
Overview

1 About this Report

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

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

2 Background

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

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

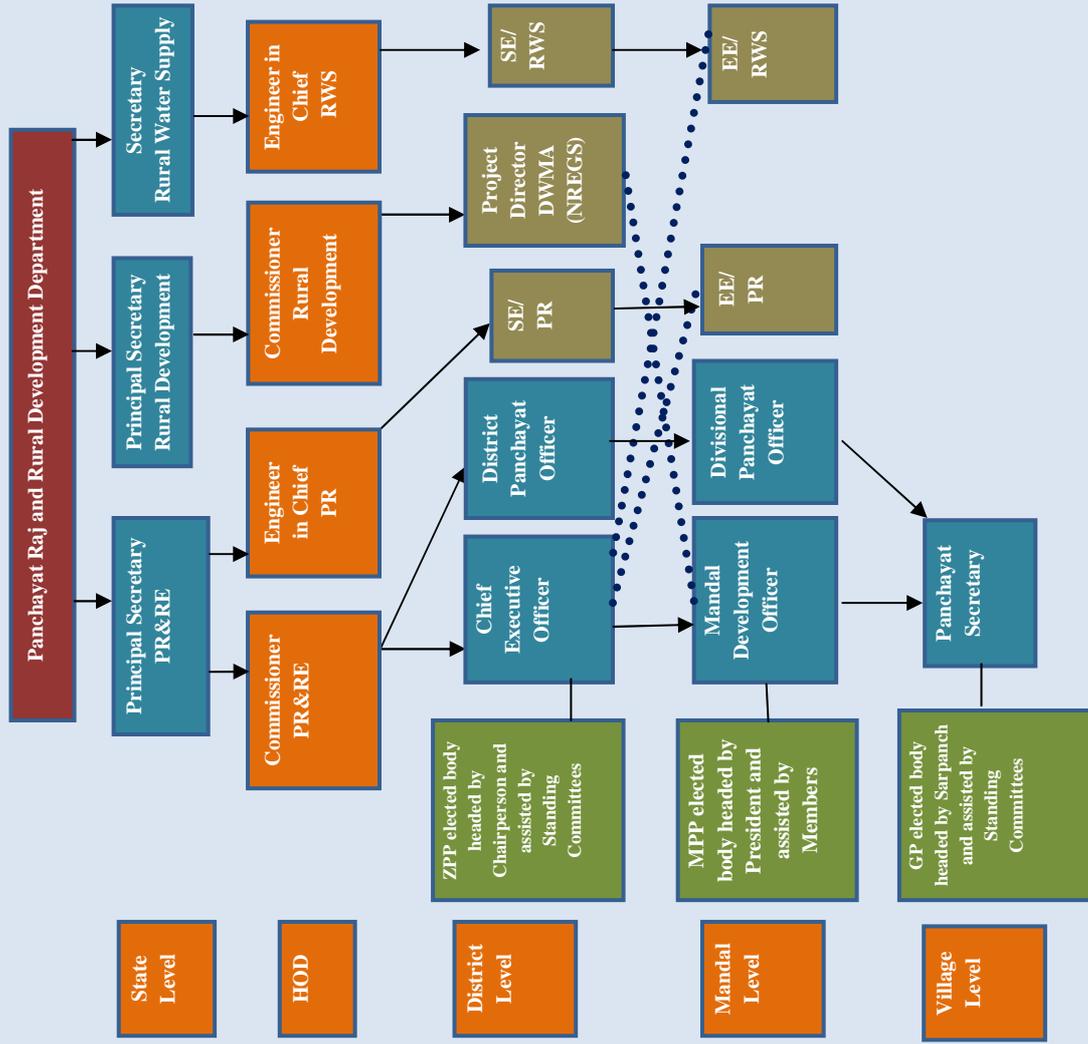
Accordingly, State Government enacted Andhra Pradesh Panchayat Raj (APPR) Act in 1994 repealing all the existing Acts, to establish a three-tier system at Village, Mandal and District levels. Further, Andhra Pradesh Municipal Corporations Act, 1994 was enacted to set up Municipal Corporations in the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

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

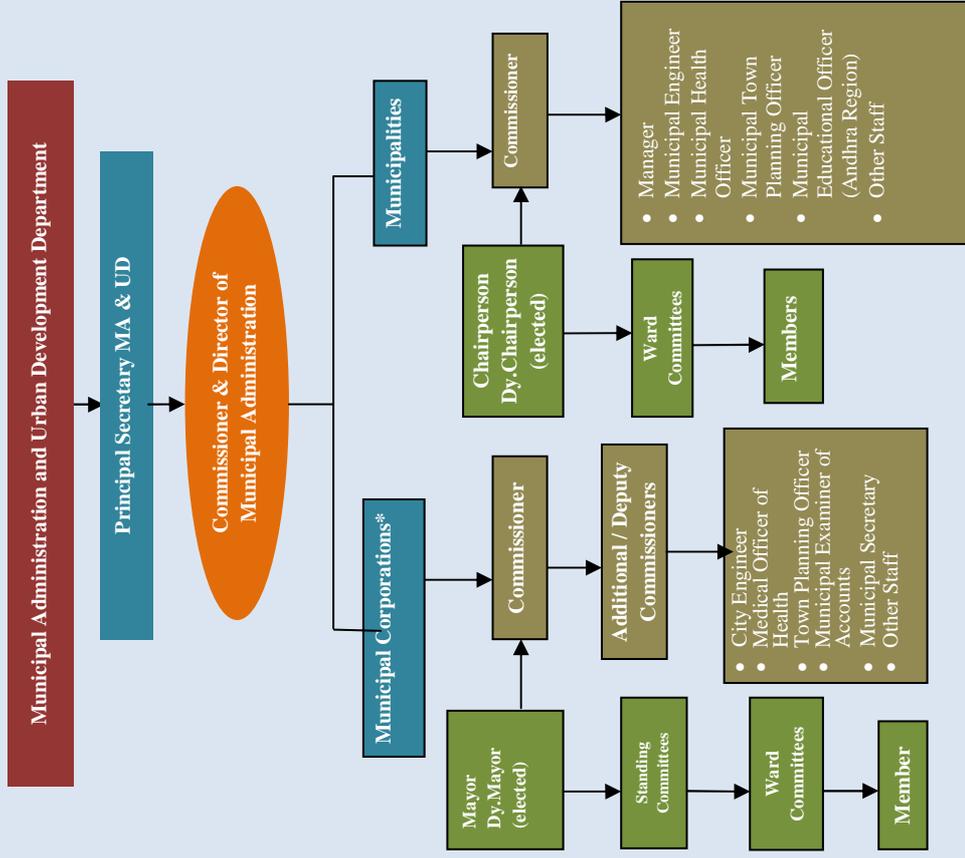
3 Organisational set-up

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

Organisational set-up of PRIs and ULBs



Dotted lines represent partial supervision



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

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

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

4 Significant Audit Observations

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

4.1 Performance audit on Watershed management

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

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

(Paragraph 2.7.2)

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

(Paragraph 2.8.5)

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

(Paragraph 2.9)

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

(Paragraphs 2.8.6 and 2.9.2)

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

(Paragraph 2.10.1)

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

(Paragraph 2.10.2)

4.2 Compliance audit paragraphs

4.2.1 Receipts of Panchayats

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

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

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

(Paragraph 3.1)

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

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

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

(Paragraph 3.2)

4.2.3 Payment for fuel charges by Greater Hyderabad Municipal Corporation

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

(Paragraph 3.3)

4.2.4 Unauthorised Advertisement boards in Hyderabad

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

(Paragraph 3.4)

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

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

(Paragraph 3.5)