remedy this deficiency.

On being pointed by audit, MPDO, Bhadrachalam furnished (August 2008) remittance particulars for an amount of Rs 2.16 lakh.

The matter was reported to Government in July 2008, reply had not been received (January 2009).

3.1.6 Non-transfer of unspent balances

The unspent balances of Rs 30.11 lakh pertaining to various schemes were still lying in the accounts of 12 MPDOs for over two years without being transferred to the scheme sanctioning authorities.

The Government of Andhra Pradesh has been releasing grants to Panchayat Raj Institutions to implement schemes. These funds are to be utilised within time schedule. If the grants released for implementation of the schemes were not utilised fully by the PRIs, the unspent balances shall be remitted back to the funding agencies.

Scrutiny of the accounts of the 12 Mandal Parishad Development Offices (MPDOs) audited during 2006-07 revealed that the scheme funds/grants amounting to Rs 30.11 lakh meant for Janmabhoomi,

⁵ Seignorage charges - Industries and Commerce department; Income Tax- Income Tax department and Sales Tax- Revenue department.

⁶ Office wise details are in Appendix 11

Wells in SC/ST inhabited places etc., were not utilised in time and the unspent balances lying from 2005-06 were not surrendered to the respective funding agencies. The scheme wise and office wise details are given vide *Appendix 12*. MPDOs did not furnish specific reply for non transfer of the unspent balances, but generally stated that the unspent balances would be surrendered to fund releasing authority.

The matter was reported to Government in July 2008, reply had not been received (January 2009).

3.1.7 Deficiencies in functioning of Gram Panchayats

Audit of 741 Gram Panchayats (out of 21807) during 2006-07 revealed huge arrears in collection of tax and non-tax revenues, non-utilization of grants, diversions of scheme funds, non-accountal of stock, non-maintenance of records/registers and poor accounting arrangements.

During 2006-07, 741 Gram Panchayats (GPs) constituting about 3.40 *per cent* of the 21807 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 utilised for the purposes they are released. Audit scrutiny of the records of the 741 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 741 GPs, the collection of taxes were in arrears. As against the demand of Rs 37.43 crore, only Rs 19.50 crore was collected leaving a balance Rs 17.93 crore (47.90 *per cent*) as of March 2007 as detailed in *Appendix-13*.

ii) Collection of Non-tax receipts: GPs generate revenue through various other non-tax receipts also such as shopping complex rentals, cattle auctions, market fee etc. As against the demand of Rs 7.10 crore, only Rs 3.88 crore was collected during the year 2006-07 leaving a balance of Rs 3.22 crore (45.35 *per cent*) in arrears as of March 2007. The details are given in *Appendix - 14*.

iii) Utilisation of grants: Grants released to GPs during 2006-07 for implementation of various schemes were not fully utilised by GPs as shown below

(Rupees in crore)

Nature of grant/scheme	Amount of grant received	Amount of grant unutilised	Amount of grant diverted
SGRY	16.61	3.99	0.18
SFC	11.35	5.00	0.21
EFC	16.78	7.22	0.32
Total	44.74	16.21 <i>(36.23 per cent)</i>	0.71

Year wise details of grants released and utilised were not available with the GPs. Thus, it is evident that the GPs failed to utilise the scheme funds provided by GOI in full, thereby effecting their implementation.

iv) Remittance of statutory recoveries from work bills: Recoveries made towards Income tax; Turn over tax and Seignorage charges from the work bills are to be remitted to the respective departments. It was however noticed that an amount of Rs 11.62 lakh recovered from the work bills by 548 GPs were retained with them without being remitted to the respective departments as detailed in *Appendix-15*

v) Accounting of Stock: As per codal provisions, Stock Registers are to be maintained to watch proper accounting of stocks procured and their legitimate utilisation. In 741 GPs test checked, material worth Rs 3.28 crore were not accounted for in the Stock Registers as detailed in *Appendix-16*. The Register through which releases were made did not show details of issue of stock and the closing balance.

vi) Preparation of budget: According to the provisions of the AP Panchayat 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 noticed that 427 GPs (57.62 per cent) out of 741 test checked have not prepared budget estimates for the year 2006-07.

vii) Reconciliation: As per the provisions of the Budget Manual the GPs are required to carry out reconciliation of cash book figures with treasury balances every month. The purpose of reconciliation of Treasury Personal Deposit Account 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 337 (45.48 per cent) out of 741 GPs audited have not conducted reconciliation with the treasury/Bank. As a result, the possibility of misuse of Government money in the form of fictitious draws/remittances and irregular booking of expenditure under various heads of account/scheme/programmes cannot be ruled out. The matter needs immediate attention for rectificatory action.

viii) Maintenance of records: Records such as Asset Register, Works Register, DCB Register, Stock Register, and Challan Register, Register of Estimates / Agreements and Furniture Register are to be maintained as per the provisions of para 13.12 to 13.30 of GP Accounts Manual of Panchayat Raj and Rural Development Department. However, the above registers were not maintained as prescribed in almost all the GPs test checked, reflecting inadequate accounting arrangements in GPs. These records are important as they are intended to constitute documentary evidence of proper utilisation of funds and accountal for stock. In the absence of records/incomplete records, the accountability gets diluted. As per the Certificate of Assurance on Releases and Utilisaton of TFC grant for the year 2006-07, an amount of Rs 11.51 crore is earmarked for creation of Data Base and Maintenance of Accounts by the Commissioner, PR&RE and adjusted to the PD Account of ZPP, Rangareddy district. No amount was utilised for this purpose (January 2009).

Similar deficiencies were noticed in the 479 GPs audited during October 2005 to March 2006 as brought out in the earlier Audit Report (Local Bodies)-Government of Andhra Pradesh for the year ended 31 March 2006.

ix) Payment of Honorarium: As per GO Ms No 154 PR dated 31 March 1999, the expenditure on Honorarium paid to the Sarpanch shall be shared by the Gram Panchayat and the Government in the ratio 50:50. The GP share is to be met from the General Funds. It was noticed that in 690 GPs test checked the entire Honorarium was met from the General Fund of the GPs. The GPs failed to get reimbursement of the Government share.

There is an imperative need that the arrears in audit of GPs by Director, State Audit as mentioned in *para* 1.1.6 be cleared on priority basis so as to provide an assurance that the funds have been properly utilised

The matter was reported to the Government (September 2008); reply had not been received (January 2009).

3.2 URBAN LOCAL BODIES

3.2.1 Slow progress in completion of Road over Bridge

Inordinate delay in completion of construction of Road over Bridge resulted in unfruitful expenditure of Rs 4.19 Crore. Also the incomplete work did not serve the intended objective of relieving the traffic congestion.

The construction of 'Road over Bridge' (ROB) at Seetaphalmandi taken up way back in 1996 by the Municipal Corporation of Hyderabad (MCH) at an estimated cost of Rs 4 crore to relieve the traffic congestion in Hyderabad city under Mega city Scheme (CSS) has not been completed till date.

The work though administratively sanctioned in January 1989, was not immediately taken up and the Government revalidated the sanction in 1996. MCH entered (November 1997) into a Memorandum of Understanding (MOU) with M/s National Buildings Construction Corporation Limited (NBCC) for construction of ROB at a tentative cost of Rs 3.65 Crore. Due to failure in submission of designs and drawings by NBCC, MCH cancelled (August 2003) the MOU after a delay of more than five years and called for fresh tenders (March 2005). Meanwhile, the City level Co-ordination Committee of the scheme reviewed (January 1999) the proposal of ROB and recommended to increase the width of ROB from 8.5 meters to 12 meters to meet the increased traffic requirement. Accordingly, the MCH submitted the revised estimate for Rs 8 crore to the Government (July 2003) and the same was approved in August 2003.

For completion of ROB, land was to be acquired apart from shifting of underground lines of water supply, sewerage and heavy electrical lines. Acquisition of land is a complex and tedious process where the time required to complete the task cannot be assessed with any degree of certainty. Despite this, the work was awarded (June 2005) to a second agency (M/s Manikanta Constructions) without prior acquisition of land for a contract value of Rs 6.18 crore with stipulated date of completion as one year. The work was not completed even after expiry of Extension of Agreement Time (EOAT) (August 2007) due to delay in acquisition of private properties and shifting of electric, water supply and sewerage lines. Work valued Rs 4.19 crore⁷ was completed upto EOAT and ROB is yet to be completed (January 2009).

Failure to acquire the land prior to award of work contributed for delay in completion of the work. The expenditure of Rs 4.19 crore remained unfruitful and the intended objective of relieving the traffic congestion at Seetaphalmandi in Hyderabad city remained unfulfilled.

The matter was reported to Government in January 2008, reply had not been received (January 2009).

⁷ Rs 1.38 crore for structure valuation; Rs 2.42 Crore for ROB and Rs 39 lakh for shifting of electrical mains.

3.2.2 Unfruitful expenditure on construction of vegetable market besides loss of revenue

Construction of vegetable Market Complex at Naimnagar, Hanmakonda without undertaking demand survey led to unfruitful expenditure of Rs 25.19 lakh besides loss of revenue of Rs 27.30 lakh.

The 'Construction of Vegetable market at Naimnagar' under Integrated Development of Small and Medium Towns (IDSMT), a centrally sponsored scheme, was entrusted (March 1996) to M/s NBCC Limited a GOI agency for an agreed value of Rs 23.66 lakh. The objective of the scheme was to generate revenue to the local bodies and to slow down migration of people. The work consisting of 92⁸ shops was completed in all respects at a cost of Rs 25.19 lakh and taken possession by the Warangal Municipal Corporation (WMC) in May 2000. The stalls were put to public auction repeatedly from the year 2000 to 2007 but there was no response from public to the notices issued. Consequently, the complex remained unoccupied as of August 2008 except one shop let out on a request received in April 2006 for a rent of Rs 1,000 *per month*.



Vegetable Market Complex
(Block A & B)

Audit observed that the construction work was undertaken without prior demand survey. The Commissioner, WMC replied (August 2008) that no separate survey was conducted as the site of construction was a business area located nearer to residential colonies. The reply overlooks the



Vegetable Market Complex
(Block C & D)

fact that to assess the demand, survey was essential to know the potential number of parties willing to take shops on rental basis; the expected rentals and the size of the shops. It was incidentally observed that the size of each shop was 1.78 m x 2.32 m (4.1 sqm). The above lapses resulted in unfruitful expenditure of Rs 25.19 lakh besides loss of revenue of Rs 27.30 lakh⁹ due to non-occupation of the shops

⁸ Vegetable stalls (74); Mutton stalls (12) and Chicken stalls (6)

⁹ rent @ Rs 250 pm on 92 shops (70 months); on 91 shops (29 months) plus goodwill at Rs 5000 on 92 shops

for more than eight years. The basic objective of augmenting revenues of the Corporation remained unfulfilled.

The matter was reported to the Government in May 2008, reply had not been received (January 2009).

3.2.3 Loss of revenue

Failure to collect Entertainment Tax by the Commissioner, Warangal Municipal Corporation resulted in loss of revenue of Rs 1.31 crore.

According to the provisions of the AP Entertainment Tax Act, 1939, the Entertainment Tax Officer (ETO) has to assess the demand and collect Entertainment Tax (ET) on Cable TV Network from the Master Cable TV Operator and Cable TV Operators under his jurisdiction at the rates prescribed from time to time. The proceeds of the tax payable shall be apportioned between the State Government and the Local Authority (ULB) in the ratio of 10:90 respectively. The Government issued orders¹⁰ (October 2000) delegating the powers of collection of Tax on entertainment on Cable TV to the Commissioners of Municipalities/Corporations.

A test check (August 2006) of the records of the Warangal Municipal Corporation (WMC) revealed that though the function of collecting ET was delegated to ULBs in October 2000, the Commissioner had not collected ET up to December 2004 which resulted in a loss of revenue to the Corporation to the extent of Rs 67.20 lakh¹¹ on 30,000 cable TV connections. The Commissioner started collecting ET only in January 2005. Out of the demand for the period January 2005 to October 2006 an amount of Rs 20.24 lakh remained to be collected. It was also observed that the demand was raised only for 30,000 connections as against the 70,000 connections identified by the Town Planning Authorities. The loss involved was Rs 44 lakh¹².

The above lapses by the Commissioner led to a revenue loss of Rs 1.11 crore. Besides, an amount of Rs 20.24 lakh was also lying as arrears.

The matter was reported to the Government in January 2008, reply had not been received (January 2009).

¹⁰ The function was rolled back to Commercial Tax Department in November 2006.

¹¹ Rs 4 for each connection *per month* upto December 2002 and Rs 5 for each connection from January 2003 to December 2004

¹² Rs 5 for each connection *per month* for 22 months for 4,000 connections

3.2.4 Incomplete storm water drain

Commencement of work without ensuring availability of funds resulted in the work of Storm water drain remaining incomplete for more than four years despite incurring an expenditure of Rs 75.60 lakh.

Scrutiny of the accounts (August 2006) of Warangal Municipal Corporation(WMC) revealed that the work of construction of storm water drain from Kasikunta up to a culvert point in Sakarasikunta proposed under Andhra Pradesh Urban Services for the Poor (APUSP) remained incomplete for over four years despite incurring an expenditure of Rs 75.60 lakh¹³.

The construction of drain was proposed (September 2003) for a length of 1500 meters at a cost of Rs 80 lakh to dispose off the sullage water accumulating in the area inhabited by urban poor. To derive benefit from the storm water drain it was absolutely necessary that the work be completed to the full length of 1500 meters as completion of portion of the work would not give any pro-rata benefit. Instead of calling bids for the full length of drain by ensuring full funds were available, the scope of work was restricted to 1056 meters to the extent of scheme funds available and for which technical sanction was available. As the contractor quoted a value less than the estimate for 1056 meters bids were called again and further work to the extent of 94 meters was executed from the savings. As a result the drain work remained incomplete as of date.

Commissioner (WMC) stated (August 2008) that the balance work could not be taken up due to non-availability of funds. The reply is not acceptable as the incomplete work had the undesired effect of collection of storm water for the completed length with potential of flooding, as the work of tail end, which would have discharged the water into culvert point, was not taken up. As a result, the objective of providing better hygiene and healthier environment for areas inhabited by urban poor was not achieved.

The matter was referred to the Government in January 2008, reply had not been received (January 2009).

3.2.5 Unauthorised/irregular investment of municipal funds

Unauthorised investment of Municipal funds by the Commissioner, L.B Nagar, Municipality in violation of the codal provisions resulted in loss of Rs 21.62 lakh.

Andhra Pradesh Treasury Code permits investment of surplus funds of Municipal Council in few selected bonds and securities viz. Andhra Pradesh Government Securities, Non terminable loans of Union Government, Fixed deposits for a period of three years in

¹³ Rs 69.48 lakh from C-MAPP 1st cycle and Rs 6.12 lakh from savings of C-MAPP 2nd cycle

State and Central Co-operative banks, Defence bonds 1946 and Savings Certificates issued by the Government.

Test check of records (June 2006) of the Commissioner, L.B.Nagar Municipality revealed that the municipality without the approval of the municipal council invested an amount of Rs 40.55 lakh¹⁴ in fixed deposits (FDRs) in the First City Cooperative Urban Bank Limited, which is not one of the institutions approved for investments. On maturity, the bank issued (March 2000) cheques for the maturity value of Rs 43.43 lakh which however, were not encashed due to insufficient funds. On this being intimated, the bank once again issued (May 2000) fresh FDRs with maturity value of Rs 44.55 lakh payable in August 2000. The municipality instead of realising the entire maturity amount in August 2000 could realise only Rs 23.45 lakh¹⁵ as the bank refused withdrawal of full amount and issued fresh FDRs for balance with maturity value of Rs 22.62 lakh payable in December 2001.

The bank, however, went into liquidation in the year 2001 and the municipality could not realise the balance FDRs on maturity. As against the deposit claim by the liquidator (March 2003) with the Deposit Insurance and Credit Guarantee Corporation (DICGC), Mumbai, the maximum eligible amount of Rupees one lakh was realised by the municipality in June 2006.

Thus, investment of surplus municipal funds in violation of the codal provisions, without the approval of the municipal council led to a loss of Rs 21.62 lakh. On this being pointed out, the Commissioner could not offer (February 2008) any remarks.

The matter was reported to the Government (September 2008), reply had not been received (January 2009).

3.2.6 Idle expenditure on construction of meat market

Construction of meat market complex at a cost of Rs 32.80 lakh in Kamareddy Town on a site encroached by meat vendors remained idle over four years.

Scrutiny of the records of Kamareddy Municipality revealed that the shops and meat market complex constructed at a cost of Rs 32.80 lakh under Integrated Small and Medium Towns (IDSMT) remained idle for four years as of September 2008. Details of the case are as under-

Kamareddy Municipality had in its possession land on which there were some unauthorised sheds and the land was also being utilised by street vendors. The Commissioner decided to construct a permanent shopping complex in the land consisting of 48 shops and also augment revenue from the shops. Since the land was already

¹⁴ Rs 19.07 lakh in August 1999 for 3 months and Rs 21.48 lakh in November 1999 for 12 months.

¹⁵ Rs 10 lakh in December 2000; Rs 10 lakh in May 2001 and Rs 3.45 lakh in December 2001

encroached by some vendors, the Municipal Council resolved (July 2001) to allot the shops without public auction to the displaced 29 vendors who had been doing business in the land and to allot the remaining shops through auction. A proposal to allot shops to the displaced vendors without public auction was sent to the Government (September 2001). Pending receipt of approval for the proposal, the Municipal Council went ahead with the construction of the complex and was completed in August 2003 at a cost of Rs 32.80 lakh. When the auction notice was issued in January 2004, there was no response as the vendors ensured non-participation of bidders.

In December 2005 the Government rejected the proposal of the Council to allot shops without auction and instructed (March 2006) the Council to submit proposals for according administrative sanction for goodwill auction. The Municipal Council is yet to submit its proposal (September 2008).

The Municipal Council went ahead with the construction without sorting out the issue of dealing with the existing vendors. Consequently, shops constructed at a cost of Rs 32.80 lakh have remained idle till date in addition not being able to generate revenue estimated to be Rs 29.56 lakh¹⁶ for the period from February 2004¹⁷ to September 2008.

The matter was reported to the Government (September 2008), reply had not been received (January 2009).

3.2.7 Non-remittance of Library cess collections

Lack of proper mechanism in segregating the Library cess by the ULBs from the Property tax collections, followed by a remittance with in stipulated dates deprived the Zilla Grandhalaya Samsthas in getting their dues to the extent of Rs 42.13 crore.

According to Section 85 (2) of the Law relating to Municipalities on levy of property tax read with Section 20(3) of the Andhra Pradesh Public Libraries Act, 1960 the amount of Library Cess¹⁸ (LC) collected on the property tax levied by the Local Bodies is transferred to the Personal Deposit account of the City/Zilla Grandhalaya Samstha¹⁹ (ZGS) concerned to provide library services to the public.

¹⁶ Rent for 16 shops @ Rs 1,500 p.m. and 32 stalls @ Rs 900 p.m. for 56 months

¹⁷ Assuming that a period of six months would have been adequate for the auction process of allotment of shops and 75 per cent of the shops would find takers.

¹⁸ library cess in the form of surcharge at the rate of eight paise for every rupee on the property tax or house tax levied in such area under Section 20 of the AP Public Libraries Act, 1960.

¹⁹ Autonomous bodies constituted under A.P. Public Libraries (Amendment) Act, 1969 for organizing and administering public libraries in the State.

A test check of the accounts of two²⁰ Urban Local Bodies (ULBs) revealed that for transfer of LC to ZGS the arrears as at the end of March 2007 was Rs 2.76 crore. To an audit enquiry, Director of Public Libraries stated (May 2008) that as of March 2007, an amount of Rs 42.13 crore was still to be received from Urban Local Bodies in the State.

There was no proper mechanism in place for periodical segregation of the Library cess from the Property Tax collected and remittance of the same resulting in huge arrears. Thus, the legislative intent of funding the ZGS for providing library services to the public has not been translated into effective compliance.

The matter was reported to Government in July 2008, reply had not been received (January 2009).

3.2.8 Parking of schemes funds in Fixed Deposits/Joint Account

Scheme funds aggregating Rs 4.24 crore were kept in fixed deposits and Joint account in violation of the guidelines

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 nationalised banks or in post office in an exclusive and separate account and should be utilised only for the intended purpose and not to be invested in fixed deposits. The interest accrued should also be credited to the concerned scheme funds.

A test check of the records revealed that Karimnagar Municipal Corporation and four municipalities²¹ have, in violation of the Scheme guidelines, kept scheme funds aggregating Rs 4.24 crore in Fixed Deposits as shown below:

(Rupees in lakh)

Sl.No.	Name of the Scheme/Programme	Year in which amount deposited and lying unutilised	Amount
1	NRV	2004-05	1.97
2	Office Building grant	2004-05 2005-06	45.00 90.00
3	IDSMT	2004-05 2005-06	86.40 44.99
4	Community Toilets	2005-06	70.55
5	DWACRA	2003-04	26.00
6	Solid Waste Management	2005-06	17.05
7	NSDP	2004-05 2005-06	11.07 30.94
	Total		423.97

²⁰ Greater Visakha Municipal Corporation (Rs 2.69 crore) and Karimnagar Municipal Corporation (Rs 7 lakh)

²¹ Kamareddy, Pithapuram, Ramagundam and Tuni

Due to non utilisation of Office Building grant, Tuni Municipality is incurring an expenditure of Rs 6,320 *per month* on rent. Specific replies were not furnished by other ULBs.

Keeping the scheme funds in Fixed Deposits was irregular and reduced the availability of funds to that extent for various socio-economic development schemes to be implemented in urban areas.

The matter was reported to the Government in May 2008, reply had not been received (January 2009).

3.2.9 Diversion of scheme funds

Two Municipal Corporations and four Municipalities in violation of scheme guidelines diverted scheme funds amounting to Rs 1.91 crore.

Government of India and Government of Andhra Pradesh release funds to Municipal Corporations/Municipalities to implement various schemes. In case of non-implementation of schemes, the funds lying unutilised should be assessed and remitted back to the funding agency.

As per the Scheme guidelines for which the funds were released, the amount released should be kept in Nationalised banks or a Post Office in an exclusive and separate account and should not be diverted and utilised for other purposes. The guidelines issued for various schemes were also specific that funds allocated for “a component and District” should not be diverted to “other components and other Districts”.

Audit scrutiny of two Municipal Corporations and four municipalities revealed that scheme funds of Rs 1.91 crore were diverted for other purposes during the period from 1996 to 2006 as detailed in *Appendix-17*.

On being pointed out, the Commissioners of three²² ULBs did not furnish any specific reply. The release of amount by the Commissioner and Director of Municipal Administration (CDMA) to

²² Anantapur, L.B.Nagar, and Nizamabad

Municipal Council, Bodhan towards Office Building Grant was not justified as it was having its own building with sufficient accommodation and gave scope for diversion. Thus, the diversion of Rs 1 crore by Ananthapur Municipal Corporation under NSDP deprived the slum people of the intended benefits of the scheme.

The matter was reported to the Government in May 2008; reply had not been received (January 2009).

**Hyderabad
The**

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

Countersigned

**New Delhi
The**

**(VINOD RAI)
Comptroller and Auditor General of India**

Appendix-1
(Reference to paragraph 1.1.8 page 11)
Statement showing the details of diversion of 12th Finance Commission grants
(in Rupees)

Sl.No.	By whom diverted	Details of diversion	Amount diverted	Remarks
Adilabad District				
1.	MPDO, Adilabad	Advances towards GP elections	50,000	
2.	MPDO, Tandoor	Reimbursement of expenditure incurred under General Fund	30,000	
3.	GPs, (3 Nos.)	Construction work	30,955	
4.	GPs (3 Nos.)	For payment of works bills	3,63,574	
Kurnool District				
5	CEO/ZP,	Amount placed with PAO/Kurnool for payment of works sanctioned under 34% ZPP General Fund	30,00,000	For 5 months
6	CEO/ZP	-do- 9% ZP General fund	30,00,000	For 4 months
7.	CEO/ZP	For payment of work bills sanctioned under 9% ZP general funds: a) EE(RWS), Nandyal b) EE(RWS) Kurnool c) EE(RWS), Adoni	18,69,000 54,24,000 75,78,000	For 6 months For 10 months For 10 months
8.	CEO/ZP	For payment of ex-gratia to the victims of Boat mishap at Manchlakatta (Mahabubnagar Dist.)	1,00,00,000	
9.	MPDO/GPs	TFC grant was credited to General fund instead of TFC account	19,02,000	
Visakhapatnam Dist.				
10	DPO/VSP	For expenditure incurred under Per capita grant	6,50,546	
11.	GPs (5 Nos.)	Construction of Roads	2,67,018	
12.	GPs (2 Nos.)	Construction of shops and buildings	2,41,616	
13	Etikoppaka (Yalamanchili Mandal)	Repairs to Bullock Carts	25,200	
14	Bowlwada (Anakapalli Mandal)	Tackling Dog menace	10,000	
Krishna District				
15	DPO/Krishna	For reimbursement of expenditure incurred under Sand account	13,37,000	
16	Ramavarapadu (Vijawada Mandal and Poranki (Vijayawada Rural Mandal) GPs	Construction of Roads	2,00,885	
17.	MPDO/Gannavaram	Transferred to General Fund	84,670	
Kadapa District				
18.	CEO/Kadapa	Construction of Roads	4363000	
		Total	4,04,27,464	

Appendix – 2
(Reference to paragraph 2.1.9.3 page 31)
Statement of excess administrative expenditure incurred

(Rupees in lakh)

Sl. No.	Name of the District	Works expenditure	Administrative expenditure admissible on works expenditure (2 per cent of Column 3)	Total administrative expenditure incurred	Excess Administrative Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
1.	Adilabad	3487.91	69.76	434.11	364.35
2.	Kadapa	5685.90	113.71	393.36	279.65
3.	Chittoor	7743.58	154.87	562.30	407.43
4.	Karimnagar	3104.76	62.10	379.36	317.26
5.	Khammam	3817.46	76.35	312.82	236.47
6.	Mahabubnagar	4560.37	91.21	434.59	343.38
7.	Medak	2829.70	56.59	327.12	270.53
8.	Nalgonda	4932.19	98.64	466.08	367.44
9.	Nizamabad	3140.78	62.82	238.71	175.89
10.	Rangareddy	2582.43	51.64	212.13	160.49
11.	Vizianagaram	2615.80	52.32	340.53	288.21
12.	Warangal	3040.40	60.81	418.42	357.61
Total		47541.28	950.82	4519.53	3568.71

*Information for Anantapur district not furnished

Appendix –3
(Reference to paragraph 2.1.9.4 page 31)
Statement showing REGS funds diverted to other schemes

(in Rupees)

Sl.No.	Name of the District	Amount diverted	Amount recouped	Balance
i) To Comprehensive Land Development Project				
1.	Kadapa	1,50,00,000	Nil	1,50,00,000
2.	Warangal	2,00,00,000	50,00,000	1,50,00,000
Total:		3,50,00,000	50,00,000	3,00,00,000
ii) To Drought Prone Areas Programme scheme				
1.	Kadapa	1,66,17,466	1,50,17,466	16,00,000
Total		1,66,17,466	1,50,17,466	16,00,000
iii) To AP Micro Irrigation Project				
1.	Kadapa	7,00,00,000	7,00,00,000	Nil
Total		7,00,00,000	7,00,00,000	Nil
iv). To Rural Infrastructure Development Fund				
1.	Kadapa	4,25,00,000	4,25,00,000	Nil
Total		4,25,00,000	4,25,00,000	Nil
v) To Integrated Wasteland Development Programme(II,III,IV,V)				
1.	Kadapa	5,75,00,000	5,75,00,000	Nil
2.	Karimnagar	13,21,00,000	Nil	13,21,00,000
Total		18,96,00,000	5,75,00,000	13,21,00,000
vi) To AP State Housing Corporation				
1.	Kadapa	50,00,000	30,05,000	19,95,000
Total		50,00,000	30,05,000	19,95,000
vii) To other schemes				
1.	Karimnagar(Revenue Divisional Officer., Sircilla)	2,00,00,000	Nil	2,00,00,000
2.	Kadapa(DPAP)	21,00,000	1,00,000	20,00,000
Total		2,21,00,000	1,00,000	2,20,00,000
Grand total		38,08,17,466	19,31,22,466	18,76,95,000

Note: The above figures have been taken from the financial accounts(2006-07) of the districts

Appendix –4
(Reference to paragraph 2.1.11.3 page 36)
Statement showing expenditure incurred on ineligible works
(payment made to beneficiaries under Indiramma Housing Programme)

Sl, No.	Name of the District	No. of beneficiaries	Amount paid @ Rs 3200 per beneficiary (Rs in lakh)	No. of mandays generated
1	Adilabad	984	31.49	39360
2	Anantapur	55522	1776.70	2220878
3	Chittoor	51330	1642.56	2053216
4	Kadapa	83218	2662.98	3328719
5	Karimnagar	29669	949.41	1186760
6	Khammam	38812	1241.98	1552471
7	Mahabubnagar	21103	675.30	844121
8	Medak	27930	893.76	1117192
9	Nalgonda	36381	1164.19	1455253
10	Nizamabad	27909	893.09	1116361
11	Rangareddy	24383	780.26	975332
12	Vizianagaram	28411	909.15	1136450
13	Warangal	34906	1116.99	1396240
Total		460558	14737.86	18422353

Appendix-5
(Reference to paragraph 2.2.4.2 page 41)
Statement showing the details of non adjustment of works advances
(in Rupees)

Sl. No.	Name of the office	Name of the fund/grant	Amount of advance paid	Amount of advance not adjusted
1.	MPDO, Kakinada (Rural)	SGRY	1,30,000	27,776
2.	PR division, Kakinada	SFC	3,50,000	3,50,000
3.	PR division, Kakinada	ZPP GF	1,60,89,600	29,26,000
4.	RWS division, Kakinada	ZPP GF	3,20,000	3,20,000
5.	PR division, Amalapuram	ZPP GF	9,10,000	9,10,000
		Total	1,77,99,600	45,33,776

Appendix-6
(Reference to paragraph 2.2.5.4 page 46)
Statement of details of revenues pending realisation

(in Rupees)

Sl. No	District	Asset	Up to 1-4-02	02-03	03-04	04-05	05-06	06-07	Revenue pending realization as of 31 March 2007
1	East Godavari	Land (Agriculture)	2,92,495	3,56,869	3,73,228	1,83,995	2,44,153	2,44,153	16,94,893
		fruit trees	83,953	1,11,180	1,14,615	1,41,170	57,000	43,170	5,51,088
		Green grass	4,400	--	--	--	--		4,400
2	Warangal	Staff quarters	Year wise break-up not available.						1,49,000

Year-wise break-up for the amounts outstanding upto 1-4-02 in respect of East Godavari District were not available on record.

Appendix-7
(Reference to paragraph No.2.2.6.2 page 52)
Statement of Utilisation Certificates not yet obtained

(Rupees in lakh)

Sl. No.	Name of the grant	Amount	Period	Released to
1	1/3 Earmarked funds of SC welfare	176.62	2002-03 to 2006-07	Executive Director, EG district SC Co-op Society Ltd., Kakinada
	1/3 Earmarked funds of ST welfare	70.65	2002-03 to 2006-07	Project Director, ITDA, Rampachodavaram
3	ZPP GF for setting up of distilled water plant	10.00	April 2002	Animal Husbandry department
4	TFC grant for construction of ISLs* in EG district	190.00	2006-07	DM, APS Housing corporation Ltd, Kakinada
5	TFC grant for sanitation in EG district	10.00	2006-07	DPO, East Godavari district, Kakinada.
6	SGRY	0.50	April 2005	EE, Godavari Head Works Division, Dowlaishwaram.
	Total	457.77		

*ISLs Individual Sanitary Latrines

Appendix – 8

(Reference to paragraph 2.3.7.4 page 65)

Statement showing the details of adjustments made with delay

(in Rupees)

Sl. No	Voucher No/Date	Name of the Agency	File No.	Advance Payment Voucher No.	Amount
1	3127/6-05	Visakha Steel Plant	E7-23857/96	36/97-98	6,40,613
2	3135/6-05	Visakha Steel Plant	E7-10718/96	96-97	26,24,400
3	3136/6-05	Visakha Steel Plant	E7-20311/94	155/95-96	7,40,968
4	3137/6-05	Visakha Steel Plant	E7-20311/94	177/95-96	7,91,271
5	3138/6-05	Visakha Steel Plant	E7-20311/94	213/95-96	11,73,645
6	3144/6-05	Visakha Steel Plant	E7-23857/96	142/96-97	19,89,200
7	4057/6-05	Visakha Steel Plant	E7-23447/98	20,68,731
8	3128/6-05	RINL ¹ Hyderabad	E7-13318/97	71/97-98	22,40,000
9	3129/6-05	RINL Hyderabad	E7-20188/97	121/97-98	5,20,000
10	3130/6-05	RINL Hyderabad	E7-20810/97	126/97-98	14,15,189
11	3131/6-05	RINL Hyderabad	E7-22189/97	133/97-98	8,95,697
12	3132/6-05	RINL Hyderabad	E7-27002/97	183/97-98	9,19,389
13	3133/6-05	RINL Hyderabad	E7-20311/94	87,37/95-96	5,00,000
14	3139/6-05	RINL Hyderabad	E7-9556/94	11/98-99	10,00,000
15	3141/6-05	RINL Hyderabad	E7-3065/98	220/97-98	10,00,000
16	3142/6-05	RINL Hyderabad	E7-3347/98	221/97-98	10,00,000
17	4058/6-05	RINL Hyderabad	E7-12813/97	60/97-98	14,90,952
18	3140/6-05	IOC, Madras	E7-9555/98	10/98-99	19,44,211
19	4059/9-05	IOC, Madras	E7-9949/97	24/97-98	22,81,341
20	4060/9-05	IOC, Madras	E7-4710/98	222/97-98	20,00,000
21	3143/6-05	M/s BPC Ltd, Visakhapatnam	E7-22695/96	141/96-97	14,17,080
22	4061/9-05	IOC, Tadepalli	E7-8267/01	81/01-02	8,40,603
23	4062/9-05	IOC, Tadepalli	E7-8267/01	5/02-03	9,78,968
24	4072/9-05	IOC, Tadepalli	F9-18489/01	4,89,203
25	4073/9-05	IOC, Tadepalli	F9-18489/01	133/03-04	2,74,991
26	4075/9-05	IOC, Tadepalli	F9-18489/01	118,123/03-04	2,83,794
Total					3,15,20,246

¹ Rastriya Ispat Nigam Limited,

Appendix – 9
(Reference to paragraph 2.3.8.2 page 67)
Statement showing the arrears of rent from Commercial Complexes
(in Rupees)

Sl No	Name of commercial complex	Shop No	Period from which outstanding	Amount of arrears
1	Vastralatha shopping complex	157 A	December 2003	68992
		157 B	December 2003	68995
		158 A	September 2004	55598
		158 B	September 2004	55599
2	Rajagopalachari Market new shops complex	4	January 2003	77358
3	Srikrishnadevaraya shopping complex	FF11&12	May 2006	52952
		FF 19	September 2003	68791
		FF 22	November 2003	60431
		FF7	February 2006	23911
		FF8	February 2004	57177
		SFI	January 2004	93620
		SF 17	January 2003	70396
		SF 18	January 2004	44888
		SF 19	January 2004	44888
4	Dr. NTR parking - cum-commercial complex	Shop 46	November 2005	66102
		Shop 80	January 2003	60571
5	Arundal Municipal completed	EAST	August 2004	274293
		22	May 2007	118198
6	Urban Land Ceiling office	JNW	April 2004	374986
7	Chief Planning officer	JSE2	June 2003	159516
8	VHR Complex	12	March 2007	84360
		13	January 2007	118432
		14	June 2007	83970
9	Govindarajulu market shopping complex	Shop 1	January 2005	75512
		Shop 2	January 2004	78806
10	Indira Gandhi Municipal Corporation Stadium	(part) Passport Office	January 1999 to June 2001 and September 2007 to January 2008	713000
Total				31,03,534

Appendix - 10
(Reference to Paragraph 2.3.9.4 Page 68)
(Statement of incomplete works taken up during 2006-07 and 2007-08
(in Rupees)

Sl. No	Name of the Work	Value of Work	Date of Order	Due date of Completion
1	Construction of 3 lakh gallon ELSR at Ramalingeswara Nagar	8439051	12/01/2005	31/12/2006
2	Providing 400 mm dia AC Class 15 and 250 mm dia D/F pumping main to Karmikanagar	5802486	12/01/2005	6 months
3	Providing 400 mm, 450 mm and 500 mm dia RCC sewer line along Gopala Reddy road from Raja Gopalachari street to Dornakal road junction and Kaleswara Rao road in 18th division	6847876	18/12/2006	17/09/2007
4	Providing and laying of 400 mm dia to 200 mm dia HDPE distribution line from governorpet reservoir to Dornakal road to red circle	5148958	10/07/2006	04/06/2007
5	Providing water supply distribution lines in Gulammohiddin nagar poor settlements in 6th division	4097096	28/9/2007	27/12/2007
6	Providing DI pumping main to Gangireddula dibba and ODA and Mythri nagar	4866640	11/08/2007	03/07/2008
7	Providing water supply distribution in Karmikanagar settlements under BSUP	3814317	11/08/2007	03/07/2008
8	Restoration of UGD Trenches in revenue colony	1347591	28/11/2007	27/2/2008
9	Providing BT surface dressing with cold mix process to road no. 7 from new RTC colony main road to Bundar canal bund	696405	14/9/2007	13/11/2007
10	Construction of CC drains in Darsipet II poor settlements in 12th division	773062	17/9/2007	16/12/2007
11	Providing BT Surface dressing	681991	22/9/2007	21/12/2007
12	Providing BT surface to venkatappaiah street extra BT road to Karivepakuthota	1103100	28/3/2007	28/9/2007
13	Construction of CC drains to Eastern side of patel road	4788473	20/4/2007	19/7/2007
14	Construction of culvert crossing, bandar canal north side bund UDA	196581	17/9/2007	16/12/2007
15	Providing CC pavement to 1st cross road No. 1 in city central colony in Division 17	626517	14/8/2007	13/11/2007
16	Providing WBM portion from Sikhamani center to Red circle	1768863	24/8/2007	23/11/2007
17	Providing BT road to Pinnamaneni vari street with cold mix process from Sikhamani center to red circle	439823	11/05/2007	01/04/2008
18	Providing foot paths on out fall drain in eluru road with side from old bus stand to vijaya mahal centre	4500103	11/08/2007	05/07/2008
19	Restoration of UGD and water supply Trenches to Karakatta road	480843	11/12/2007	01/11/2008
Total		56419776		

Appendix - 11
(Reference to Paragraph 3.1.5 Page 87)
Statement showing details of Non remittance of statutory deductions
(in Rupees)

Sl. No	Name of the Mandal Praja Parishad Office	District	Year of pendency	Seignorage charges	Sales Tax	Income Tax	Total
1	Addakal	Mahaboobnagar	2002-05	172809	1263	1356	175428
2	Alur	Kurnool	2002-05	118200	6119	5396	129715
3	Bhadrachalam	Khammam	2002-06	261163			261163
4	Bainsa	Adilabad	2001-05	89924		2124	92048
5	Bijinapaly	Adilabad	2002-06	135478	8219	8278	151975
6	Atmakur	Kurnool	2000-05	52305	145	3730	56180
7	Alair	Mahaboobnagar	--		24641	21972	46613
8	Chigurumamidi	Karimnagar	2000-02	116144			116144
9	Chinnuru	Adilabad	--	22398			22398
10	Chevalla	Rangareddy	--	24967		27876	52843
11	Devarakonda	Mahaboobnagar	2001-06	95653	2666	15907	114226
12	Dornakal	Warangal	2005-06	57184	36136		93320
13	Dharmasagar	Warangal	2001-06	1043623			1043623
14	Eturunagaram	Warangal	2004-05	498717			498717
15	Ghatakeswar	Rangareddy	2002-06	176743	207381	102944	487068
16	Gooty	Anantapur	2005-06	115088	79797		194885
17	Gopalapuram	West Godavari	2003-07	157265	52874		210139
18	Indukurpet	Nellore	--		21830	8505	30335
19	Kamanpur	Karimnagar	2001-06	776509			776509
20	Vikarabad	Rangareddy	2005-06	41880			41880
21	Kamareddy	Nizamabad	2002-06	25833	4130	17676	47639
22	K.Samudram	Warangal	2005-06	82679	69415		152094
23	Kothakota	Mahaboobnagar	2001-05	102599	2772	2028	107399
24	Koilakunda	Mahaboobnagar	2000-05	233339		19641	252980
25	Krishnagiri	Kurnool	2001-05	102428	235278	3830	341536
26	Lazitpet	Adilabad	2000-05	330640			330640
27	Mancharial	Adilabad	2001-06	106400			106400
28	Monubolu	Nellore	2001-06	9715			9715
29	Moinabad	Rangareddy	2002-06	76016	43928		119944
30	Mydukur	Kadapa	2001-03	138035			138035
31	Nekkonda	Warangal	--	32374			32374
32	Shabad	Rangareddy	1996-06	327006			327006
33	Sankarpally	Rangareddy	2002-04	38262	1538	669	40469
34	Thandur	Rangareddy	2002-05	23281			23281
35	Koilakuntla	Kurnool	2002-05	91034	5913	5413	102360
36	Mahaboobnagar	Mahaboobnagar	2002-06	126411		33268	159679
37	Medak	Medak	1999-06	49643		3391	53034
38	Nirmal	Adilabad	2004-05	279360			279360
39	Parkala	Warangal	-	411000			411000
40	Pebbair	Mahaboobnagar	2004-06	51980			51980
41	Pulenvendla	Kadapa	2005-06	32144			32144
42	Undi	West Godavari	1998-07	280949	112245	5498	398692
43	Ungutur	West Godavari	2003-06	83452	80827	28215	192494
Total				6990630	997117	317717	8305464

Appendix 12
(Reference to Paragraph 3.1.6 Page 88)
Statement showing the details of unspent balances not transferred back
(in Rupees)

Sl No.	Name of the Mandal Praja Parishad Development Office	District	Scheme/Grant	Amount
1	Bhainsa	Adilabad	Janmaboomi	13622
2	Mancherial	Adilabad	DCP	339239
3	Kothakota	Mahaboobnagar	Janmaboomi	213785
4	Pebbair	Mahaboobnagar	IJRY, NOAP, Drinking water, SC/ST Wells, JRY, Land Development	1130957
5	Domakonda	Nizamabad	Janmaboomi	669000
6	Vemsuru	Khammam	Janmaboomi	67513
7	Bhadrachalam	Khammam	Janmaboomi	94262
8	Khammam (Rural)	Khammam	Janmaboomi, SC/ST Wells	105158
9	Krishnagiri	Kurnool	Janmaboomi, SC/ST Wells, JRY	14181
10	Mydukur	Kadapa	Janmaboomi	159704
11	Sankara pally	Rangareddy	Janmaboomi	21298
12	Kamareddy	Nizamabad	ISL, SC/ST Wells, Janmaboomi	182065
Total				3010784

Appendix – 13
(Reference to paragraph 3.1.7 Page 88)
Statement showing the details of shortfall in collection of Taxes in GPs
(Rupees in lakh)

Sl. No.	District	No. of GPs	House Tax	Water Tax	Drainage Tax	Lighting Tax	Library Tax
1	Adilabad	57	92.89	7.90	0.30	3.25	2.67
2	Anantapur	84	83.76	17.47	0.53	5.78	17.47
3	Kadapa	38	194.72	0.58	0	0	0.96
4	Kurnool	55	31.64	5.57	0.72	0.32	0.88
5	Khammam	54	144.50	0.67	0	0.92	5.06
6	Krishna	57	239.35	15.49	0	0	18.62
7	Nalgonda	68	61.79	8.31	0	1.15	1.71
8	Nizamabad	58	31.78	18.65	9.97	6.47	40.71
9	Prakasam	81	380.83	49.26	0	0.15	7.43
10	Srikakulam	78	86.32	5.17	2.26	1.74	1.61
11	Warangal	56	113.28	9.01	0.34	5.63	2.33
12	West Godavari	55	38.89	10.78	0	0.50	4.93
Total		741	1499.75	148.86	14.12	25.91	104.38

Appendix – 14
(Reference to Paragraph 3.1.7 Page 88)

Statement showing the details of shortfall in collection of Non Tax receipts in GPs

(Rupees in lakh)

SI No	District	Total Number of GPs audited	Demand	Collection	Balances
1	Adilabad	57	22.32	15.87	6.45
2	Anantapur	84	50.52	21.76	28.76
3	Kadapa	38	94.18	68.31	25.87
4	Kurnool	55	43.27	29.28	13.99
5	Khammam	54	2.88	0.99	1.89
6	Krishna	57	169.23	72.63	96.60
7	Nalgonda	68	21.01	11.31	9.70
8	Nizamabad	58	100.16	56.15	44.01
9	Prakasam	81	57.68	25.39	32.29
10	Srikakulam	78	50.62	32.98	17.64
11	Warangal	56	44.47	13.22	31.25
12	West Godavari	55	53.78	39.86	13.92
Total		741	710.12	387.75	322.37

Appendix – 15
(Reference to Paragraph 3.1.7 Page 89)
Statement showing the details of pending remittance of statutory recoveries in GPs

(Rupees in lakh)

SI No	District	Total Number of GPs audited	Pending remittance of statutory recoveries
1	Adilabad	57	2.02
2	Anantapur	84	0.20
3	Kadapa	38	1.39
4	Kurnool	55	0.57
5	Krishna	57	3.14
6	Nalgonda	68	2.38
7	Srikakulam	78	0.57
8	Warangal	56	0.83
9	West Godavari	55	0.52
Total		548	11.62

Appendix – 16
(Reference to Paragraph 3.1.7 Page 89)
Statement showing the details of non accountal of stock inGPs
(Rupees in lakh)

SI No	Name of the District	Total Number of GPs audited	Value of Stock not taken in to account
1	Adilabad	57	88.85
2	Anantapur	84	17.33
3	Kadapa	38	15.23
4	Kurnool	55	45.11
5	Khammam	54	7.88
6	Krishna	57	0.60
7	Nalgonda	68	53.92
8	Nizamabad	58	13.47
9	Prakasam	81	22.19
10	Srikakulam	78	43.03
11	Warangal	56	16.96
12	West Godavari	55	3.75
Total		741	328.32

Appendix – 17
(Reference to Paragraph 3.2.9 Page 98)
Statement showing the details of diversion of scheme funds
(Rupees in lakh)

Sl.No	Name of the ULB	Years in which diverted	Name of the Grant/Fund	Amount	Purpose of utilisation	Reply of department
1.	Nizamabad Municipal Corporation	2005	Adverse Seasonal Condition Grant	22.55	Transferred to General fund	No reply
2.	Ananthapur Municipal Corporation	2001	NSDP	100.50	Transferred to General fund for payment of salaries	No reply
		1996	MPLADS	12.50	Transferred to General fund for payment of salaries	No reply
3.	Bodhan Municipal Council	2005	Office Building Grant	35.00	Payment of salaries to staff	Proposal for ratification of diversion was sent to CDMA
4.	Bobbili Municipality	2005-06	Interest accrued on NSDP	0.86	Transferred to General fund	No refund made to the scheme fund
5.	L.B. Nagar Municipality	2001	ILCS	20.00	Transferred to General fund	No reply
Total				191.41		

GLOSSARY

AAR	Annual Administrative Report
APPR ACT	Andhra Pradesh Panchayat Raj Act
APREGS	Andhra Pradesh Rural Employment Guarantee Scheme
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
C&AG	Comptroller and Auditor General of India
CAP	Comprehensive Action Plan
CDMA	Commissioner and Director of Municipal Administration
CEO	Chief Executive Officer
CMC	Computer Maintenance Corporation
CMD	Contract Minimum Demand
DBA	Data Base Administration
DCB	Demand Collection and Balance
DEO	Data Entry Operator
DFID	Department for international development
DPC	District Planning Committee
DPO	District Panchayat Officer
DRDA	District Rural Development Agency
DRR	Department Road Rollers
DSR	District Schedule of Rates
DTCP	Director Town and Country Planning
DWCRA	Development of Women and Child in Rural Areas
DWMA	District Water Management Agencies
EA	Examiner of Accounts
EE	Executive Engineer
EFC	Eleventh Finance Commission
EOAT	Extension of Agreement Time
FDR	Fixed Deposit Receipt
GHMC	Greater Hyderabad Municipal Corporation
GIS	Geological Information Systems
GLSR	Ground Level Service Reservoirs
GMC	Guntur Municipal Corporation
GOAP	Government of Andhra Pradesh
GOI	Government of India
GP	Gram Panchayat
GS	Gram Sabha
GVMC	Greater Visakhapatnam Municipal Corporation
HBA	House Building Advance
HR	Human Resource
HUDCO	Housing and Urban Development Corporation
IDEA	Interactive Data Extraction and Analysis
IDSMT	Integrated Development of Small and Medium Towns
IT	Information Technology
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
LAN	Local Area Network
LOC	Letter of Credit
MCH	Municipal Corporation of Hyderabad
MEO	Mandal Engineering Officer
MLA	Member of Legislative Assembly

MLC	Member of Legislative Council
MNP	Minimum Needs Programme
MOU	Memorandum of Understanding
MP	Member of Parliament
MPDO	Mandal Parishad Development Officer
MPLAD	Mandal of Parliament Local Area Development
MPP	Mandal Praja Parishad
MPTC	Mandal Parishad Territorial Constituency
MSW	Municipal Solid Waste
MT	Metric Tones
NBCC	National Building Construction Corporation
NFFWP	National Food for Work Programme
NIC	National informatics centre
NMAM	National municipal accounts manual
NREGS	National Rural Employment Guarantee Scheme
NSDP	National Slum Development Programme
O&MP	Operation and Maintenance Plan
OBB	Operation Black Board
OHSR	Over Head Storage Reservoir
PAES	participatory annual evaluation study
PAO	Pay and Accounts Officer
PD	Personal Deposit Account
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
RIDF	Rural Infrastructure Development Fund
ROB	Road Over Bridge
RRM	Rural Roads Maintenance
RWS	Rural Water Supply
SEGF	State Employment Guarantee Fund
SEGS	State Employment Guarantee Council
SFC	State Finance Commission
SGRY	Sampoorna Grameena Rozgar Yojana
SHG	Self Help Group
SPIU	Strategy and Performance Innovation Unit
SRSWOR	Simple Random Sampling Without Replacement
TFC	twelfth finance Commission
TTC	Tailoring Training Centre
UC	Utilisation Certificate
ULBs	Urban Local Bodies
VMC	Vijayawada Municipal Corporation
VOICE	Vijayawada Online Information Centre
ZGS	Zilla Grandhalaya Samstha
ZPP	Zilla Praja Parishad
ZPTC	Zilla Parishad Territorial Constituency